

**Item 1 – Cover Page**

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March 31, 2017

This “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and “First International Advisors, LLC” (us, we, our).

***This brochure provides information about the qualifications and business practices of First International Advisors, LLC (“FIA”). If you have any questions about the contents of this brochure, please contact us at +44 207 929 7555. 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.***

***Additional information about FIA also is available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.***

FIA is a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisors) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## **Item 2 – Material Changes**

### **SUMMARY OF MATERIAL CHANGES SINCE LAST UPDATE (March 31, 2016)**

There have been no material changes made to our Brochure since its last update on October 3, 2016.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting the Chief Compliance Officer staff at + 44-207-929-7555 or [Mandip.Sohal@wellscap.com](mailto:Mandip.Sohal@wellscap.com).

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## **Item 4 – Advisory Business**

### **FIRM OVERVIEW**

First International Advisors, LLC (“FIA”) is organized under the law of the State of Delaware and is a registered investment adviser. FIA is a wholly owned subsidiary of Wells Fargo Bank, N.A. (“WFBNA”), which is wholly owned by Wells Fargo & Company (“Wells Fargo”), a diversified financial services company. FIA is an affiliate of Wells Capital Management Incorporated (“WellsCap”) and operates under the WellsCap umbrella.

FIA was created in 1992 and operates from London, UK. The core investment management team has worked together since 1992. FIA manages only fixed income portfolios for institutions such as mutual funds, endowments, foundations, healthcare organizations, educational organizations, public agencies, sovereign organizations, insurance companies, and Taft-Hartley plans. Eighteen professionals work in London, and work closely with WellsCap, which has over eight hundred professionals located in offices throughout the United States dedicated to the management and servicing of WellsCap client portfolios.

FIA is authorized and regulated by The Financial Conduct Authority (“FCA”) in the United Kingdom, which is set up under the Financial Services and Markets Act 2000.

The Financial Conduct Authority (“FCA”) is responsible for regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets.

### **TYPES OF ADVISORY SERVICES**

FIA provides discretionary investment advisory services primarily to institutional clients for fixed income portfolios only. The scope of the investment advisory services is specified by regulation and client agreement, and includes the following:

- Consultation of client's investment objectives, guidelines, restrictions, and strategies;
- Appropriate asset allocation;
- Portfolio management designed to achieve investment objectives within each asset class; and,
- Client reporting and review regarding portfolio, asset class, investment strategies, and performance relative to appropriate industry benchmarks.

FIA offers a range of international long - only bond strategies, including:

- Currency Alpha
- Emerging markets
- Global Fixed Income (hedged/unhedged benchmark)
- Global Fixed Income ex-US (hedged/unhedged benchmark)
- Global Fixed Income Long Duration (unhedged benchmark)
- Global Fixed Income Opportunity
- Global Fixed Income Sovereign bonds (unhedged benchmark)
- Global Fixed Income Ultra Short (hedged benchmark)
- Portable Alpha

FIA's investment strategies are designed to provide prudent diversification across a wide range of markets and securities in order to achieve a higher probability of increased return with lower volatility of return than purely US fixed income investment.

Fixed income securities and currencies are treated as separate asset classes and derivatives are used in accordance with client guidelines to prudently hedge into the client's reporting currency to protect against a loss of stated value. The selection of securities and the construction of a portfolio reflect the client's guidelines and are compared to a benchmark. This is a specialized approach to diversification for the abatement of risk and relative improvement of return. Investment strategies may involve one or more of a variety of global factors combining various transactions individually.

FIA acts as sub-advisor pursuant to an agreement with Wells Fargo Funds Management, LLC, rendering fully discretionary investment management to several registered open-end management investment companies in the Wells Fargo Advantage Funds. Each Fund is managed following the stated investment objectives and strategies given in the Fund's prospectus and statement of additional information.

FIA serves as a discretionary investment manager and makes all investment decisions for advisory accounts as it deems appropriate and without prior consultation with the client. It may buy, sell, exchange, convert, and otherwise trade in any stocks, bonds or other securities and financial instruments, subject to any written investment guideline the client may provide. In order to protect or perfect client security interests, FIA may exercise its

discretion to participate in corporate actions, proxy voting, shareholder proceedings or other undertakings that may affect the valuation or rights of client securities. In some cases and in its client's best interest, FIA may engage in discretionary activity that may appear contradictory to the actions FIA may take for other clients concerning the same or related security positions.

Additional information concerning FIA's discretionary authority is provided in [Item 16](#) below. Notwithstanding the above, FIA may provide advisory or recommendation services to clients who maintain discretionary authority under specified conditions.

FIA is not a broker-dealer and does not sponsor wrap fee programs. Nor does FIA maintain direct contractual investment advisory relationships with wrap sponsors. Instead, FIA may contract with registered investment advisors for the purpose of offering sub-advisory services. In providing these sub-advisory services, FIA makes assurances that it has executed valid sub-advisory contracts that require its client, the contracting advisor to: (i) retain responsibility for communicating any securities recommendations subject to client constraints, (ii) provide the necessary administrative and client support services, and (iii) provide any marketing support related to the programs. FIA also makes reasonable inquiry and obtains assurances that its client, the registered investment advisor, either provides the necessary Form ADV to clients itself or that it validates the sponsor's undertaking of such action.

#### CURRENT ASSETS UNDER MANAGEMENT

As of December 31, 2016, FIA had discretion over US \$5.3 billion in assets under management.

## Item 5 – Fees and Compensation

FIA assumes discretionary investment authority for investment accounts of, or furnishes investment advice to, institutions, including pension or other employee benefit trusts, corporations, investment companies and other entities. For such services, FIA receives a fee usually based upon a percentage of the market value of assets under management. In certain circumstances described further below, FIA may also receive other compensation, such as performance-based fees.

