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**FIRM BROCHURE (FORM ADV Part 2A)**

**January 13, 2017**

This Brochure provides information about the qualifications and business practices of RidgeWorth Capital Management LLC ("RidgeWorth"). If you have any questions about the contents of this Brochure, please contact us at 404-845-7700 or [www.ridgeworth.com](http://www.ridgeworth.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

RidgeWorth is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about RidgeWorth is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## ITEM 2 MATERIAL CHANGES

This Brochure, dated January 13, 2017, was prepared according to the SEC's requirements and rules. This Item is used to provide a summary of new or updated material information since the last annual update of our Brochure on March 28, 2016.

We made the following material change to Item 4 Advisory Business:

Added the following language:

In December 2016, it was announced that certain employees of RidgeWorth Investments and its wholly owned subsidiaries, together with affiliated investment funds of Lightyear Capital LLC, have entered into a definitive agreement under which RidgeWorth will be acquired by Virtus Investment Partners ("Virtus"). Virtus, a publicly traded firm, is singularly committed to the long-term success of individual and institutional investors, offering asset management through its affiliated managers and select subadvisers. The combined firms will manage almost \$87 billion in institutional and retail client assets (based on September 30, 2016 assets under management). This transaction is expected to close in mid-2017.

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Part 2A – Wrap Fee (not applicable)

## ITEM 4 ADVISORY BUSINESS

RidgeWorth Capital Management LLC (“RidgeWorth” or the “Firm”) is an investment adviser registered with the SEC and a money management holding company. RidgeWorth has been registered with the SEC since 1985, and was originally named Trusco Capital Management and later RidgeWorth Capital Management, Inc. On May 23, 2014, RidgeWorth converted from a Georgia corporation to a Delaware limited liability company and became the successor of RidgeWorth Capital Management, Inc. RidgeWorth also conducts business under the name RidgeWorth Investments (see [www.RidgeWorth.com](http://www.RidgeWorth.com)).

RidgeWorth was formerly a majority owned subsidiary of SunTrust Banks, Inc. (“SunTrust”), a publicly traded financial services holding company. On May 30, 2014, certain employees of RidgeWorth and its wholly owned subsidiaries, alongside affiliated investment funds of Lightyear and co-investors, acquired all outstanding equity interest of RidgeWorth from SunTrust. RidgeWorth is now an independent investment firm with equity ownership by employees. Lightyear is a private equity firm that invests primarily in North America-based, middle-market financial services companies. In December 2016, it was announced that certain employees of RidgeWorth and its wholly owned subsidiaries, together with affiliated investment funds of Lightyear, have entered into a definitive agreement under which RidgeWorth will be acquired by Virtus Investment Partners (“Virtus”). Virtus, a publicly traded firm, is singularly committed to the long-term success of individual and institutional investors, offering asset management through its affiliated managers and select subadvisers. The combined firms will manage almost \$87 billion in institutional and retail client assets (based on September 30, 2016 assets under management). This transaction is expected to close in mid-2017.

RidgeWorth provides discretionary and non-discretionary advisory services to clients through the below affiliated boutiques (individually, a “Boutique”, or collectively, the “Boutiques”), each of which is an investment adviser registered with the SEC. These Boutiques are style-specific investment advisers specializing in the following categories of investment management disciplines:

Style	Boutique	Website	RidgeWorth Ownership
Growth Equity	Silvant Capital Management LLC	<a href="http://silvantcapital.com">silvantcapital.com</a>	100%
Value Equity	Ceredex Value Advisors LLC	<a href="http://ceredexvalue.com">ceredexvalue.com</a>	100%
High Grade, High Yield, Short Duration and Tax Exempt Fixed Income	Seix Investment Advisors LLC	<a href="http://seixadvisors.com">seixadvisors.com</a>	100%
Aggressive Growth Equity	Zevenbergen Capital Investments LLC	<a href="http://zci.com">zci.com</a>	20%

See Boutique websites for a detailed description of each Boutique. RidgeWorth provides discretionary investment supervisory services to investment companies (“Mutual Funds”), including the RidgeWorth Funds, registered under the Investment Company Act of 1940, as amended (“1940 Act”). With the exception of the Asset Allocation Funds which are not subadvised, the RidgeWorth Funds are subadvised by the Boutiques and by subadvisers unaffiliated with RidgeWorth. RidgeWorth also provides investment advisory services to collective funds; Undertakings for Collective Investment in Transferable Securities (“UCITS”) authorized under the European Directive; institutional clients including pension and profit sharing plans, educational endowments and related funds, public and private foundations, governmental entities, other corporate entities; and high net worth clients. In addition, RidgeWorth provides investment advisory services to a separately managed S&P 500 index account. We may contract directly with the client for these services or we may act as subadviser under contracts with the entity which has the direct contract with the client. A client can receive advisory or other services

directly through RidgeWorth. RidgeWorth may establish an account for such client, and depending on whether the client desires a single or multi-discipline investment focus, RidgeWorth may: (i) utilize one or more of the relevant Boutique(s) to subadvise RidgeWorth (pursuant to written subadvisory agreements executed between the Boutiques and RidgeWorth) in providing such services to such client; and/or (ii) provide such services directly to clients without utilizing any of its Boutiques. Clients also may contract for advisory services directly with the Boutiques.

Investment management services are provided in accordance with written investment advisory contracts based on a client's specific investment guidelines. Clients can place reasonable restrictions on RidgeWorth's investment discretion. The most common restrictions are social restrictions or those that prohibit us from buying specific companies. Investment guidelines and restrictions must be provided to RidgeWorth in writing, and may impact performance.

RidgeWorth also has a wholly owned subsidiary headquartered in London, England. The representatives of this office will be introducing RidgeWorth investment advisory services to institutional entities within the United Kingdom and certain other European Economic Area member states, and to Sovereign Wealth funds and other foreign official institutions globally.

As of 12/31/2015, RidgeWorth and its Boutiques as noted above had consolidated assets under management of \$37.7 billion. Discretionary assets under management for those accounts contracted directly with RidgeWorth, including the RidgeWorth Funds, was \$18.4 billion as of 12/31/2015. Non-discretionary assets under management for those accounts contracted directly with RidgeWorth totaled \$300.5 million as of 12/31/2015.

RidgeWorth also provides non-discretionary advisory services directly or indirectly through its Boutiques. Pursuant to written agreements, RidgeWorth may provide asset allocation solutions, investment consulting, investment and investment policy monitoring, and advice relating to current and future investments, along with periodic reports and in-person reviews. Clients retain discretion over all assets under consulting arrangements, and are responsible for implementing or declining to implement any consulting services or advice provided by RidgeWorth. RidgeWorth also generally will count its non-discretionary accounts as "assets under management" even if RidgeWorth does not ultimately direct the trade after client consent. RidgeWorth participates in various intercompany agreements with the Boutiques and other financial and operating business arrangements which may benefit one or more affiliated parties. RidgeWorth serves as a non-discretionary investment adviser to the RidgeWorth Collective Trust and receives fees for the non-discretionary investment advisory services it provides.

## **ITEM 5 FEES and COMPENSATION**

RidgeWorth charges most of its clients a fixed-percentage fee per annum for investment advice based on assets under management, payable quarterly in arrears. Assets under management include a client's uninvested cash position for which RidgeWorth does not provide investment advice. RidgeWorth reserves the right to negotiate all fees and annual minimums based on individual client considerations. Initial fees are calculated based upon the number of days in the quarter the account came under management. Subsequent quarters are billed in full unless clients terminate the relationship prior to the end of the quarter, in which case the fee is prorated for the number of days prior to termination. RidgeWorth will invoice the client or the client's custodian directly as instructed by the client in the investment advisory agreement. A client may authorize its custodian to debit its account for the investment advisory fee and remit directly to RidgeWorth. It is important that you compare the client reports you receive directly from us to the statements you receive from your custodian. RidgeWorth's standard advisory contract is cancelable by either a client or RidgeWorth 30 days after receipt or delivery of written notice. Other termination conditions may be negotiated to accommodate special client requirements.

If RidgeWorth uses one of its Boutiques as subadviser in providing advisory services to clients, such clients will not incur any increase in advisory or other fees as a result of such subadvisory arrangement. RidgeWorth will share its fees with any Boutiques providing subadvisory services to RidgeWorth.

## ADVISORY FEE SCHEDULES

RidgeWorth's basic asset allocation advisory fee schedule is primarily based on the market value of the assets under management and is as follows:

Asset Allocation <sup>1</sup>
0.20% on first \$10 million
0.15% on next \$40 million
0.10% on all > \$50 million
Minimum Annual Fee \$10,000

RidgeWorth also provides investment advisory services to a separately managed S&P 500 index account for which fees have been negotiated. For the fee schedules of disciplines offered by RidgeWorth's Boutiques, please refer to Item 5 of each Boutique's Form ADV Part 2A.

