

INSTITUTIONAL INVESTORS ADVISORY COMPANY

Disclosure Brochure

March 2018

Institutional Investors Advisory Company • 2150 Hampton Avenue • St. Louis, Missouri 63139 • 314-644-2150

This brochure provides information about the qualifications and business practices of Institutional Investors Advisory Company. If you have any questions about the contents of this brochure, please contact us at (314) 644-2150. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Institutional Investors Advisory Company also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

In this update to the Disclosure Brochure (“Brochure”) of Institutional Investors Advisory Company (“IIAC”), IIAC advises that IIAC’s owner, Mr. William Zielinski, is no longer involved in IIAC’s management, and that Dr. Gregory Zielinski is now IIAC’s President.

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Advisory Business

General

Institutional Investors Advisory Company (“IIAC,” “we” or “us”) is an investment adviser founded in 1970 and registered with the Securities and Exchange Commission (“SEC”) in 2012. We provide investment advisory services on a discretionary basis to two clients, which are privately-offered funds that are open only to certain types of investors (the “Funds”).

We are under common control with the following companies: Institutional Transportation Company, ITC Leasing, Zielinski & Associates, P.C., Zielinski Ministry Services, Inc., and Zielinski Companies, Inc. (collectively, “Zielinski Companies”).

Zielinski Companies began serving religious and non-profit clients in 1957. The founder, William L. Zielinski, started working with clients in the Midwest as great changes were starting to take place for religious congregations. During the early years, it became apparent that specialized services had to be developed to serve the needs, lifestyle, and mission of religious and non-profit organizations. Consequently, services were developed that truly provided the opportunity to advance the mission and achieve the goals of these specialized groups.

From that early start of providing accounting, auditing, facility, and resource planning services, Zielinski Companies has grown into a worldwide provider of a complete range of services for religious and non-profit organizations. These services include audit, accounting and tax services, cash management services, fundraising and development, long-term care management, motherhouse administration, organizational management and planning, real estate and facility advisory services, and vehicle and fleet management services.

As of December 31, 2017, we managed approximately \$200 million of client assets on a discretionary basis. IIAC is owned by Mr. William Zielinski, though he is no longer involved in IIAC’s management. Dr. Gregory Zielinski is IIAC’s President.

We serve as the discretionary investment adviser to the Funds. As such, we determine which securities the Funds buy and sell. Our advice is limited to fixed-income and other securities held by the Funds, which may include, amongst other securities, money market funds, collateralized mortgage obligations (“CMOs”), interest-only (“IOs”), real estate mortgage investment conduits (“REMICs”), bonds, investment grade corporate bonds and government agency bonds, in addition to certificates of deposit. We may sponsor or manage additional private investment funds in the future.

We have engaged and oversee sub-advisors that assist us in managing the Funds’ assets.

Our advisory services are tailored to only the Funds’ needs, and we do not tailor our services to any other person’s needs.

Fees & Compensation

Our management fees for the Funds are described in the Funds’ confidential offering memorandum (“Memorandum”), and we do not earn performance fees. Since the terms of the

advisory agreements between us and each Fund were not negotiated with any independent party, they should not be considered to be at “arm’s length.”

As further described in the Memorandum, Fund investors will indirectly pay other expenses and fees, including custodial and auditing fees, as well as transactional and execution fees incurred by the Funds.

No person receives any compensation in connection with the placement of interests in the Funds.

Types of Clients

The Funds are our sole clients, with minimum investor qualifications, as described in the Memorandum.

Methods of Analysis, Investment Strategies & Risk of Loss

We seek to attain the Funds’ objectives through fundamental analysis focused on investments which produce favorable yields. While intending to buy and hold some securities which provide assurance of return of capital at maturity, we also employ an active management approach within fixed income categories. The following are summaries of the risks associated with our strategies and the types of securities for which we primarily provide advice on.

Government Financial Support: Obligations of certain agencies and instrumentalities of the U.S. government are supported by the full faith and credit of the U.S. government, such as those of Ginnie Mae; others, such as those of Fannie Mae, are supported by the right of the issuer to borrow from the Treasury; others are supported only by the credit of the instrumentality. No assurance can be given that the U.S. government would provide financial support to U.S. government-sponsored agencies or instrumentalities if it is not obligated to do so by law.