The basic fee schedule for FIA's investment advisory services is indicated below. FIA may modify the fees when circumstances warrant (e.g., large account size; accounts that require special services). Lower fees for comparable services may be available from other sources. The fee schedule represents tiered fees and not weighted averages for the total amount of assets under management. The minimum account size is \$20,000,000 but it may vary by investment style and asset class and may be waived in FIA's sole discretion. There are no start-up or closing fees and any partial periods are prorated over the billing cycle. Due to the fact that FIA bills in arrears, there is no refund policy. Advisory agreements may be terminated in accordance with the termination notices and terms of the advisory contract.

### **FIA Global Fixed Income Ultra Short (hedged benchmark)**

First \$20 million 0.25%

Next \$80 million 0.15%

Above \$100 million 0.10%

Minimum Annual Fee: \$50,000

### **FIA Global Fixed Income (hedged /un-hedged benchmark)**

First \$25 million 0.45%

Next \$25 million 0.40%

Next \$50 million 0.35%

Above \$100 million 0.30%

Minimum Annual Fee: \$90,000

### **FIA Global Fixed Income ex-US (hedged benchmark)**

First \$25 million 0.45%

### **FIA Global Fixed Income ex-US (un-hedged benchmark)**

First \$25 million 0.45%

Next \$25 million 0.40%

Next \$50 million 0.35%

Above \$100 million 0.30

Minimum Annual Fee: \$90,000

Next \$25 million 0.40%

Next \$50 million 0.35%

Above \$100 million 0.30%

Minimum Annual Fee: \$90,000

**FIA Global Fixed Income (Opportunity)**

First \$25 million 0.45%

Next \$25 million 0.40%

Next \$50 million 0.35%

Above \$100 million 0.30%

Minimum Annual Fee: \$90,000

**FIA Currency 'Alpha'**

First \$250 million 0.25%

Next \$500 million 0.20%

Above \$750 million 0.15%

Minimum Annual Fee: \$125,000

**FIA Emerging Markets**

First \$50 million 0.70%

Next \$50 million 0.60%

Above \$100 million 0.55%

Minimum Annual Fee: \$140,000

**FIA Portable 'Alpha'**

First \$50 million 0.40%

Next \$20 million 0.30%

Above \$70 million 0.25%

Minimum Annual Fee: \$80,000

**FIA Global Fixed Income – Sovereign Bonds (un-hedged benchmark)**

First \$25 million 0.45%

Next \$25 million 0.40%

Next \$50 million 0.35%

Above \$100 million 0.30%

**FIA Global Fixed Income – Long Duration (un-hedged benchmark)**

First \$25 million 0.45%

Next \$25 million 0.40%

Next \$50 million 0.35%

Above \$100 million 0.30%



Minimum Annual Fee: \$90,000

Minimum Annual Fee: \$90,000

### OFFSHORE CLIENT FEES

FIA may also manage accounts for clients or their accounts based outside of the United States. In many such arrangements and in consideration of the enhanced administrative costs, FIA may charge fees that are higher than the fees specified above.

### OTHER FEES

FIA acts as sub-advisor pursuant to an agreement with Wells Fargo Funds Management, LLC, rendering fully discretionary investment management to several registered open-end management investment companies in the Wells Fargo Advantage Funds and is entitled to receive from Wells Fargo Funds Management, LLC, a portion of its annual fee from the Fund equal to a percentage of the Fund's average daily net assets.

FIA acts as investment advisor to one private fund that is exempt from registration under the Investment Company Act of 1940 in reliance upon Section 3(c)(1) thereof. With respect to the private fund, FIA or an affiliated sub-adviser receives fees from the investors in such private fund through separately managed account arrangements and does not receive fees directly from the private fund.

For some sub-advisory accounts that FIA manages on behalf of WellsCap, FIA has received or may receive a performance-based fee. See item 6.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

### PERFORMANCE FEES

FIA has received or will receive a performance-based fee for accounts that it manages. Some of the performance fee methods of calculation include the following:

- Performance fee computations based on annual achieved returns of the client's portfolio against the designated benchmark.
- Performance fee equaling a percentage of the performance of the client's portfolio in excess of a designated benchmark.
- A base fee on all balances in the client's portfolio plus a percentage of incremental outperformance (performance of client's portfolio in excess of the designated benchmark).

FIA and its portfolio managers manage accounts that include performance-adjusted fees and other accounts that do not, there could be an incentive to favor those accounts that include a performance-based fee. In general, potential conflicts of interest arise among accounts have different objectives, benchmarks, time horizons and fees as FIA and its portfolio managers must allocate time and investment ideas across multiple funds and accounts. To address potential conflicts of interest, FIA manages accounts in a similar manner, with similar investments and similar allocations whenever possible, and consistent with individual client guidelines and requirements. Potential conflicts of interest also arise if orders for a client do not get fully executed due to being aggregated with orders of other accounts managed by FIA. FIA portfolio managers also might execute transactions for some accounts that could adversely impact the value of securities held by other client accounts. Although FIA monitors such transactions to attempt to ensure equitable treatment across all of its accounts, there can be no assurance that the price of a security held by a particular client account would not be impacted as a result of FIA's portfolio management activities on behalf of its other clients. Also, securities selected for a particular account may outperform the securities selected for other accounts managed by the same portfolio manager.

FIA has adopted compliance procedures to deter and detect potential conflicts of interest that might arise as a result of the performance-based fee structure of these accounts. For more information regarding conflicts of interests relating to side –by-side management of multiple funds and accounts, please see *Item 11 – Trade Allocation* of this brochure.

## **Item 7 – Types of Clients**

FIA provides services to a number of institutional clients such as:

- Corporations or other business entities
- Banking or thrift institutions, investment companies (including mutual funds) and other pooled investment vehicles (e.g., hedge funds)
- Insurance organizations
- Mutual fund companies
- Public funds and municipalities
- Foundations, endowments, trusts and estates
- Pension and profit sharing plans (other than plan participants)
- Taft-Hartley plans, governmental plans, and unions
- Health services organizations
- Charitable organizations and non - profit entities.

FIA acts as investment advisor to one private fund that is exempt from registration under the Investment Company Act of 1940 in reliance upon Section 3(c)(1) thereof. The private fund is organized as a Maryland statutory trust. The private fund is managed following the stated investment objectives and strategies given in the private fund's Private Placement Memorandum.