In addition to RidgeWorth's investment management fees, clients' accounts pay trading costs. See Item 12 Brokerage Practices. RidgeWorth does not custody client assets, thus client will contract separately with a qualified custodian and pay custody fees charged by its selected custodians.

RidgeWorth or Boutiques act as adviser or subadviser to one or more Mutual Funds, UCITS, or unregistered funds, including but not limited to LPs, LLCs, foreign funds, CLOs, etc. ("Private Funds", and together with Mutual Funds, "Funds") or manage accounts that invest in such Funds or third party Funds.

To the extent that client accounts are invested in Mutual Funds, these funds generally charge a management fee for their services as investment managers. This management fee, along with other charges, is included in the "expense ratio" of the fund. These fees are described in each fund's prospectus and are in addition to the fees you pay to RidgeWorth. However, when a RidgeWorth portfolio manager determines to invest assets of an individual discretionary client in a Mutual Fund for which it (or an affiliate) also acts as adviser and receives an investment advisory fee, the Firm will not charge an account level fee on the market value of assets held in the Mutual Fund. If the client account is in an asset allocation strategy using Mutual Funds, including the RidgeWorth Funds, an asset allocation fee is charged in addition to the management fees the funds pay to the adviser for investment management of the funds.

Private Fund fees vary by Private Fund and are described in each Private Fund's offering memorandum.

Some of our supervised persons accept compensation via an internal sales bonus for the sale of securities or other investment products, including asset-based sales charges from the sale of affiliated Mutual Funds which pay us an advisory fee.

This practice presents a conflict of interest and gives us and our supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. We address conflicts that arise, including disclosing the conflicts to clients. The Firm's supervised persons do not typically talk with or promote products to individuals. Supervised persons talk with platform partners and advisors about potential investments and those firms' supervised persons have the responsibility of assessing the needs of the end client. The Firm's supervised persons do talk directly with institutional prospects and/or institutional clients.

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<sup>1</sup> This is in addition to the underlying investment management fees for the underlying Mutual Funds.

Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

## **ITEM 6 PERFORMANCE-BASED FEES and SIDE BY SIDE MANAGEMENT**

In certain instances, RidgeWorth may be compensated for investment advisory services based on a share of the overall account performance of all or a portion of client assets (an “incentive fee”). The terms of any incentive fee are based upon a negotiated arrangement with the client. RidgeWorth anticipates that such client relationships and arrangements will also pay “base fees” calculated on the market value of the assets under management. RidgeWorth will enter into an incentive fee arrangement only at a client’s request, and only if the client meets the definition of a qualified client under Section 205-3 of the Investment Advisers Act of 1940, as amended (“Advisers Act”).

RidgeWorth currently does not have any clients with an incentive fee; however, Boutiques may have clients with such fees. Please refer to Item 6 of the Boutiques’ ADV Part 2As for further information.

Performance-based fee arrangements create conflicts of interests. RidgeWorth/Boutiques can potentially receive higher fees from accounts with a performance-based compensation structure than from those accounts that pay an asset-based fee as described in Item 5. For example, RidgeWorth may have an incentive to recommend investments which may have more risk or direct the best investment ideas to the account that pays a performance-based fee, or to allocate or sequence trades in favor of the performance fee account. To manage these conflicts, RidgeWorth’s policies and procedures are designed and implemented to verify that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients. These include, but are not limited to the following:

- Portfolio managers are not compensated based on the performance of such an account, but rather one component of their incentive plan is the performance of the respective strategy as a whole.
- Trade allocation policies and procedures are designed to accomplish fair and equitable treatment to all clients and to prevent this conflict from influencing the allocation of investment opportunities among clients.
- A periodic review is conducted of dispersion (difference in performance) among all the accounts managed in the respective strategy.

## **ITEM 7 TYPES OF CLIENTS**

RidgeWorth serves as adviser to investment portfolios of a family of Mutual Funds known as the RidgeWorth Funds, advises or subadvises collective trust funds, and also serves as adviser to an Irish Collective Fund, Undertakings for Collective Investment in Transferable Securities authorized under the European Directive (“UCITS”). In addition, RidgeWorth provides investment advisory services to institutional clients including pension and profit sharing plans, educational endowments and related funds, public and private foundations, governmental entities, and other corporate entities as well as high net worth clients. In addition, RidgeWorth provides investment advisory services to a separately managed S&P 500 index account.

RidgeWorth may contract directly with the client for these services, or may act as subadviser pursuant to various subadvisory agreements including with other unaffiliated Mutual Funds or Mutual Fund families and separately managed accounts.

RidgeWorth also provides investment advice indirectly to certain clients of SunTrust Bank through a master subadvisory and services agreement. When providing advisory services to any of the foregoing or other clients, RidgeWorth may subadvise to one or more of its Boutiques, pursuant to written subadvisory agreements executed between the applicable Boutique(s) and RidgeWorth that govern the provision of services to the client. Certain of the RidgeWorth Funds are also subadvised by investment advisers unaffiliated with RidgeWorth.

RidgeWorth's basic fee schedules for investment advisory services and supervisory services for institutional separately managed accounts are generally subject to a minimum annual fee of \$10,000 and an initial asset base of \$10 million or more. However, fees and minimum initial set base amounts may be subject to modifications and negotiations to accommodate special client requirements.

## ITEM 8 METHODS of ANALYSIS, INVESTMENT STRATEGIES and RISK of LOSS

### METHODS OF ANALYSIS

RidgeWorth methods of analysis include charting, fundamental, technical and cyclical.

**Charting** - In this type of technical analysis, charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Also charts of market, security and economic data are used to help identify the timing of the market moving up or down and to predict how long trends may last and when trends might reverse. A chart is a historical record of price movements. Charting will often reveal patterns that repeat over and over with the same outcome, but there is no guarantee in finding these tendencies and patterns or that historical records are an indicator of current or future movements.

**Fundamental** - Fundamental analysis uses real data to evaluate a security's value. For example, fundamental analysis can be performed on a bond's value by looking at economic factors, such as interest rates and the overall state of the economy, and information about the bond issuer, such as potential changes in credit ratings. For assessing stocks, this method uses revenues, earnings, future growth, return on equity, profit margins and other data to determine a company's underlying value and potential for future growth. In terms of stocks, fundamental analysis focuses on the financial statements of the company being evaluated. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating a security.

**Technical** - This form of value analysis focuses on patterns of volume and price fluctuations for a given stock as compared to the activity of the larger, general market indicators. Securities are evaluated for purchase or sale based on an analysis of market statistics such as volume and prices over time as seen on charts, etc. that are believed to establish relational patterns that can predict future movements in the markets. This relative comparison has little or no concern for any company's fundamental structure, production or worth. Technical analysis assumes that all the market factors are known to and considered by all the market's participants, although the market can act in irrational ways. Technical analysis purports to see repeatable patterns in similar market conditions, but any one of many factors may alter the outcome of an otherwise similar situation.

**Cyclical** - There are industries in which profits rise and fall on a cyclical basis. As profits of companies follow cyclical patterns, so do their stocks: going up and down, reflecting the current stage of the business cycle. There are a wide variety of industries that can be described as having distinct business cycles: oil and gas, semi-conductors, car-manufacturing, mining, home-building, fertilizer production and many others. Their main feature is that their profits and thus their stock prices follow similar rising and falling patterns over the long run. There is no guarantee that historical trends will indicate current cycles.



## SOURCES OF INFORMATION

Sources of information used by RidgeWorth include financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; corporate rating services; annual reports, prospectuses, filings with the SEC; and company press releases. In addition to publicly available sources of information, RidgeWorth also uses internal research developed by its investment professionals as well as the Boutiques' investment professionals.

## INVESTMENT STRATEGIES

As noted in Item 4, RidgeWorth and the Boutiques offer several different investment disciplines and strategies. RidgeWorth, as noted in Item 7 above, generally uses one or more of its Boutiques to provide subadvisory services to RidgeWorth in the provision of services. See Item 8 of each Boutique' Brochure for the description of the methods of analysis, investment strategies and risk of loss applicable to each investment discipline.

RidgeWorth manages four asset allocation Mutual Funds of the RidgeWorth Fund family. These four target risk funds have specific ranges for equity exposure. The funds invest in selected RidgeWorth Funds, ETFs and money market funds, and pay transaction costs such as commissions when it buys and sells securities. A high portfolio turnover rate may indicate high transaction costs and may result in higher taxes when fund shares are held in a taxable account. The value of an investment in these funds is based primarily on the performance of the underlying funds and the allocation of the funds' assets among them. See the prospectus at [www.ridgeworth.com](http://www.ridgeworth.com) for a description of the risks involved in the purchase of the underlying securities.