Market Value of Mortgage-Backed Securities: Although certain mortgage-related securities are guaranteed by a third party or otherwise similarly secured, the market value of the security, which may fluctuate during its life, is not so secured. The value of a mortgage-related security may be lost if there is a decline in the market value of the security whether resulting from changes in interest rates or prepayments in the underlying mortgage collateral. As with other interest bearing securities, the prices of such securities are inversely affected by changes in interest rates. However, though the value of a mortgage-related security may decline when interest rates rise, the converse is not necessarily true, since in periods of declining interest rates the mortgages underlying the securities are prone to prepayment, thereby shortening the average life of the security and shortening the period of time over which income at the higher rate is received. Conversely, when interest rates are rising, the rate of prepayment tends to decrease, thereby lengthening the average life of the security and lengthening the period of time over which income at the lower rate is received. For these and other reasons, a mortgage-related security’s average maturity may be shortened or lengthened as a result of interest rate fluctuations

and, therefore, it is not possible to predict accurately the security's return. In addition, regular payments received in respect of mortgage-related securities include both interest and principal. No assurance can be given as to the return realized when these amounts are reinvested.

IOs are entitled to receive all or a portion of the interest, but none (or only a nominal amount) of the principal payments, from the underlying mortgage assets. If the mortgage assets underlying an IO experience greater than anticipated principal prepayments, then the total amount of interest payments allocable to the IO class, and therefore the yield to investors, generally will be reduced. In some instances, an investor in an IO may fail to recoup all of its initial investment, even if the security is government issued or guaranteed. Thus, there may be cases where we may not receive full par value of the CMO if it is interest-only.

CMOs & REMICs: Certain CMOs and REMICs are issued by private issuers and do not have the backing of any U.S. government agency, instrumentality, or sponsored enterprise.

Freddie & Fannie: The extreme and unprecedented volatility and disruption impacting the capital and credit markets have led to increased market concerns about Freddie Mac's and Fannie Mae's ability to withstand future credit losses associated with securities held in their investment portfolios, and on which they provide guarantees, without the direct support of the federal government. Both Freddie Mac and Fannie Mae were placed under the conservatorship of the Federal Housing Finance Agency, which has assumed control of, and generally has the power to direct, the operations of Freddie Mac and Fannie Mae. The conditions attached to the financial contribution made by the Treasury to Freddie Mac and Fannie Mae and the issuance of senior preferred stock place significant restrictions on the activities of Freddie Mac and Fannie Mae.

Greater Default Risk: As a result of the economic recession that commenced in the U.S. in 2008, there was and still could be a heightened risk that the receivables and loans underlying the mortgage-related securities purchased by the Funds may suffer greater levels of default than was historically experienced.

Inflation: Inflation may rise faster than the returns the Funds earn on their investments. Therefore, it is possible that investments may not keep up with rising inflation.

Interest Rate Risk: Return rates could increase according to the market. However, assets may be tied up in existing fixed investments at lower rates of return. In these instances, an investor would not be able to obtain the best rate of return available until their existing investments mature.

Disciplinary Information

In August 2017, the SEC entered an order (the "Order") imposing sanctions on IIAC. The following briefly summarizes the Order, and we neither admit nor deny the SEC's allegations in the Order. In the Order, the SEC alleged that use of a reserve by a private fund that IIAC previously advised (such fund no longer exists) (the "Prior Fund") contradicted the terms of agreements certain Prior Fund investors entered into with us,

because by virtue of the Prior Fund's use of the reserve, those investors did not receive all of their shares of the Prior Fund's income during certain periods. The SEC also alleged that because amounts contributed to the Prior Fund's reserve (at our principals' direction, in their role as directors of the Prior Fund) increased the amount of the Prior Fund's assets on which our advisory fees were calculated, a conflict of interest existed.

The Order did not suggest that our advisory fees calculated on the Prior Fund's reserve were not paid for services fairly rendered to the Prior Fund.

The Order alleges that we neither adequately disclosed such conflict, nor the operation of the Prior Fund's reserve and its impact on our advisory fees. The Order therefore found that we violated the non-scienter provision (section 206(2)) of the Investment Advisers Act of 1940. Under the Order, we undertook to refund a portion of the reserve amounts the Prior Fund did not distribute to its members, pay to the SEC interest on such amount, to disgorge advisory fees we were paid on the Prior Fund's reserve during a specified period, pay interest on that amount, as well as pay a civil penalty of \$250,000.