The minimum account size is \$20,000,000 but it may vary by investment style and asset class and may be waived in FIA's sole discretion.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### ANALYSIS

In addition to cyclical analysis, FIA's investment analysis methods include quantitative and qualitative analysis using FIA's proprietary systems, data-bases and models, as well as third-party data reporting, trading systems, and analytic tools.

- FIA's proprietary system analyzes fundamental economic data, bond market values and currencies to arrive at forecast returns for all markets taking into consideration all potential opportunities for adding value to client portfolios relative to their benchmark.
- Using the resultant forecasts, together with asset risk profiles and correlations, a multi stage iteration optimizer is used to arrive at the "best fit"/optimum strategy allocation for each client.
- From here, the "day to day" portfolio managers implement the agreed strategy (and changes) and concentrate on security selection.
- FIA's portfolio managers monitor that the securities are liquid and actively traded in each of these markets and select those securities that comply with the agreed strategy, pass the required client guidelines and credit tests, and offer good value.

FIA may also use a wide variety of publicly available market and economic information factors to make asset allocation and investment decisions. This information may come from many different sources, including financial newspapers, magazines and journals, research materials prepared by others, proprietary processes, on-line services, press releases, third-party services, and publicly available filings with governmental and regulatory agencies. Approximately 10% of our research is external. FIA uses the following sources of information:

- WellsCap external prices database for daily (third-party) bond and currency prices
- Fundamental economic data for each country within the investable universe
- Benchmark and investable universe data, including various index providers, such as: Bank of America, Merrill Lynch, JP Morgan, Barclays Capital, Citigroup
- Consensus Economic Forecast

- Economist Intelligence Unit and numerous leading market economists
- International Bank Credit Analyst
- Observatory Group
- PRS, Moody's, S&P, Fitch, and Credit Science

### INVESTMENT STRATEGIES

FIA's investment optimization strategies include asset allocation based on the following:

- Quantitative analysis and modeling,
- Fundamental economic forecasts with the team's asset risk profiles,
- Strategy guidelines,
- Client guidelines,
- Risk guidelines to achieve the best fit optimum portfolio,
- Trading strategies based on potential relative value opportunities between asset classes and sectors, and
- Foreign currency and forward FX transactions for hedging or modifying currency exchange exposure.

### RISK OF LOSS

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). Bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that is out of our control, will do our very best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of your account assets.

## SOVEREIGN DEFAULT RISK

There are still concerns regarding the ability of multiple sovereign entities to continue to meet their debt obligations. Many economies are facing acute fiscal pressures as they struggle to balance budgetary austerity with stagnant growth. The depressed economic environment is causing budget deficits in these economies to expand and this continues against the backdrop of sub trend growth and lower inflation.

This is most acute in Europe, but support from the ECB through various financial stability mechanisms has reduced concerns that a sovereign default is imminent. The consequences of any sovereign default would likely be severe and wide-reaching, and could include the removal of a Member State from the Eurozone. Such a scenario supports the case that ECB support will be on-going, particularly for larger nations such as Italy and Spain. Smaller countries such as Greece and Portugal are arguably at risk of debt restructuring/default if their budget deficits continue to expand and become increasingly burdensome.”

## DEBT SECURITIES RISK

Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations. Debt securities with longer maturities are generally more sensitive to interest rate changes than those with shorter maturities. Changes in market interest rates do not affect the rate payable on an existing debt security, unless the instrument has adjustable or variable rate features, which can reduce its exposure to interest rate risk. Changes in market interest rates may also extend or shorten the duration of certain types of instruments, thereby affecting their value.

## CURRENCY RISK

Investments made by FIA may be exposed to currency exchange risk. Changes in exchange rates between currencies or the conversion from one currency to another may cause the value of investments to diminish or increase. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by supply and demand in the currency exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors.

Currency exchange rates also can be affected unpredictably by intervention (or the failure to intervene) by relevant governments or central banks, or by currency controls or political developments.

### EMERGING MARKETS RISK

Emerging markets are markets associated with a country that is considered by international financial organizations, such as the International Finance Corporation and the International Bank for Reconstruction and Development, and the international financial community to have an “emerging” stock market. Such markets may be under-capitalized, have less-developed legal and financial systems or may have less stable currencies than markets in the developed world. Emerging market securities are securities: (1) issued by companies with their principal place of business or principal office in an emerging market country; (2) issued by companies for which the principal securities trading market is an emerging market country; or (3) issued by companies, regardless of where their securities are traded, that derive at least 50% of their revenue or profits from goods produced or sold, investments made, or services performed in emerging market countries or that have at least 50% of their assets in emerging market countries. Emerging markets securities may be particularly sensitive to certain economic changes. For example, emerging market countries are more often dependent on international trade and are therefore often vulnerable to recessions in other countries. Emerging markets may have obsolete financial systems and volatile currencies, and may be more sensitive than more mature markets to a variety of economic factors. Emerging market securities also may be less liquid than securities of more developed countries and could be difficult to sell, particularly during a market downturn.

### REGULATORY RISK

Changes in government regulations may adversely affect the value of a security. An insufficiently regulated industry or market might also permit inappropriate practices that adversely affect an investment.

## **Item 9 – Disciplinary Information**

FIA is obligated to disclose any regulatory, disciplinary, or legal matter that could be material to you when evaluating your advisory relationship with us.

We do not have any such item to report to you. This statement applies to our firm, and to every employee of our firm.

As a subsidiary of Wells Fargo, FIA operates in a legal and regulatory environment that exposes it to significant risks due to Wells Fargo's involvement in various legal and regulatory matters, including litigation, arbitrations, and regulatory and criminal investigations. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on Wells Fargo's operations or financial results, particularly in the early stages of a case. Many, but not necessarily all, of such matters are disclosed in Wells Fargo's securities and regulatory filings made under the Securities Act of 1933 and the Securities Exchange Act of 1934, among other laws and regulations, or otherwise may be reported on in the media from time to time. Wells Fargo's regulatory filings generally are available from Wells Fargo, the Securities and Exchange Commission, or the Financial Industry Regulatory Authority ("FINRA"). No such matters are expected to materially impact FIA.