### Overview:

The RidgeWorth Allocation Strategies are 4 target-risk diversified strategies comprised of selected RidgeWorth Funds and ETFs.

Conservative Allocation Strategy:	20-40% Equities	50-80% Fixed-Income	0-20% Cash
Moderate Allocation Strategy:	40-60% Equities	30-60% Fixed-Income	0-20% Cash
Growth Allocation Strategy:	60-80% Equities	10-40% Fixed-Income	0-20% Cash
Aggressive Growth Allocation Strategy:	70-90% Equities	10-30% Fixed-Income	0-20% Cash

The approach used to manage the RidgeWorth Allocation Strategies can also be used in a separately managed account for clients that have more specific risk tolerance requirements.

### PROCESS:

The portfolio manager seeks to leverage the knowledge and experience of the various RidgeWorth specialty boutiques with internal and third-party research to develop and manage blends of RidgeWorth equity and fixed-income funds as well as ETFs for each strategy. The senior management Investment Policy Group is an important source of information and idea exchange about the economy and the various markets to help inform fund strategy. This exchange, combined with internal research, third-party research, and direct fund manager conversations forms the nucleus of the strategy process. This information is then blended into the various Allocation Strategies. Portfolio shifts occur as market conditions warrant, and re-balancing occurs at least quarterly.

RidgeWorth's portfolio managers shall not be limited to specific investment vehicles or courses of action, but may invest in every kind of property and type of asset permitted by the governing documents and Investment Policy Statement. Investment decisions shall be made after consideration of general economic conditions, anticipated tax consequences of the investment, the anticipated duration or time horizon of the account, and the needs of the client as well as other factors.

The Firm shall determine that it has information necessary to exercise prudent judgment at the time of making an investment decision, including information regarding the inherent nature and expected performance of the investment, the attributes of the portfolio, the general economy, and the needs and objectives of the client, as well as other factors.

The securities markets have historically offered many other types of investments which do not fit precisely into specific categories, such as ADRs, repurchase agreements, reverse repurchase agreements, credit default swaps, interest rate and currency swaps, total return swaps, tender option bonds, guaranteed investment contracts, foreign exchange contracts, bank loan and related investment contracts, collateralized debt and loan obligations ("CDOs" or "CLOs"), synthetic securities, mortgage and asset backed securities, hedge funds, private equity, various types of floating and variable (including auction) rate securities, and emerging market securities. Certain investments may be considered to be higher risk than others due to liquidity, market place availability, underlying collateralization, etc., and therefore may not be suitable for all investors. RidgeWorth or Boutiques may use these or other securities in implementing a specific strategy.

The various types of securities generally utilized by a Boutique are more fully described in the Boutique's Form ADV Part 2A, Item 8. RidgeWorth may invest in any other security or property not described herein unless such investment is expressly prohibited by the terms of the client contract. Many of these securities, including but not limited to derivatives, foreign securities, high yield securities, variable securities and many categories of equities, such as small caps, pose special risk.

## **RISK OF LOSS**

All investments carry the risk of loss and there is no guarantee that any investment strategy will meet its objective. For investments in any pooled vehicles, please also refer to the prospectus, offering memoranda or other governing document that provides a more detailed discussion of strategies and risks. Depending on the type of security, your account may face the following investment risks:

**Asset Allocation Risk** – Asset allocation risk is the risk that the Fund could lose money as a result of less than optimal or poor asset allocation decisions as to how its assets are allocated or re-allocated.

**Equity Risk** - Investments in equity securities generally involve a high degree of risk. Prices are volatile and market movements are difficult to predict. These price movements may result from factors affecting individual companies or industries. Price changes may be temporary or last for extended periods. In addition to, or in spite of, the impact of movements in the overall stock market, the value of investments may decline if the particular investments within the portfolio do not perform well in the market. Prices of growth stocks may be more sensitive to changes in current or expected earnings than prices of other stocks. Prices of stocks may fall or fail to appreciate regardless of movements in securities markets.

**Market Risk** - The success of client portfolio activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws, trade barrier, currency fluctuations and controls, and national and international political circumstances. These factors may affect the level of volatility of securities prices and the liquidity of investments in client portfolios. Such volatility or illiquidity could impair profitability or result in losses.

**Extraordinary Events** - Global terrorist activity and United States involvement in armed conflict may negatively affect general economic fortunes, including sales, profits, and production, and may lead to depressed securities prices and problems with trading facilities and infrastructure.

**Fixed Income Risks** - Investments in fixed income securities represent numerous risks such as credit, interest rate, reinvestment, and prepayment risk. These risks represent the potential for a large amount of price volatility. In general, securities with longer maturities are more sensitive to price changes. Additionally, the prices of high yield, fixed-income securities fluctuate more than high quality debt issues. Prices are especially sensitive to developments affecting a company's business and to changes in the

ratings assigned by rating agencies. Prices are often closely linked with a company's stock prices. High yield securities can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sales by major investors, default, or other factors.

Developments in the credit market may have a substantial impact on the companies in which we may invest and will affect the success of such investments. In the event of a default, the investment may suffer a partial or total loss.

**Other Funds** - We may invest in other funds (including, but not limited to, U.S. or offshore unit investment trusts, open-end and closed-end mutual funds and hedge funds, private equity funds, venture capital funds, advisory accounts, real estate investment trusts, ETFs, or other private alternative or other investment funds, regardless of whether any of the foregoing investment vehicles are affiliated with us) (collectively, "Other Funds and Managers"). These Other Funds and Managers will charge their own management and other fees, so if we invest in them, you will bear an additional level of fees and expenses. Some of these funds may pay fees to us or our affiliates. Also, U.S. mutual funds generally must distribute all gains, including to investors who may not have an economic gain, which can lead to negative tax effects on investors, particularly non-U.S. persons. We may also invest in unit investment trusts or other similar vehicles designed to track the performance of a specific index or sector.

**Exchange Traded Funds (ETFs)** - While actively managed ETFs are growing in number, ETFs, like index funds, typically represent shares of ownership in funds, unit investment trusts, or depository receipts that hold set portfolios of securities which closely track the performance and dividend yield of specific indices (i.e. broad market indices, sector indices, international indices, etc.) without being actively managed. ETFs give investors the opportunity to buy or sell an entire portfolio of stocks in a single security. Unlike traditional mutual and index funds, ETFs typically issue and redeem shares only in large increments called "Creation Units" (e.g. a single Creation Unit may consist of 50,000 or 100,000 shares worth several million dollars). ETFs calculate their share value ("NAV") once a day in the same fashion as traditional mutual and index funds. An ETF's shares can also be purchased and sold in much smaller increments and for cash in the secondary market. Because ETFs trade like stock (unlike traditional mutual and index funds), we can margin, utilize hedging strategies on, and sell short ETFs in addition to simply buying ETFs long. These transactions, however, are not made at the ETF's NAV, but rather are made at market prices which may vary throughout the day and may differ from the ETF's NAV. Like any listed security, ETF shares can generally be purchased and sold at any time a secondary market is open. Except when aggregated in Creation Units, shares of an ETF are not redeemable securities. Accordingly, there is no guarantee that ETF shares will trade at or near NAV.

You may incur certain fees charged directly by an ETF when purchasing, holding, or selling Creation Units of an ETF ("Creation Unit Fees"). You may also be subject to an expense fee that is typically based upon a small percentage of an ETF's NAV accrued daily ("ETF Expense Fee"). If you purchase shares of an ETF in the secondary market, it will generally not be subject to Creation Unit Fees, but will be subject to ETF Expense Fees. As a result of Creation Unit Fees and ETF Expense Fees, you may bear an additional level of fees in addition to those fees charged by us if you invest in and/or trade ETFs. Furthermore, brokerage commissions accumulated by the Fund in trading and/or investing in ETF shares may reduce profits, if any.

**Increased Regulations** - Events during the past several years and adverse financial results have focused attention upon the necessity of maintaining adequate risk controls and compliance procedures. These events have led to increased governmental and self-regulatory authority scrutiny of the financial industry. Various national governments have also expressed concern regarding disruptive effects of speculative trading and the need to regulate the markets in general. Any regulations that restrict the ability to employ, or for broker-dealers and counterparties to extend, credit or restrict trading activities could adversely impact profit potential.

**Market Liquidity Risks** - The value of securities held in client accounts and that are traded on exchanges and the risks associated with holding these positions vary in response to events that affect asset markets in general. Market disruptions such as those that occurred in 1987, September 2001, and more recently

the Flash Crash in May 2010 could lead to violent price swings in securities held within client portfolios and could result in substantial losses.