Other Financial Industry Activities & Affiliations

We are under common control with Zielinski Companies. While we have only two clients, many of the Funds' investors are also clients of one or more other Zielinski Companies' services.

Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

Code of Ethics

We have adopted a Code of Ethics (the "Code"), that sets out general ethical standards applicable to our employees. Our employees are expected to maintain the highest ethical standards, embody a business culture that supports actions based on what is right rather than expediency, deal fairly with customers and one another, protect confidential information and seek guidance about ethical questions. More specifically with respect to advisory activities, the Code requires that whenever we act in a fiduciary capacity, we will endeavor to consistently put the client's interest ahead of ours. We will disclose actual and potential meaningful conflicts of interest, and we will manage actual conflicts of interest in accordance with applicable legal standards. If applicable legal standards do not permit management of the conflict, we will avoid the conflict. We will not engage in fraudulent, deceptive or manipulative conduct with respect to clients, and will act with appropriate care, skill and diligence.

Employees are expected to comply with all fiduciary standards applicable to us in performing their duties. In addition, employees must put the client's interest ahead of their own personal interest. An employee's fiduciary duty is a personal obligation. While advisory personnel may rely upon subordinates to perform many tasks that are part of their

responsibilities, they are personally responsible for fiduciary obligations even if carried out through subordinates.

In addition to these ethical principles, the Code requires that our staff acknowledge receipt of the Code, report violations of the Code and comply with applicable federal and state securities laws. The Code also incorporates a personal securities trading policy, which is intended among other things to deter and prevent insider trading and contains requirements respecting information barriers relating to material nonpublic information, as well as restrictions on and reporting and monitoring of employees' personal securities trading. We will provide a copy of the Code to any client or prospective client at any time upon request and without charge.

Participation or Interest in Client Transactions

Our employees generally may not purchase the same securities held by the Funds. We require that all of our supervised persons must act in accordance with all applicable federal and state regulations governing their activities in their capacities as such. Furthermore, we have adopted the Code expressing our commitment to ethical conduct and prohibiting certain types of transactions. *See "Code of Ethics" above.* It is our policy that no employee may prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decision of advisory clients.

Brokerage Practices

We have discretionary authority to make the following determinations without obtaining the consent of the Funds before transactions are effected:

- which securities are to be bought or sold;
- the total amount of the securities to be bought or sold;
- through which brokers securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

Our authority may be subject to conditions imposed by the client, such as the Funds' investment objectives and governing documents.

We generally seek "best execution" in light of the circumstances involved in transactions. In selecting a broker for any transactions, we may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. We will not obligate ourselves to obtain the lowest commission or best net price for an account on any particular transactions.

We do not aggregate orders of securities for multiple client accounts.

Review of Accounts

We review and manage the Funds' accounts on an ongoing basis. The Funds' investors receive monthly account statements and online monthly investment summaries in addition to annually audited financial statements.

Client Referrals & Other Compensation

We do not pay any person for referrals, nor does any person pay us for referrals.

Custody

While we do not maintain physical possession of the Funds' securities or assets, we are deemed to have custody, as such term is defined in the Investment Advisers Act of 1940 and the rules and regulations promulgated by the SEC thereunder, of the Funds' assets. Actual custody of client assets are maintained with a bank or brokerage firm (each a "Custodian") selected by us in our exclusive discretion, which selection may change from time to time.

Investment Discretion

We serve as the discretionary investment advisor to the Funds. As such, we determine which securities the Funds buy and sell, or supervise a sub-advisor's selection of investments.

Voting Client Securities

Because of the nature of the securities held by the Funds, we do not vote proxies for any client. We have adopted policies governing any potential proxy voting, which policies are available to Fund investors by contacting us at the number provided on the cover of this Disclosure Brochure.

Those policies generally provide that we will vote any proxies in our clients' interests, and that if we identify a conflict of interest between us and the client, we will, depending on the nature of the conflict, either (i) obtain the client's consent to vote or direct us to vote after disclosure of any potential conflict, (ii) vote based upon a third party's recommendation, or (iii) request that the client engage a third party to determine how the proxy should be voted. Those procedures also provide that clients may request records of how we voted any proxies or discuss any particular solicitation by contacting our Chief Compliance Officer at our main number on the cover of this Disclosure Brochure.

Financial Information

Not applicable.