## **Item 10 – Other Financial Industry Activities and Affiliations**

FIA offers only investment advisory services. It does not act in or get compensated for any broker-dealer or investment banking functions. Notwithstanding, FIA identifies the following affiliations and arrangements with related persons in the financial services industry; additional information regarding any potential conflicts is identified in [Item 11](#) (Code of Ethics and Conflicts of Interest) below.

FIA is a majority owned subsidiary of WFBNA, a national banking association.

FIA acts as a sub-advisor for some accounts for WellsCap, which is a registered investment adviser and a wholly owned subsidiary of WFBNA, which is wholly owned by Wells Fargo & Company, a diversified financial services company. WellsCap also provides sales support to FIA, as does ECM Asset Management Ltd (“ECM”), a majority owned subsidiary of WFC.

FIA provides advisory and sub-advisory services on a contract basis to public and private funds and other advisors. In serving as a sub-advisor, FIA oversees the function of portfolio management and related reporting functions only. Because FIA considers the contracting advisor (or fund) as its client, FIA distributes its Form ADV and other disclosures to its client directly and not to the underlying fund shareholders or trust beneficiaries. FIA relies on the contracting advisor to take responsibility for AML/Privacy/Disclosure and counseling of any shareholder-specific inquiries.

FIA also serves as a sub-advisor for affiliates of Wells Fargo, including various series of Wells Fargo Funds Trust, Wells Fargo Master Trust, and Wells Fargo Variable Trust (“Funds”), also known as the Wells Fargo Advantage Funds. Wells Fargo Funds Management, LLC, a subsidiary of Wells Fargo and an affiliate of FIA, is the investment adviser for the Funds and directs the sub-advisory relationship pursuant to applicable advisory contracts for each Fund. Wells Fargo Funds Management, LLC also acts as administrator to the Funds.

FIA and its affiliated investment advisors can share research and analyst reports that each produces, including reports that make buy and sell recommendations, through combined meetings of analyst and/or portfolio management teams, a central database of research and reports, or as they otherwise deem appropriate. These affiliated investment advisors have determined that their clients generally will benefit from such shared research by effectively broadening the resources of each adviser. Although they share research, each adviser will make buy and sell decisions independently from the others.

FIA is affiliated with other investment advisors and broker-dealers but it does not have arrangements that are material to its advisory business or its clients with such investment advisors or broker-dealers.

For a full list of affiliated brokers, please contact FIA on + 44 207 929 755.

## **Item 11 – Code of Ethics and Conflicts of Interest**

FIA has adopted the WellsCap Code of Ethics (“Code”) is adopted pursuant to Rule 204A-1 under the Advisers Act. The Code governs a number of potential conflicts of interest that could arise as we provide our advisory services to you, and is designed to ensure that we meet our fiduciary obligations to you. The Code applies to all FIA employees by governing employee personal trading activities and providing guidance with respect to potential conflicts of interest, insider trading, and the use of material non-public information. In addition, all FIA employees are also subject to a separate Code of Ethics that is applicable to all employees of Wells Fargo.

The Code is designed to detect and prevent violations of securities laws while addressing the obligations we owe to you. The Code is comprehensive, is distributed to each employee at the time of hire as a condition of employment, and compliance with its terms must be acknowledged in writing by each employee annually thereafter. The WellsCap Code team supplements the Code with on-going monitoring of employee activity.

While a copy of the Code of Ethics is available to any client or prospective client upon request at any time by contacting us at the address listed in this brochure, the material provisions of the Code include the following:

- Requirements related to the confidentiality of your information and finances;
- Prohibitions on insider trading or the misuse of material, non-public information;
- A prohibition on the acceptance of gifts and entertainment that exceed our policy standards;
- Pre-clearance of employee personal securities transactions; and,
- Reporting of relevant personal securities transactions.

### **CONFLICTS ARISING FROM PERSONAL ACCOUNT DEALING**

All personal trading activities for investment personnel are subject to WellsCap’s pre-clearance requirements under the Code, as well as ongoing monitoring by the WellsCap Code team. The Code requires pre-clearance of personal trade transactions and reconciliation of trading activity against trade confirmations and employees’ brokerage statements to help deter and detect activities such as “front-running”, “scalping”, and

insider trading. Employees are required to disclose conflicts of interest and are barred from acting upon material non-public information. In addition, prior approval requirements for purchases and sales of securities that could be common between personal holdings and holdings directly managed by FIA Portfolio Managers are clearly delineated in the Code. FIA employees who maintain brokerage or investment accounts for themselves and/or their immediate families are required to provide copies of their reportable securities transactions at the end of every calendar quarter.

Our Code does not prohibit personal trading by employees but rather seeks to monitor and manage their trading, and in some cases restrict it to certain conditions. In addition, FIA is affiliated with a large financial services holding company which includes a variety of financial businesses and activities that are managed by Wells Fargo employees. As a result, due to our activities as a professional investment adviser, it is possible that conflicts arise from time to time as FIA employees are managing their personal assets concurrent with the ongoing functions related to their employment duties and our fiduciary obligations, or as affiliated entities or their employees are engaging in their own financial activity.

#### CONFLICTS ARISING FROM PARTICIPATION BY FIA IN CLIENT SECURITIES TRANSACTIONS

FIA, its affiliates and its related parties may from time to time have an interest in securities that FIA purchases or sells for its clients or recommends for purchase or sale by its clients. Directors, officers, and employees of FIA may also buy, sell, or own securities that are bought, sold, or owned by FIA's clients. To prevent conflicts of interest, all officers, employees, and directors of FIA must comply with the Code (Code of Practice Governing Personal Dealings). The Code imposes restrictions on the purchase and sale of securities for the accounts of employees and directors, and the accounts of certain connected persons in order to eliminate situations where a personal transaction by an FIA related person would be adverse or detrimental to an FIA client. In summary, the Code requires prior clearance of all personal securities transactions by all staff members, except certain exempt transactions. Copies of all brokerage firm confirmations and, to the extent not duplicative of brokerage account or transaction statements, quarterly transaction reports must be sent directly to the Compliance Department of FIA. Please contact FIA for further details about, or to obtain a copy of, the Code.