**Potential Concentration** - Client portfolios may have highly concentrated positions in issuers engaged in one or a few industries. This increases the risk of loss relative to the market as a whole.

**Small Capitalization Companies** - A substantial portion of assets may be invested in smaller and less established companies. Both debt and equity securities of such issuers tend to be more volatile than larger, more established companies. Such volatility could adversely impact client portfolios.

**Large Company Risk** - Large cap stocks can perform differently from other segments of the equity market or the equity market as a whole. Large capitalization companies may be less flexible in evolving markets or unable to implement change as quickly as smaller capitalization companies.

**Non-U.S. Investments** - We may invest client funds in securities (*debt, equity, currencies, derivatives, etc.*) domiciled outside the United States. Such investments expose the portfolio to a number of risks that may not exist in the domestic market alone. Such risks include, among other things, trade balances and imbalances and related economic policies, currency exchange rate fluctuations, imposition of exchange control regulation, withholding taxes, limitations on the removal of funds or other assets, possible nationalization of assets or industries, political difficulties, and political instability in foreign nations.

**Short Sales, Leverage and Derivatives** - Short sales, leverage and derivatives all represent substantial risks given their inherent heightened risk of loss. Leverage and derivatives imply borrowing capital. When such borrowing is deployed, losses can escalate quickly should investments suffer even small losses. Short sales involve a finite opportunity for appreciation, but a theoretically unlimited risk of loss. Short positions are also subject to a “short squeeze” that could lead to accelerating losses for those that are short that particular security.

## ITEM 9 DISCIPLINARY INFORMATION

RidgeWorth Capital Management LLC is required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of RidgeWorth or the integrity of RidgeWorth’s management.

RidgeWorth and its employees have not been involved in any legal or disciplinary events that would be material to a client’s evaluation of the company or its personnel.

## ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES and AFFILIATIONS

RidgeWorth has other financial industry activities and affiliations as described below.

RidgeWorth Distributors LLC, an unaffiliated broker-dealer, distributes the RidgeWorth Funds and sponsors those RidgeWorth personnel whose job responsibilities require their registrations as broker-dealer representatives.

RidgeWorth International Ltd. (“RidgeWorth International”) (FRN 673689), a wholly owned subsidiary of RidgeWorth, is headquartered in London, England and is an Appointed Representative of Mirabella Advisers LLP (“Mirabella”) (FRN 606792), which is authorized and regulated by the Financial Conduct Authority. As such, Approved Persons of RidgeWorth International are permitted to introduce RidgeWorth investment advisory services to institutional entities and Sovereign Wealth funds and other foreign official institutions within the United Kingdom and certain other European Economic Area member states, and regulatory compliance services for these activities will primarily be provided to RidgeWorth

International by Mirabella, in its capacity as RidgeWorth International's principal. In addition, RidgeWorth International representatives will, to the extent permitted by each applicable jurisdiction, be introducing RidgeWorth investment advisory services to Sovereign Wealth funds and other foreign official institutions outside the European Economic Area.

RidgeWorth and its management are not registered and do not have an application to register as a futures commission merchant, commodity pool operator, commodity trading adviser, or an associated person of these foregoing entities.

RidgeWorth has relationships with its affiliates that you may consider material. Please find these relationships below, along with an explanation of how we address what may be considered to be material conflicts of interest. There are other affiliated entities that fall within these and other categories with which RidgeWorth does not have any arrangements that would be considered material.

### **1. Investment Companies**

RidgeWorth advises all investment portfolios of the RidgeWorth Funds, which are distributed by RidgeWorth Distributors LLC. RidgeWorth or Boutiques also subadvise certain portfolios of other registered investment companies. Broker-dealers receive 12b-1 and other internal and external fees for selling interests in the RidgeWorth Funds. Service providers to the RidgeWorth Funds include State Street Bank and Trust Company (State Street Bank) for fund accounting, fund administration and custody. Transfer agency services are provided by Boston Financial Data Services, Inc.

RidgeWorth has entered into service or distribution arrangements with various platforms or other service providers or brokers, also known as intermediaries. RidgeWorth makes payments to these intermediaries to help offset administrative expenses incurred in conjunction with the services they provide to clients who are shareholders of the RidgeWorth Funds or for marketing related activities. In general, these payments are very similar to a sub-transfer agency or servicing fee or 12b-1 fee; however, rather than being paid directly from the fund, they are paid from RidgeWorth's own corporate profits.

### **2. Investment Advisers/Broker-Dealers**

RidgeWorth is structured to provide discretionary and non-discretionary advisory and other services to clients through a series of three wholly owned subsidiaries and one minority owned adviser, each of which is a SEC registered investment adviser that specializes in various categories of investment management. RidgeWorth provides such services principally through the Boutiques to market the various specialties separately and independently from one another. See Item 4 and the Form ADV of each Boutique for more details.

RidgeWorth has material business relationships with each Boutique. Certain RidgeWorth officers and employees are also officers and employees of one or more Boutiques. Certain Boutique officers are also officers of RidgeWorth. Each Boutique has contracted with RidgeWorth to subadvise and provide portfolio management, research and analysis, to specified client assets of RidgeWorth, including certain RidgeWorth Funds. RidgeWorth and each wholly owned Boutique have entered into solicitation or referral agreements. RidgeWorth and each wholly owned Boutique have entered into a services agreement (the "Services Agreement"), whereby RidgeWorth, in consideration for a periodic fee or intercompany credit paid by Boutique, provides Boutique with certain back-office, administrative and other services, which may include, but is not limited to, services relating to finance, accounting, human resources, talent management, compliance, legal, technology, platform channel sales and service, marketing, wholesaling, portfolio operations, and trading. The extent of services provided is dependent on the services required by the Boutique. Certain employees perform the above-mentioned administrative activities on behalf of a Boutique in their capacities as Boutique officers rather than under the Services Agreement (e.g., Equity Best Execution and Broker Selection Committee and Proxy

Committee). Certain Boutique employees are also non-salaried officers of RidgeWorth and may perform support services on behalf of RidgeWorth.

As described more fully in each Boutique's Form ADV Part 2A, additional financial industry affiliations may apply to an individual Boutique, which are not discussed in this Item 10 of RidgeWorth's ADV.

One of RidgeWorth's Boutiques, Seix Investment Advisors LLC, wholly owns the general partner of Seix CLO Management LP. Seix CLO Management LP wholly owns Seix CLO Management LLC, which is a SEC registered investment adviser formed to meet the requirement of the "risk retention" rules promulgated by U.S. federal regulators under the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into federal law on July 21, 2010 ("Dodd-Frank Act") and the European Union's regulations regarding risk retention in securitized assets ("EU Risk Retention Rules"). Seix CLO Management LLC will act as collateral manager for CLOs. Certain RidgeWorth officers are also officers of Seix CLO Management LLC.

Lightyear, through its affiliated investment funds, has an indirect investment in RidgeWorth and its subsidiary Boutiques. However, Lightyear and its affiliates do not have any role in the Firm's investment process related to the management of client assets and thus conflicts are avoided or mitigated. See Item 11 for information regarding the Information Barrier policy adopted by both RidgeWorth and Lightyear. In addition, Lightyear, through its affiliated investment funds, has an indirect investment in Advisor Group, Inc. ("Advisor Group") and its subsidiaries, each of which is a broker-dealer and registered investment advisor. To avoid potential conflicts of interest, representatives of Advisor Group's subsidiaries are restricted from recommending the RidgeWorth Funds to their clients, and RidgeWorth and the Boutiques do not transact client trades using Advisor Group subsidiaries.

### **3. Private Partnerships**

RidgeWorth has a related SEC-registered investment adviser Boutique - Seix Investment Advisors LLC - that manages Private Funds (e.g., limited partnerships and limited liability companies). Complete and accurate information about such Private Funds are available in the Form ADV for the related Boutique. Generally Private Funds managed by Boutiques are managed directly by the Boutique, and are not delegated to the Boutique by RidgeWorth.

RidgeWorth is aware of, and has procedures to manage, its fiduciary duties and any potential conflicts that may arise related to providing services through affiliates.

## **ITEM 11 CODE OF ETHICS, PARTICIPATION or INTEREST in CLIENT TRANSACTIONS and PERSONAL TRADING**

### **CODE of ETHICS**

RidgeWorth Capital Management LLC's foremost responsibility is the protection of client assets. RidgeWorth's Code of Ethics (the "Code") sets forth the high ethical standards of business conduct that we require of our employees. All employees are expected to not only comply with the spirit and letter of all applicable laws, regulations and Firm imposed policies and procedures, but to also certify adherence to applicable regulations and policies. Training is conducted on a routine basis. Our Code primarily includes our Personal Trading policy, which establishes preclearance and reporting procedures for personal securities transactions, and a policy prohibiting the use of material nonpublic information, which states that employees may not use material nonpublic information for trading personally or on behalf of others or communicate material nonpublic information to others in violation of the law.