FIA may manage accounts for related persons, and in such cases, generally will have full discretion with respect to such accounts. Other than establishing the investment objectives and policies of the portfolio, the related person generally has no influence or control over the investment decisions made for the account, and no prior knowledge of transactions that take place in the account. In certain instances, the related person may have influence or

control over the investment decisions. FIA may recommend for purchase, and in the exercise of discretion, may purchase for its clients (i) securities in the secondary market that were originally underwritten by a related person, (ii) to the extent permitted by law, securities in an offering underwritten by a related person, provided that such purchases are from members of the underwriting syndicate other than a related person, and (iii) securities of issuers in which an affiliate of FIA may have an interest.

#### ADDITIONAL POTENTIAL CONFLICTS AND CODE CONSIDERATIONS

FIA seeks to manage conflicts of interest by strict application of its Code provisions and policy requirements. The following situations may arise that could create an actual or perceived conflict of interest:

FIA is a subsidiary of Wells Fargo, a diversified financial services firm that provides a variety of banking and financial services to a broad array of clients. Wells Fargo includes many different business activities, and each of the entities that conduct these activities is considered affiliated with FIA. In particular, some of these entities could engage in their own trading involving the same securities that FIA manages on your behalf. This means that while FIA is managing its fiduciary duties to you, other entities within Wells Fargo could be engaging in transactions that create a potential conflict (for example, they could be selling the same security that FIA has purchased for you). In addition, these related persons could recommend their clients transact in the same securities in which you have a material financial interest. In some instances it is even possible that you also have a client relationship yourself with one or more of these entities, and your securities transactions may appear conflicted. With limited exceptions described below, these transactions by related persons are independent of FIA and are outside of the course and scope of FIA's investment advisory services. In order to manage these potential conflicts, FIA maintains a variety of policies to maintain effective information barriers and manage the confidentiality of its own information and activities, as described further below.

FIA acts as a fiduciary with respect to its asset management activities and is required to act in the best interest of its clients and address conflicts that arise. Nevertheless, there are instances where investment opportunities are limited for your account in certain markets in which limitations have been imposed by regulation upon investment activity. One example would include an instance in which WellsCap holds positions on behalf of clients in companies that are in turn invested in FIA's parent company, Wells Fargo. Applicable regulatory limitations due to FIA's affiliation with Wells Fargo and its subsidiaries give rise to potential conflict with FIA's fiduciary duties, as well as potential conflicts of interest, and

could result in FIA determining that securities are, or are not, permissible or recommended for purchase or sale.

Brokerage Transactions with Affiliates. FIA is affiliated with multiple broker-dealers owned by WFBNA. In order to limit any potential conflicts of interests when engaging in investment transactions on behalf of its clients, FIA prohibits any trade execution with broker-dealers affiliated with Wells Fargo. FIA does not participate in client transactions as a broker or a dealer in securities and does not operate as a broker or a dealer in effecting securities transactions for compensation for any client. This means that in all instances in which FIA transacts in a security on your behalf the transaction is effected using an independent third-party broker- dealer. While this policy to restrict trading through affiliated broker-dealers limits the potential conflict of interest, FIA could be limited in its ability to engage in certain securities transactions and to take advantage of market opportunities, as discussed elsewhere in this Brochure, regarding the best execution of transactions.

Independent Activity by Wells Fargo Subsidiaries. Related persons within the Wells Fargo organization could recommend securities, proprietary products and/or services to FIA's clients. To the extent such "recommendations" are made, they are made outside the FIA investment advisory context.

For some new security offerings or existing securities, Wells Fargo Bank or one of its affiliates act in an agency or principal capacity, including but not limited to acting as a bond trustee, paying agent, note registrar, loan servicer, syndicate co-manager or underwriter, originator, depositor, or sponsor of an MBS, ABS or CMBS asset pool, remarketing agent, or lender in a bank loan syndicate (e.g., sales of pooled or packaged asset-backed securities). Pursuant to its fiduciary duties, FIA purchases securities from time to time in offerings or underwritings in which Wells Fargo subsidiaries act in one or more such capacities (and therefore has a financial interest in the outcome of the offering or syndication) to the extent permitted by applicable law and client investment guidelines, and clients should note the potential conflict of interest inherent in such activity. In such cases, FIA follows the requirements and constraints of Regulation W of the Federal Reserve Act, the Investment Company Act of 1940, and ERISA rules where applicable.

FIA from time to time purchase existing securities in which Wells Fargo has a financial interest. However, with limited exceptions such purchases are only permitted where Wells Fargo is acting in an agency capacity on behalf of a separate issuer (e.g., as bond trustee), as opposed to purchases of securities issued by Wells Fargo directly.

While it is generally not consistent with FIA policy to purchase securities issued directly by Wells Fargo, from time to time FIA accounts hold publicly traded securities issued directly

by Wells Fargo or its subsidiaries for various reasons, including but not limited to: 1) transferred accounts; 2) approved exceptions consistent with regulatory prohibitions and client requests; 3) money market funds included among the Wells Fargo Advantage Funds; or 4) index fund mandates. Provided that the securities were purchased when it was initially appropriate to do so, FIA will continue to hold such positions on behalf of clients in its discretion until FIA believes it is prudent to dispose of them in the ordinary course of business.

#### OTHER POTENTIAL CLIENT INVESTMENT CONCERNS AND INVESTMENT CONFLICTS

FIA provides investment advice to investment companies, a private investment fund and advisory accounts. While the advice rendered to such clients is furnished in light of their respective investment objectives and policies, securities owned by one client may also be owned by other clients and it may occasionally develop that the same investment advice and decision for more than one client is made at the same time. Furthermore, it may develop that a particular security is bought or sold for only some clients, even though it might be held or bought or sold for other clients, or that a particular security is bought for some clients when other clients are selling the security.

The investment identification, selection and management process could create potential or actual conflicts for FIA and its clients, such as:

- Certain types of investments involve derivative-styled exposure to underlying or reference securities, which affect risk profiles and raise regulatory implications for certain types of clients;
- Some investments are created, managed, or issued by entities that engage in social, economic, commercial, or political activities that could be deemed objectionable or questionable by certain clients;
- Some investments are only available to clients who meet certain investor standards, such as qualified institutional buyer (QIB) or qualified purchaser status, or who have considerations or restrictions with respect to investments in private or unregistered transactions or in transactions regulated by the federal government or state law (e.g., Indian gaming);
- Some investments (either directly, or due to the nature of underlying component assets or derivative structures) involve actual or perceived liquidity constraints that could adversely impact pricing determinations, valuation methodologies,

transparency and review of asset composition, and/or the actual marketability and sale of the investment; and,

- The purchase and/or management of some investments may involve credit analysis based in whole or in part on information that may not be readily available to the public (e.g., material, non-public information), and that may cause the client to become restricted in trading public securities of that issuer so long as such information remains material and non-public.

To minimize any potential client investment conflicts, FIA manages its advisory services, fee structure, and investment selection process in accordance with pre-established client investment guidelines, the advisory contract with the client, and all applicable policies and procedures pursuant to Rule 206(4)-7 of the Advisers Act. FIA also maintains a Code of Ethics, firewall procedures and other information barriers to ensure the confidentiality of investment activity for each FIA client in compliance with applicable law. Additional actual or potential client investment conflicts and concerns include:

#### 1) Purchase of Client Securities

From time to time FIA purchases publicly traded securities of issuers who are also advisory clients of FIA. In these circumstances, FIA monitors its position and limits size to percentages that are consistent with existing benchmarks or other investment protection principles, and in keeping with the objectives of the applicable advisory strategy. Client investment guidelines and advisory contracts may also limit in whole or in part the purchase of related securities.

#### 2) Trade Allocation

FIA has adopted trade allocation policies and compliance procedures to manage the potential conflicts of interest in the allocation of limited investment opportunities. FIA engages in transactions in the same security or securities on behalf of a group of accounts in many instances, and will choose to execute trades either separately or on an aggregated basis based on FIA's reasonable belief as to economic benefit for the accounts. Generally, aggregated trades are allocated proportionately among accounts at or near the time of trade execution per these trade allocation policies, and no advisory account is favored over any other advisory account as to any available investment for reasons outside of the client's investment guidelines and applicable law.

In allocating trades among accounts, FIA considers several factors, including: each account's investment objective(s) and risk exposure; restrictions and investment guidelines; available cash and ongoing liquidity needs; existing holdings of similar



securities; and, correlation and deviation to any relevant model portfolio(s). In addition, investment opportunities within a strategy or across strategies could be allocated either based on an individual security or groupings of similar securities, subject to investment guidelines and overall risk targets. Thus, similar advisory accounts will generally receive allocations based upon relative market values within each account's target asset class allocation and/or investment strategy. However, FIA sometimes reallocates trades on a non-pro rata basis if necessary to rebalance portfolios that have experienced cash flows or to address other general account management issues (e.g., avoidance of odd lots). Moreover, if a block order is not completed for FIA in its entirety, partial fills will be allocated proportionately by FIA, though minimum size and odd lot restrictions will affect the distribution, potentially resulting in an allocation that is not pro rata. As a result, one account could receive a price for a particular transaction that is different from the price received by another account for a similar transaction on the same day.

### 3) Cross Trading

FIA generally does not engage in cross trades for clients.

### 4) Client Account Privacy

FIA complies with all applicable privacy regulations and has created policies regarding the collection and disclosure of information about FIA's clients considered to be non-public personal information. Although these policies are designed to protect client confidentiality and non-public personal information, FIA reserves the right to disclose such information where it believes in good faith that it is required or permitted to do so by law, or in circumstances related to the servicing of client accounts where FIA has retained affiliated or non-affiliated third parties who are permitted to use such information solely to provide the service or as otherwise permitted by law. Unless restricted by agreement with a client, FIA also is permitted to disclose anonymous information identifying portfolio holdings that are representative of a particular strategy when FIA is engaged in a review or modeling of its strategies with third parties.

## **Item 12 – Brokerage Practices**

FIA generally determines the broker through whom securities transactions are to be effected. In selecting a broker for a portfolio transaction, FIA considers, without limitation, the overall direct net economic results to an account, including both price paid or received and any commissions and other costs paid, the efficiency with which the transaction is effected, the ability to effect the transaction at all where a large block is involved, the availability of the broker to stand ready to execute possibly difficult transactions in the future, responsiveness to FIA, and the financial strength and stability of the broker.

### **BEST EXECUTION**

It is FIA's policy, consistent with investment considerations, to seek the most favorable price and execution for brokerage orders. Most favorable execution is a combination of price and prompt, reliable execution. When selecting a brokerage firm, FIA considers its execution capabilities, including block positioning, financial stability, and ability to maintain confidentiality, delivery, and ability to obtain best price execution.

The broker-dealers approved for securities transactions are listed on the FIA Approved Brokers list. These are the only firms with which securities transactions may be carried out. Any suggestions for adding brokers to the list other than at the request of a client must be made to the FIA Director responsible for trading who will consult with the FIA Chief Executive. FIA will apply its established due diligence process to any such suggested broker.

The FIA Director responsible for trading is responsible for ensuring that all securities transactions are conducted in accordance with this policy. The FIA Director is also responsible for ensuring that all transactions are conducted in accordance with any relevant laws and regulations. All trading desk personnel have responsibility for bringing to the attention of the Director responsible for trading any published or verbal information that might be relevant to the approved status of any broker-dealer. In addition, an annual broker review is carried out by Compliance.