Violations of the Code are addressed and resolved by the CCO and Management as quickly as possible. Sanctions for violations may include, but are not limited to, personal trading restrictions, loss of

compensation, fines, suspension, and termination. A copy of RidgeWorth's Code is available to clients and prospective clients upon request by contacting 404.845.7700, or via U.S. mail by writing RidgeWorth Capital Management LLC, 3333 Piedmont Road NE, Suite 1500, Atlanta, Georgia 30305.

RidgeWorth also maintains a Business Conduct policy that contains Gifts & Entertainment and Political Contributions policies. The Gifts & Entertainment policy places restrictions on gifts and business entertainment given and accepted and details reporting requirements for these events. The Political Contributions policy details a preapproval process and reporting requirements for political contributions made by covered associates.

## **PARTICIPATION or INTEREST in CLIENT TRANSACTIONS**

RidgeWorth and its affiliates act as investment adviser to numerous client accounts, including Funds. RidgeWorth and its affiliates may invest in securities it also recommends to clients and may give advice and take action with respect to any Funds or accounts it manages that may differ from action taken by RidgeWorth or its affiliates on behalf of other Funds or accounts. As these situations may represent a potential conflict of interest, RidgeWorth and its affiliates have adopted restrictive policies and procedures, wherever deemed appropriate, to seek to detect and mitigate or prevent potential conflicts of interest. RidgeWorth is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that RidgeWorth, its affiliates or their respective Access Persons, as defined by the 1940 Act and by the Advisers Act, may buy or sell for its or their own account or for the accounts of any other client. RidgeWorth is not obligated to refrain from investing in securities held by Funds or accounts that it manages except to the extent that such investments violate the Code adopted by RidgeWorth. From time to time, RidgeWorth, its officers and employees may have interests in securities owned by or recommended to RidgeWorth's clients. This includes interests in Funds (including Limited Partnerships, LLC's, etc.) that may invest, directly or indirectly, in securities of issuers which RidgeWorth or a Boutique or its affiliates may purchase. As these situations may represent a potential conflict of interest, RidgeWorth has adopted procedures relating to personal securities transactions and insider trading, that are reasonably designed to prevent actual conflicts of interest.

In addition, the existence of business relationships and investment practices creates the potential for conflicts of interest. RidgeWorth has adopted restrictive policies and procedures, wherever deemed appropriate, to seek to detect and mitigate or prevent potential conflicts of interest. Certain known conflicts and RidgeWorth's handling of such conflicts are disclosed below.

RidgeWorth, directly or through a Boutique, may manage simultaneously parallel accounts in some cases with the same portfolio managers, with similar objectives, but with differing fees to RidgeWorth. RidgeWorth's policy is to manage each account independently and fairly, and recognizes and seeks to control the conflicts of interests inherent in such practices.

RidgeWorth trading and certain other personnel who provide administrative services to Boutiques under the Services Agreement between RidgeWorth and the wholly owned Boutiques will have information about Boutique investments. Some RidgeWorth officers also have officer titles at Boutiques.

RidgeWorth serves as investment adviser to the RidgeWorth Funds, which offer investors a selection of fixed income and equity funds. When appropriate, RidgeWorth may recommend investment in these affiliated funds. To the extent that a RidgeWorth client chooses to invest all or a portion of its separate account in an affiliated fund, RidgeWorth typically does not charge an advisory fee, other than the fund's embedded advisory fee, on assets invested in such funds. If the client account is in an asset allocation strategy using Mutual Funds, including the RidgeWorth Funds, an asset allocation fee is charged in addition to the management fees the funds pay to the adviser for investment management of the funds.

Lightyear and its affiliates do not have any role in the Firm's investment process related to the management of client assets. In connection with Lightyear's (through its affiliated investment funds) indirect investment in RidgeWorth and its subsidiary boutiques, an information barrier has been adopted by RidgeWorth and Lightyear to protect RidgeWorth, its personnel and the advisory clients of its affiliated

investment advisors (*i.e.*, investment funds, individual and institutional managed accounts and other similar vehicles or arrangements), on the one hand, and Lightyear and its affiliates, on the other hand, from being exposed to or deemed to possess proprietary information or material, non-public information relating to the other parties' respective activities or investments, including information about specific issuers or trades and positions in commodity interests or specific issuers.

Due to Lightyear's indirect investment in RidgeWorth and its subsidiary boutiques, RidgeWorth has a policy of not purchasing or recommending the purchase of voting securities of a publicly held company (1) if a director or senior officer of the Firm or its subsidiaries sits on the board; and (2) of which Lightyear investment funds hold an ownership interest. Certain RidgeWorth-managed Funds and accounts whose investment mandates follow an established index are generally exempt from the policy stated above due to RidgeWorth's obligation to follow the investment mandate or the index. The Firm is also subject to restrictions with respect to certain banking organizations. Restricted security information is available upon request.

To the best of its abilities, RidgeWorth reviews and monitors each individual situation to ensure that all clients are adequately protected against conflicts of interest. With respect to voting proxies for any such companies, RidgeWorth follows the conflicts provisions described in its Proxy Voting policy designed to eliminate or minimize any such conflict. For more information, see description of Proxy Voting policy.

Unless specifically described otherwise in a Boutique's Form ADV Part 2A, all of the foregoing information under this section should be read to apply equally, as relevant, to the Boutiques and may be described in more detail in a Boutique's Form ADV Part 2A.

## **PERSONAL TRADING**

In accordance with the Advisers Act, specifically Rule 204A-1, and the 1940 Act, specifically Rule 17j-1(c)(1), RidgeWorth has adopted a strict Code that prohibits certain types of personal securities transactions and is designed to avoid perceived or actual conflicts and prevent front running and possible insider trading abuses. The Code also establishes reporting requirements and enforcement procedures.

The Code applies to all employees of RidgeWorth and its wholly owned Boutiques, as well as certain contractors ("Access Persons") who may be located at any RidgeWorth office and have access to RidgeWorth's files and information. Access Persons are:

- Required to immediately report any violation of the Code to the Chief Compliance Officer.
- Required to initially/quarterly/annually submit the appropriate information, material, and documentation regarding all personal trading.
- Required to direct each brokerage firm or bank at which such Access Person maintains a securities-related account in which the Access Person has direct or indirect beneficial interest, to send duplicate copies of each person's confirmations and statement to the designated Firm Compliance Review Officer. In the case of accounts maintained at brokerage firms with electronic feeds, the confirmations and holdings information is sent electronically to the Firm's personal trading system.
- Required to pre-clear and/or report personal transactions in their accounts. (Certain open-end funds, cash/cash equivalent funds, indexes and government-related securities are exempt.)
- Prohibited from market timing and late day trading.
- Prohibited from short-term trading. In general, securities must be held for a period of 30 days or more.



- Restricted from trading certain securities during certain periods of time. These are referred to as “black out” periods and are designed as a means of protecting clients against employee front running and insider trading.
- Restricted from specific styles of trading such as good-till-canceled orders that remain active beyond a day, and restricted from investments in IPOs. Private placements must be precleared.

The designated Compliance Review Officer reviews personal trading activity daily/quarterly/annually to determine if any individual violations occurred during that period.

Violations will be addressed on a timely basis, and depending upon the seriousness of the infraction, RidgeWorth may impose one or more of the following:

- Verbal admonishment;
- Written acknowledgement from the Access Person that he/she has again reviewed, fully understands, and agrees to abide by all Company Personal Trading policy and procedures;
- Written notice to the Access Person's Personnel and Compliance files, including steps taken to ensure full compliance in the future;
- Fines and/or reversals of the transaction(s) (individual must accept all losses and any profits must be donated to a charitable organization);
- Partial or full restriction on all personal trading;
- Suspension or termination of employment.

## **ITEM 12    BROKERAGE PRACTICES**

RidgeWorth and the Boutiques generally have discretionary authority to determine, without obtaining specific client consent, the securities, the amounts thereof to be bought or sold and the broker used to conduct the trade. RidgeWorth may agree to accept and, once accepted, must adhere to client investment guidelines, but such guidelines may adversely affect the client's investment returns. At a client's request, RidgeWorth may provide non-discretionary investment management services. RidgeWorth is authorized under its Services Agreement with the wholly owned equity Boutiques to place orders on behalf of the Boutiques for trades as instructed by Boutique both for direct Boutique accounts with clients and RidgeWorth client accounts delegated to Boutique.

### **SELECTION CRITERIA FOR BROKER/DEALERS**

RidgeWorth's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to portfolio transactions in its clients' accounts. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

RidgeWorth's Best Execution and Broker Selection Committee covers equity trading only, and is comprised of members from RidgeWorth and each equity wholly owned Boutique who may hold non-salaried officer titles at RidgeWorth and one or more of the wholly owned Boutiques. Seix has a separate broker-dealer selection committee. RidgeWorth's committee meets quarterly, and at least annually reviews all current broker-dealer and agent relationships. In selecting among broker-dealers to execute a given transaction under RidgeWorth's or a Boutique's discretionary authority, RidgeWorth considers, among other things, the following:

- the broker's expertise and ability to execute the transactions at the most favorable net price of the security for the client;
- the ability of the broker to handle large blocks/thin markets and other special trading situations;
- the price of the security for the client;
- the competitiveness of the brokerage rates charged;
- the financial strength and stability of the brokerage firm; and
- the investment research services provided by the broker.

RidgeWorth evaluates the reasonableness of the brokerage rates charged using the criteria specified above and other input as deemed appropriate.

Under certain circumstances, RidgeWorth may, subject to best execution, trade on a "net" basis, without paying the broker-dealer any commission, commission equivalent or markup / markdown other than the "spread." Net trades are used where the broker-dealer profits from the "spread"; that is, the difference between the price paid (or received) by RidgeWorth and the price received (or paid) by the broker-dealer in its trades with other broker-dealers or other customers.

Loans and debt securities are generally purchased and sold directly between loan counterparties in dealer markets, and bonds are also generally purchased and sold in dealer markets. Therefore, best execution for such transactions usually means best price since there are no agency commissions.

The Firm, in recognizing its fiduciary duty to its clients, will, whenever possible, re-allocate erroneous trades into a proprietary trade-error account as soon as practical upon discovery of the trade. Clients will not be disadvantaged by a trade error resulting from actions of employees of the Firm.

## **COMMISSION RATES or EQUIVALENT POLICIES**

RidgeWorth endeavors to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. However, RidgeWorth will not select broker-dealers solely on the basis of "posted" commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction. Although RidgeWorth generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker-dealer involved, resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services which will help RidgeWorth in providing investment management services to clients. RidgeWorth may, therefore, use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance.

## **TRADE AGGREGATION**

As a fiduciary, RidgeWorth has a duty to obtain best price and best execution. Where securities are purchased on behalf of more than one client at the same time, the Firm must fulfill its duty to obtain best execution for all clients, and will not favor one client at the expense of the other. The trading desk will attempt (to the extent appropriate, permissible and/or feasible) to aggregate multiple orders for the purchase or sale of the same security placed at or around the same time to achieve best execution with respect to all transactions being effected on behalf of client accounts. This "block" trading process

includes pro-rata allocations of trades across all accounts and clients to promote fairness. Employee trades are not blocked with client trades as RidgeWorth employees must use an outside broker to conduct personal trades which are subject to black-out periods to prevent employees from trading in front of RidgeWorth for its clients. RidgeWorth may include proprietary accounts in such aggregate trades subject to its duty of seeking best execution and its Code.

RidgeWorth, in accordance with the Services Agreement between RidgeWorth and wholly owned Boutiques, will in most cases aggregate or “block” equity transactions on behalf of various Firm/Boutique clients in order to facilitate best execution and possibly negotiate more favorable pricing and commission rates. To the extent that transactions are blocked, the Firm will allocate such transactions to all participating client accounts in a fair and equitable manner consistent with its trade allocation procedures, fiduciary obligations and each participating client’s investment advisory agreement.

RidgeWorth follows the procedures below when executing like orders:

- Like orders sent at overlapping times from different portfolio managers but from the same Boutique will be combined and traded together, subject to any limits managers place on the orders.
- Like orders sent at overlapping times from different Boutiques will not be combined but will share executions on a one-for-one basis starting when the second order arrives, regardless of the size of either order. This is subject to any limits managers place on the orders.

Due to market conditions or a change in portfolio management decisions, a specific aggregated order may not be completely filled at one price or in total. At such times, the order will be average-priced so that all Boutiques and accounts receive a fair price, and the transaction will be distributed among all accounts in a fair and equitable manner so that no account will be systematically disadvantaged by the allocation.

RidgeWorth realizes such situations present inherent conflicts of interest and that certain RidgeWorth accounts and Boutiques may appear to be disadvantaged in specific instances. RidgeWorth will, however, at all times allocate trades on a basis believed to be fair and equitable. In addition, RidgeWorth will not disproportionately allocate trades in a manner inconsistent with the manager's ability to effectively and efficiently maintain or sell the position (i.e., “odd lots” or less than standard incremental amounts). The trader will, however, ensure that all accounts are treated fairly based on all distribution criteria (i.e., no client or Fund will disproportionately receive rounded-up allocations).

## **DIRECTED BROKERAGE**

RidgeWorth usually has discretion to select executing broker-dealers and to negotiate brokerage rates for securities transactions for clients’ accounts. However, clients occasionally restrict RidgeWorth or a Boutique from using a particular broker or request that RidgeWorth or a Boutique use a specified broker or dealer to effect transactions in an account as compensation for services provided directly or indirectly by the broker to the client, or they may elect to execute trades themselves.

A client’s specification or restriction of broker-dealers or its election to execute trades itself may be inconsistent with obtaining best overall execution for a client transaction. Where a client directs or restricts the use of a particular broker-dealer, or broker-dealers, RidgeWorth may not be in a position where it can negotiate commission rates or spreads or obtain volume discounts, and best price may not be achieved, meaning that such restrictions may affect returns. In addition, clients who direct RidgeWorth or a Boutique to use a particular broker-dealer or restrict RidgeWorth or Boutique from using a particular broker-dealer may be prevented from participating in allocations of certain limited availability securities and from obtaining a portion of the allocation of new offerings through any such broker-dealers who are members of the offering underwriting syndicate.

Upon written client direction, RidgeWorth may execute trades through specified broker-dealers, but only on the client’s understanding that separating such transactions from block orders could materially and

adversely affect the client's return. Trades from client directed brokerage arrangements are generally entered subsequent to RidgeWorth's conventional trading model and on a best efforts basis. To the extent that RidgeWorth would otherwise have included the client's transaction in a block order, directed orders are generally placed after block trades. RidgeWorth reserves the right not to use a directed broker-dealer if the Best Execution and Broker Selection Committee deems it in the best interests of the client. Moreover, RidgeWorth is not obligated to execute any brokerage transactions through a directed broker-dealer which is not on its approved broker-dealer list.

The practice of directing brokerage commissions to particular broker-dealers in order to compensate them for selling fund shares is a practice the Firm believes poses significant conflicts of interest and may be harmful to the Firm, the RidgeWorth Funds and its shareholders. In addition, Rule 12b-1(h)(1) of the Investment Company Act of 1940 prohibits funds from compensating a broker-dealer for promoting or selling fund shares by directing brokerage transactions to that broker. The Firm, together with the RidgeWorth Funds, does not direct brokerage commissions to broker-dealers to compensate them for selling fund shares. This includes the practice of "stepping-out" trades to broker-dealers for selling fund shares.

#### **"SOFT DOLLAR" or RESEARCH/EXECUTION POLICY**

RidgeWorth's General Policy: When appropriate under its discretionary authority and when executing trades with discretionary authority, and consistent with its duty to seek best execution, the Firm may pay a broker-dealer a brokerage commission in excess of that which another broker-dealer might have charged for effecting the same transaction, if the Firm determines in good faith that the brokerage commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer, viewed in terms of either that particular transaction or the Firm's overall responsibilities to the client and to other client accounts over which the Firm exercises investment discretion. Although the Firm will accept written client brokerage direction, it does not engage in the type of "directed" brokerage relationships under which it compensates brokers-dealers in exchange for client or business referrals, although the Firm may execute trades with firms which sell the RidgeWorth Funds. The Firm may receive unsolicited research from various brokers-dealers.

A statutory "safe harbor," Section 28(e) of the Securities Exchange Act of 1934, allows an investment adviser to pay for research and brokerage services with commission dollars generated by client account transactions. The Firm may direct transactions for client accounts to brokers-dealers that provide RidgeWorth or any of its wholly owned equity boutiques with 28(e) eligible research and services. The commissions used to acquire research in these arrangements are known as "soft dollars."

Such research services include proprietary and third party research provided by a broker-dealer (and made available to the Firm under arrangements as described below) such as tangible research products as well as access to analysts and traders. Certain brokers-dealers accumulate credits from the Firm's client trades. At the Firm's direction, these brokers-dealers use the credits generated to pay other research providers directly for their 28(e) eligible research. The Firm makes the compensation decisions based on its determination of the relative benefits of the various research services available and the investment utility of those services.