FIA does not use the trading facilities of any of its affiliated broker-dealers. The actual allocation of brokerage business may vary from year to year, depending on FIA's evaluations of all applicable considerations. In no case will FIA make binding commitments as to the level of brokerage commissions it will allocate to a broker, nor will it commit to pay cash if an informal target is not met.

## DIRECTED BROKERAGE

FIA does not engage in any directed brokerage practices.

## SOFT DOLLAR ARRANGEMENTS

Soft dollar (also known as soft commission) arrangements, whereby a broker agrees to provide some service or benefit to FIA in return for placing orders with the broker, are not allowed by FIA.

## TRADE AGGREGATION

Although investment decisions for each client will be made independently from the investment recommendations or determinations made on behalf of other clients, investments deemed appropriate for one client may also be deemed appropriate for other clients so that the same security may be purchased or sold at or about the same time for more than one client. In such cases, FIA may (but is not obligated to) aggregate similar trades by multiple clients and execute the trade as a single block. Trades may also be aggregated with trades on behalf of clients of FIA's affiliates. When transactions are so aggregated, the securities purchased or sold will be allocated among the participating accounts in a fair and equitable manner. The actual prices applicable to the aggregated transactions will be averaged, and the accounts will be deemed to have purchased or sold their proportionate share of the securities involved at the average price so obtained. FIA will not aggregate transactions unless it believes that aggregation is in the best interests of the affected clients, is consistent with its duty to seek best execution for its clients and is consistent with the terms of its investment advisory agreement with each client for whom transactions are being aggregated. Nevertheless, there is no assurance that aggregation of transactions will benefit all clients equally, and in some instances combined orders could adversely affect the price or volume of a security. It is also possible that FIA may not aggregate trades in circumstances where it would have been beneficial to do so.

## Item 13 – Review of Accounts

### ACCOUNT REVIEW

The members of FIA's investment staff have responsibility for the selection of securities to be held in client accounts. Portfolio holdings are generally reviewed on a continuous basis. FIA account reviews are based on an analysis of key operational, regulatory, risk and performance characteristics across all client accounts and portfolios.

Depending on the particular type of investment strategy, client accounts are periodically reviewed by FIA Relationship Managers and Portfolio Managers. Among other reasons, a review of individual portfolio holdings may be triggered by economic or political events, or by a specific occurrence in a company or industry whose securities are held in the client accounts. Review of an account will also occur if the client's investment objective changes.

Accounts generally are reviewed with clients on a quarterly basis, or at any other reasonable time upon the request of the client. Reports are provided to clients at the end of each calendar month showing the value and holdings of the account and summarizing all changes made during the month.

FIA and its individual client Relationship Managers engage in an annual comprehensive investment review with the client to ensure client account investments are updated to comply with any changes in the applicable laws, regulations, policies and procedures, and investment guidelines.

Each year FIA sends to its clients a detailed schedule of the information we hold regarding their account with us. This information includes contact and custodian details, strategy, benchmark, names of directors of the client, etc. A copy of the most recent client guidelines from the Investment Management Agreement, along with any subsequent addendums to the guidelines, is sent. The client is requested to check the details and sign and return the schedule to FIA with any amendments or comments indicated.

FIA risk management processes are designed to review a variety of performance and investment risks and benchmarking issues, including:

- Firm-wide aggregate exposure to the debt of corporate entities, including highly concentrated, potentially less-liquid positions;
- Firm-wide aggregate exposure to the credit risk of transaction counterparties;

- Derivative positions and their application (hedging, mandate implementation, or speculation);
- Portfolio positioning responsible for both extraordinarily weak or extraordinarily strong peer-relative performance over the trailing 12 months, as determined by attribution analysis;
- Strategies most likely to experience extreme benchmark/peer-relative performance given their current risk profile;
- Strategies exhibiting style drift; and
- Consistency with established internal risk targets.

Additional compliance procedures are in place to review portfolio and account activity for conformity with client investment guidelines, best execution, use of derivatives, and other considerations. As part of the monitoring process, FIA compliance utilizes compliance and trade order systems, Bloomberg and FIA's proprietary system, GPARMs, to provide automated compliance review on a daily basis. Alerts on these systems are monitored by compliance personnel, and any warnings are researched and cleared in a timely manner.

#### CLIENT REPORTING

The nature and frequency of regular client reporting depends on the particular client relationship, as many clients ask for specific reports at different time intervals. These specific requests are agreed upon in the FIA advisory contracts. In addition to fulfilling these client reporting requests, and meeting directly with clients, FIA engages in quarterly and semi-annual valuation reporting as well as any other appropriate regulatory reporting needed to meet each client's regulatory requirements. Generally, reports are provided to clients in writing.

## **Item 14 – Client Referrals and Other Compensation**

### **REFERRALS TO FIA**

FIA may pay fees in certain instances to parties who refer advisory business to the firm. Any payment for referrals shall comply with all federal and state laws including, with respect to cash solicitation fees, the requirements of Rule 206(4)-3 under the Advisers Act. FIA does not enter into agreements with or make commitments to broker-dealers under which FIA is obligated to compensate broker-dealers for client referrals. However, for clients other than those covered by ERISA, when FIA believes that a broker-dealer who has referred clients to FIA is capable of providing the best price services and overall execution as to a particular portfolio transaction, considering all the factors described herein, FIA may select that broker-dealer in recognition of the broker-dealer's referrals or possible future referrals. In doing so, except where specifically disclosed to client, FIA will not pay higher commissions than would otherwise be payable to another broker-dealer.

Certain designated persons who act as advisory representatives of FIA are institutional account representatives of Wells Fargo subsidiaries and may offer advice or opinions as to the value of FIA's services or the appropriateness of such services for a potential client; in such cases, compensation will be provided to them by way of salaries and bonuses paid through the Wells Fargo subsidiary.