Research services obtained by RidgeWorth and its wholly owned boutiques directly or indirectly may include:

- analytical and other information pertaining to specific equity or fixed income securities;
- research information relating to overall investment strategy including macroeconomics forecasts and analyses; and
- analyst reports, analyst models, analyst access, conferences, and invitations to analyst events.

The Firm does not have any agreement or understanding with any broker-dealer that would obligate the Firm to direct a specific amount of brokerage transactions or commissions in return for such services. The Firm does receive proprietary research from broker-dealers directly and third party research "provided" by executing brokers who either (directly or through commission management service providers) are obligated to pay or in fact pay the research provider and sends trades in part based on the perceived value of the research received. The Firm does receive research provided by certain broker-dealers that may state in advance the amount of brokerage commissions required for research and the applicable cash equivalent.

The receipt of research in exchange for soft dollars benefits RidgeWorth and its wholly owned equity boutiques by allowing them to supplement their own research and analysis activities, receive the views and information of individuals and research staffs of other securities firms, and gain access to persons having special expertise in certain companies, industries, areas of the economy and market factors, all without incurring costs. Obtaining research from a broker-dealer using soft dollars may cause an account to pay more for such research than if the account had otherwise purchased such research directly from such broker-dealer using account assets ("hard dollars"). The Firm may, in its sole discretion, use soft dollars to obtain, and pay up to 100% of the cost of, research. Up to 100% of the account trades may be soft dollar trades. Certain research may only be purchased from brokers-dealers through the use of soft dollars and not hard dollars. Research obtained with soft dollars may or may not be utilized by RidgeWorth or its wholly owned equity boutiques, or by the specific account that generated the soft dollars. RidgeWorth and its wholly owned equity boutiques may in their discretion, though they would not usually attempt to do so, allocate the relative costs or benefits of research among client accounts or RidgeWorth and its wholly owned equity boutiques based on actual usage, because they believe that, in the aggregate, the research received benefits clients and assists RidgeWorth and its wholly owned equity boutiques in fulfilling their overall duty to their clients. Such benefits to the Firm or its affiliates, and any targets, may lead to conflict of interests and incentives to overtrade.

Some of the Firm's clients may direct their own brokerage. Thus, those clients may require the Firm to send their trades to a particular broker-dealer in some cases so that the client may receive some direct benefit. Other advisory clients may prohibit the Firm from paying up for research or permit proprietary research but not third-party research. In each of these cases, these advisory clients may be benefiting, through an improved investment process, from research obtained through commission dollars of other accounts, which have not so restricted the Firm's brokerage discretion. However, when RidgeWorth, under its trading authority granted in the Services Agreement, conducts soft dollar payments on behalf of the wholly owned equity boutiques that benefit RidgeWorth or the aforementioned boutiques, it generally will seek to allocate and adjust cost and benefits of soft dollars only among the boutiques that generate soft dollar commissions. Among those boutiques, soft dollar allocation will be generally based on commissions generated and assets under management. Under this approach, the potential for one affiliate to subsidize another exists.

Not all Boutiques utilize soft dollars. RidgeWorth executes trades on behalf of its wholly owned equity boutiques (including but not limited to as subadvisers to RidgeWorth), but does not generally engage in direct trades for its own direct clients. Accordingly, when RidgeWorth itself receives benefits from its wholly owned equity boutiques' soft dollars, such benefits are generally utilized on behalf of, and deemed to be received as, agent for the wholly owned equity boutiques, and therefore related costs are allocated among such boutiques as described immediately above. However, RidgeWorth may use proprietary research (generated by the wholly owned equity boutiques but generally for accounts that are also RidgeWorth clients) in its capacity as adviser to the RidgeWorth Funds and certain separately managed accounts (which are subadvised out to the wholly owned Boutiques) which benefits RidgeWorth in its advisory role for oversight of its wholly owned Boutiques.

The determination and evaluation of the reasonableness of the brokerage commissions paid in connection with portfolio transactions are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information

available to them concerning the level of commissions being paid by other investors of comparable size and type. In determining whether a service or product qualifies as research or brokerage, the Firm evaluates whether the service or product provides lawful and appropriate assistance to RidgeWorth's wholly owned equity boutiques in carrying out their investment decision-making and execution responsibilities. The Firm may select broker-dealers based on its assessment of their abilities to provide quality executions and its belief that the research, information and other services provided by such broker-dealers may benefit client accounts. It is not possible to place a dollar value on the special executions or on the research services RidgeWorth or its wholly owned equity boutiques receive from dealers effecting transactions in portfolio securities.

## **ITEM 13 REVIEW OF ACCOUNTS**

Portfolio managers for each investment discipline determine the specific securities purchased or sold within a portfolio based on the investment discipline's philosophy and process, as well as the client's investment policy guidelines. Portfolio managers are thoroughly familiar with the client's organization, philosophy, investment guidelines and objectives and continually evaluate all client relationships and verify portfolios are continuously serviced, monitored and supervised. The portfolio manager works with each client to make certain that the assets are invested in accordance with regulations and stated client and investment discipline guidelines.

RidgeWorth also provides investment oversight and analysis of Boutiques activities including performance attribution evaluation and analysis.

Specific client guidelines and restrictions are coded into the compliance guideline system (Bloomberg) upon account opening and periodically reviewed and updated as appropriate. The compliance guideline system is designed to screen individual transactions to prevent trade allocations to accounts that do not comply with specific client or Firm guidelines.

RidgeWorth's policy is to provide separately managed account clients of RidgeWorth and the Boutiques quarterly reports listing current assets (as of the report date), which generally includes summary information of account activity since the previous report. Some clients request reports or meeting booklets that contain portfolio holdings, portfolio characteristics and investment performance. Other special reports are prepared when requested. The frequency of reports depends upon the investment style and agreed upon timeframe of the client; however, RidgeWorth's general policy is to issue reports quarterly. You will receive statements from your custodian in addition to our reports. These reports will differ in presentation and type of information presented, but should be consistent in regards to assets, contributions and withdrawals.

Accounts are reviewed formally at least biennially at RidgeWorth to verify that account guidelines and objectives are being followed with regard to asset allocation, individual securities owned and other client specific factors. This review is performed by the client portfolio manager or designee, reviewed by the portfolio manager, and ultimately reviewed by the Chief Investment Officer.

In addition, external events may trigger a non-periodic account review or action by the portfolio manager. These include, but are not limited to:

- a change in the fundamentals or performance expectations of a security held in an account;
- a change in investment strategy;
- a change in the client's risk tolerance, income and cash needs, tax status, or any other changes in the client's profile;
- additions to or withdrawals from an account;
- a meeting with a client where its needs are reviewed and/or changed; or

- a material market or economic change.

## ITEM 14 CLIENT REFERRALS and OTHER COMPENSATION

RidgeWorth may, on occasion, enter into solicitation agreements with individuals, financial intermediaries or others who may or may not be affiliated with RidgeWorth. All solicitation agreements will comply with the Firm's Solicitation policy, Rule 206(4)-3 under the Advisers Act, and any other law as applicable. RidgeWorth currently has solicitation arrangements as a solicitor for each of its wholly owned Boutiques and has entered into a solicitation agreement with RidgeWorth International pursuant to which RidgeWorth International will act as solicitor for RidgeWorth, but RidgeWorth currently does not have such arrangements with unaffiliated third parties. These solicitation arrangements, where applicable, require an affiliated solicitor to disclose such affiliation, and require a third party solicitor to provide each prospective client with a copy of adviser's Form ADV Part 2 and to disclose to the prospective client the nature of the arrangement between the solicitor and adviser. Payment to the solicitor by the adviser will not increase the general fees paid by the prospective client.

In compliance with applicable law, RidgeWorth or an affiliate from time to time pays event attendance or participation or other fees; underwrites educational, charitable or industry events; or provides gifts of value to, or at the request of, an organization or individual (including RidgeWorth affiliates) that, among other things: (i) offers or includes products or services of RidgeWorth or an affiliate in a particular program; (ii) permits RidgeWorth access to their financial advisors, brokers, employees, or other affiliated persons to provide training, marketing support, and educational presentations on products or services affiliated with RidgeWorth; and/or (iii) refers or has referred a client to RidgeWorth. RidgeWorth may obtain products and/or services from consulting firms separate and apart from any recommendations made to clients for RidgeWorth's investment services. Additionally, certain affiliated or third party institutions provide financial support on a voluntary basis for marketing, educational, and sales meetings of RidgeWorth or affiliates.

The amount of any such payments and those described below to or from RidgeWorth and affiliates may be substantial, may vary among recipients or payors, and may be higher for affiliates than third parties.

These payments pose conflicts of interest for the parties that receive them. A client should obtain from its intermediary any details of any such payments received by such intermediary from RidgeWorth or affiliates. This type of payment generally does not increase the product cost to clients.

Currently, RidgeWorth maintains a "Fees for Services Program" ("FFSP") in which, from its bona fide profits, RidgeWorth pays fees for services to service providers/accounts/plans (including affiliates) which are intended to compensate those service providers for administrative services they provide to their clients who are shareholders of the funds affiliated with RidgeWorth, as such arrangements reduce administrative expenses of such funds. Additionally, certain RidgeWorth Funds also pay fees for services to intermediaries which are intended to compensate those service providers for administrative services they provide to those funds' shareholders. In certain scenarios, this arrangement may reduce the amount to be paid by RidgeWorth as compensation for administrative services under a FFSP. FFSP payments are to be used by the service providers to offset administrative expenses of the service providers for those accounts/plans. Please refer to the RidgeWorth Fund's Statement of Additional Information for more information regarding these arrangements, including amounts and recipients.

RidgeWorth and/or its affiliates will make payments from their own capital resources or otherwise provide benefits to certain intermediaries for marketing support services, or for distribution activities including business planning assistance, educating dealer personnel about funds affiliated with RidgeWorth and shareholder financial planning needs, placement on the intermediary's preferred or recommended fund company list, and access to sales meetings, sales representatives and management representatives of the dealer. These payments are made to compensate such intermediaries for marketing expenses they

incur, for travel and lodging in connection with educational or training events, or to pay for the opportunity to have them distribute products or services affiliated with RidgeWorth. These payments are made to intermediaries that are registered as holders of record or dealers of record for accounts in funds affiliated with RidgeWorth. These payments are generally based on one or more of the following factors: average net assets of the funds that are attributable to that intermediary, gross or net sales of such funds, reimbursement of ticket charges (fees that an intermediary firm charges its representatives for effecting transactions in shares of such funds) or a negotiated lump sum payment for services rendered.

RidgeWorth and its affiliates compensate intermediaries differently depending upon, among other factors, the level and/or type of marketing support provided by the intermediary. These payments are made by RidgeWorth and affiliates and do not increase the amount paid by clients of funds. Such payments may pose conflicts of interest as they provide incentives for financial intermediaries to make the products and services affiliated with RidgeWorth available to their customers, and may allow RidgeWorth greater access to such financial intermediaries and their customers than would be the case if no payments were made. Clients may wish to consider whether such arrangements with intermediaries exist when evaluating any recommendation to purchase products or services affiliated with RidgeWorth. Clients may ask their intermediaries about any payments received from RidgeWorth and its affiliates.

RidgeWorth, Boutiques, or RidgeWorth Funds may do other business not aimed at or tied to generating fund sales business (like trade execution or consulting) with persons who may sell, or whose affiliates may sell, the RidgeWorth Funds' shares.

Please also see Item 14 of each Boutique's Form ADV Part 2A.

## **ITEM 15 CUSTODY**

RidgeWorth does not provide custodial services to its clients. Clients select banks or registered broker-dealers that are "qualified custodians" to provide custody of clients' assets. However, under the SEC's Custody Rule, RidgeWorth is deemed to have custody due to the fact that RidgeWorth can inform the custodian to remit investment advisory fees directly to RidgeWorth.

You should receive quarterly custodial statements directly from your qualified custodian. We urge you to carefully review those statements and compare the custodial records to the reports we provide you. Comparing reports will allow you to determine whether account transactions, including advisory fees, are proper. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation of methodologies of certain securities.

## **ITEM 16 INVESTMENT DISCRETION**

RidgeWorth accepts discretionary authority from the client at the outset of an advisory relationship to manage assets in the client's account. However, the client can place reasonable restrictions on RidgeWorth's investment discretion, which will be observed by RidgeWorth when discretionary authority is exercised. The most common restrictions are social restrictions or those that prohibit us from buying specific companies. Investment guidelines and restrictions must be provided to RidgeWorth in writing, and may impact performance.

For registered investment companies, RidgeWorth's authority to trade securities may also be limited by certain federal securities and tax laws.

See Item 4 for additional information about discretionary and non-discretionary services.



## ITEM 17 VOTING CLIENT SECURITIES

RidgeWorth will accept proxy voting responsibility at the client's request. Once RidgeWorth accepts proxy voting responsibility, generally the client will be allowed to request to vote its proxies on a particular solicitation and RidgeWorth will (if operationally possible) attempt to comply with the request. Where RidgeWorth is responsible to vote proxies for a client, RidgeWorth has a Proxy Committee ("Committee") that includes personnel from each wholly owned Boutique and is responsible for establishing policies and procedures designed to enable RidgeWorth to ethically and effectively discharge its fiduciary obligation to vote all applicable proxies on behalf of all discretionary client accounts and funds. Annually (or more often as needed), the Committee will review, reaffirm and/or amend guidelines, strategies and proxy policies for all domestic and international client accounts, funds and product lines.

RidgeWorth votes all shares per the RidgeWorth Proxy Guidelines unless the client chooses custom guidelines. In the case that a ballot item is not covered under the policy or is coded as case-by-case in the Firm's guidelines, a research analyst or portfolio manager will review the available information and will utilize such information, along with his knowledge of the company, to make a vote recommendation to the Committee. The Committee members consider the information and recommendation and will then vote on that ballot item. As reflected in the RidgeWorth Proxy policy, the Committee will affirmatively vote proxies for proposals that it deems to be in the best economic interest of its clients, as a whole, as shareholders and beneficiaries of those actions.

Due to the Firm's diverse client base, numerous product lines, and affiliations, the Committee may determine a potential conflict exists in connection with a proxy vote based on the SEC guidelines. The Committee has outlined the following situations where a conflict of interest, deemed material for proxy purposes, exists:

1. Common stock of public corporate issuers with which either the Firm or its affiliates, or Lightyear or its affiliates have a significant, ongoing, non-investment management relationship.
2. An issuer with a director, officer or employee who presently serves as an independent director on the board of RidgeWorth Holdings LLC or its affiliates.
3. An issuer having substantial and numerous banking, investment, or other financial relationships with the Firm or its affiliates.
4. A director or senior officer of the Firm or its affiliates serving on the board of a publicly held company.
5. A direct common stock ownership position of five percent (5%) or greater, held by the Firm or its affiliates.

For these situations, the Committee has determined that the most fair and reasonable procedure in order to properly address all conflict concerns is to retain an independent fiduciary to vote the ballot items coded within RidgeWorth's proxy guidelines as case by case.

Additional conflicts of interests will be evaluated by the Committee on an individual basis. Although the Firm does its best to alleviate or diffuse known conflicts, there is no guarantee that all situations have been or will be mitigated through proxy policy incorporation.

RidgeWorth contracted with Glass Lewis & Co. ("Glass Lewis") due to its excellent research tools, advance technical capabilities, and the large scale system support required to accommodate an adviser of our size. Glass Lewis will act as the Firm's agent in the provision of certain administrative, clerical,

functional recordkeeping, and support services related to the Firm's proxy voting processes/procedures, which include, but are not limited to:

1. The collection of proxy material from our clients' custodians;
2. The facilitation of proxy voting, reconciliation, and disclosure, in accordance with RidgeWorth's Proxy policy and the Committee's direction; and
3. Recordkeeping and voting record retention.

Clients may view the RidgeWorth complete Proxy policy at:

<http://www.ridgeworth.com/resources/regulatory-tax-info>.

To obtain a copy of the complete proxy voting guidelines or information about how RidgeWorth voted your proxies, please contact: RidgeWorth Capital Management LLC, Attn: Proxy Voting Committee Administrator, 3333 Piedmont Road NE, Suite 1500, Atlanta, Georgia, 30305; by telephone at 1.877.984.7321; or via e-mail at: PMP.operations@ridgeworth.com.

*RidgeWorth Funds shareholders:*

Although other investment advisers subadvise some of the funds, all proxy votes are conducted by the RidgeWorth Funds' adviser, RidgeWorth Capital Management LLC, as the RidgeWorth Funds' board has delegated voting authority to RidgeWorth and accordingly has adopted RidgeWorth's proxy voting policies. Shareholders of the RidgeWorth Funds may access fund-related proxy voting information by calling 1.888.784.3863 or by visiting [www.ridgeworth.com](http://www.ridgeworth.com).

*Class Actions, Bankruptcies and Similar Claims.* Client will, should it choose to do so, and not RidgeWorth unless otherwise stipulated by law or written agreement, initiate and pursue all appropriate litigation claims and related filings in connection with their account(s) for class actions, bankruptcies, and similar claims. RidgeWorth will attempt to forward to client materials it receives in this regard and will employ reasonable efforts to assist clients in responding to claims, but disclaims responsibility for any reasonable delays in transmission that may occur.

## **ITEM 18 FINANCIAL INFORMATION**

RidgeWorth has no financial commitment or condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.