FIA may also compensate third parties for advisory client referrals. Under this arrangement, FIA would pay a portion of the referred client's management fee earned by WellsCap to the referring party. The referral fee will be borne solely by FIA and not the referred client. Currently, FIA does not maintain third-party solicitor agreements. Should it engage in this practice in the future, FIA will ensure the arrangements are in compliance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

FIA permits certain designated persons (referred to as "Solicitors") to refer potential business to FIA. Any solicitor is required to conduct solicitation functions in accordance with Rule 206(4)-3 and the laws of the country in which such solicitation is made. Payments to Solicitors range in value based on the type of investment vehicle.

The investment management services of FIA are also offered to clients of Wells Fargo. The distribution of investment products and services to such clients of Wells Fargo & Company is dependent on interrelationships among FIA, its affiliates, and other entities in support of these activities. There exist certain potential or actual conflicts of interest within these

interrelationships, including marketing or sponsorship arrangements with third parties, sub- advisors and brokerage firms to promote the distribution of proprietary investment products including, but not limited to, variable products, mutual funds, managed accounts or the general enhancement of the “Wells Fargo” marketing image. Such parties, sub- advisors, and brokerage firms may concurrently have advisory, distribution, or other relationships with FIA. These arrangements could result in additional assets under management to FIA or inure to the direct or indirect benefit of clients of the firm. In addition, FIA’s clients maintain their right to limit the nature and scope of all disclosures to the parent company, an affiliated subsidiary, third- parties, sub-advisers and brokerage firms.

#### REVENUE SHARING FOR WELLSCAP REFERRALS

Wells Fargo compensates FIA for client referrals to other affiliate businesses within Wells Fargo under a revenue sharing program. This compensation to FIA based upon the aggregate amount of FIA’s assets under management and not the client’s assets invested with FIA.

#### REVENUE FOR WELLSCAP RESEARCH

Wells Fargo compensates FIA for proprietary research created by FIA and provided to affiliate businesses within Wells Fargo. Wells Fargo reimburses FIA for the preparation fees related to the newsletter, and is permitted to distribute the information to external clients.

## Item 15 – Custody

### CUSTODY UNDER SEC RULE 206(4)-2

Clients should receive account statements from their bank, broker-dealer or other qualified custodian, in addition to the account statement that they may receive from FIA. We urge clients to carefully review both account statements and compare official custodial records to the account statements provided by FIA. FIA's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Per Rule 206(4)-2, FIA is deemed to have custody of certain of its clients' accounts as FIA has the following arrangements:

1. Direct Debit Billing

The clients of FIA who have authorized payment of FIA management fees directly from their custodian account receive a copy of the invoice from FIA as well as a monthly statement from their respective qualified custodians that includes all the required information.

2. Administrative Manager / General Partner and Investment Adviser to Private Funds

Private Funds, as the name implies, are privately offered. Investors in the Private Fund receive statements provided directly from the custodian and FIA. FIA urges investors in the Private Fund to compare the account statements they receive from their qualified custodian and the statements provided by FIA. For tax and other purposes, statements sent by the custodian should act as the official record for an investor's securities and cash positions.

3. Related person as Qualified Custodian

Certain FIA clients have selected Wells Fargo Bank, N.A. ("WFBNA") to serve as their qualified custodian. Pursuant to Rule 206(4)-2 under the Investment Advisers Act (the "Rule"), FIA, in connection with its provision of investment advisory services, is deemed to have custody of such clients securities or funds because they are held by a related person, in this case WFBNA.



## Item 16 – Investment Discretion

### DISCRETIONARY AUTHORITY

Pursuant to the client's investment advisory agreement, FIA has the authority to determine the securities to be bought or sold from time to time, as well as the amount of those securities. These determinations are made pursuant to the investment guidelines provided by clients, as well as any regulatory considerations. FIA's standard is to receive complete discretionary authority over an account with the written approval of the client.

Such investment discretion remains limited to the client's risk tolerances, investment objectives and guidelines and provisions of the investment advisory contract. However, certain clients may also require prior approval of investment transactions or request to be advised before certain investment transactions are effected. Where FIA serves as an investment adviser to a fiduciary account for a trust, prior approval is often required by the trustee or grantor of the trust.

The following are common limitations to FIA's authority:

- Funds: FIA is limited to investment alternatives specified in each Fund's prospectus. The choice of investment alternatives is further limited by investment restrictions set forth in each Fund's statement of additional information, in the Investment Company Act of 1940 and under other applicable laws and regulations. All investments of each Fund are subject to the supervision of the Fund's board of trustees;
- Private Funds: FIA is limited to investment alternatives specified in each Private Fund's confidential private placement memorandum or similar offering document;
- Private Accounts: FIA is limited by the investment management agreement, the instructions of its clients and by the nature of the account that it advises. Clients may from time to time change their instructions to FIA. Accounts managed on behalf of employee benefit plans are subject to fiduciary standards imposed by the Employee Retirement Income Security Act of 1974 ("ERISA"). If a client requests in writing that his account not hold securities of companies in certain industries or countries or that certain securities be retained, and this limitation is acceptable to FIA, FIA will comply with the request.

See item 4 for more details regarding FIA's business and the investment process.

#### TRADE EXECUTION

FIA places trades with broker-dealers on a discretionary basis. FIA has authority to determine the broker or dealer to be used as well as the applicable commission rates. This allows FIA to optimize "best execution" of trades for all of its clients. FIA will only execute trades with brokers on FIA's pre-approved broker list. See item 12 for more information regarding brokerage practices.

## **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

FIA recognizes it has a fiduciary duty to vote proxies on behalf of clients who have delegated such responsibility to FIA, and that in all cases proxies should be voted in a manner reasonably believed to be in the clients' best interest. Pursuant to Rule 206(4)-6 under the Advisers Act, FIA has adopted Proxy Voting Policies and Procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of our clients.

Due to the fact that FIA currently manages only portfolios of fixed income securities, which rarely carry voting rights and in respect of which proxies are rarely solicited, FIA does not anticipate any proxy voting activity.

## **Item 18 – Financial Information**

FIA has no financial condition that is reasonably likely to impair contractual commitments to clients, and it has not been the subject of any bankruptcy petition.