

## ITEM 1: COVER SHEET

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### Saratoga Research & Investment Management

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March 29, 2018

This brochure provides information about the qualifications and business practices of Saratoga Research & Investment Management. If you have any questions about the contents of this brochure, please contact us at (408) 741-2339 and/or [aileen@saratogarim.com](mailto:aileen@saratogarim.com). The brochure is also available on the Firm's website, [www.saratogarim.com](http://www.saratogarim.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Additional information about Saratoga Research & Investment Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm's CRD number is 110506.

Saratoga Research & Investment Management is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

## **ITEM 2: MATERIAL CHANGES**

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Noted below are the material changes contained in this Form ADV Part 2 from our most recent annual updating amendment dated, February 10, 2017.

### **Item 4: Advisory Business**

SaratogaRIM has adopted and begun implementation of a multi-year succession plan that will result in a transfer of ownership from Mr. Kevin Tanner to the employees of the Firm over a 20-year period. Mr. Tanner, Chairman, CEO, Chief Investment Officer and majority shareholder, intends to remain fully involved in the Firm's operations throughout that time.

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## ITEM 4: ADVISORY BUSINESS

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### A. Who We Are

Saratoga Research & Investment Management (“SaratogaRIM” or the “Firm”), has been a registered investment adviser since August 1995. Our principal officer and majority owner is Mr. Kevin P. Tanner, Chairman, CEO and Chief Investment Officer. The Firm’s employees, including executive officers, are currently holders of the nearly 40% of the Firm’s outstanding shares not held by Mr. Tanner.

### B. Advisory Services

SaratogaRIM primarily offers discretionary long-only equity investing services for long-term clients through separately managed accounts. Our equity strategy is also offered through a mutual fund, subadvised by the Firm.

SaratogaRIM also serves as a consultant to institutional investors, providing model portfolios that may include the same securities we buy/sell for our actively-managed client portfolios, and are engaged by other registered investment advisers to manage a portion of their client’s assets.

### C. Customization

Investment advisory services are offered on a discretionary basis, which means that the client grants SaratogaRIM the authority to determine what securities to purchase and when. However, the Firm may occasionally accept certain limited investment restrictions that are negotiated.

### D. Wrap Fee Programs

SaratogaRIM serves as a portfolio manager to wrap programs sponsored by unaffiliated third parties. The wrap programs are managed in the same manner as our other client accounts, and SaratogaRIM is paid a portion of the wrap fee for its services.

### E. Assets Under Management

As of December 31, 2017, SaratogaRIM had \$2,113.1 million in discretionary assets under management and no non-discretionary assets. In addition, the Firm provided investment management services on a consulting basis to approximately \$435.7 million in assets under advisement.

## ITEM 5: FEES AND COMPENSATION

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### A. Compensation

Fees for discretionary investment management services are calculated as a percentage of assets under management and based upon the investment strategy of the account as outlined below:

<u>Type of Account</u>	<u>Annual Fee</u>
Equity - Quality	1.00%
Equity - Focus	1.20%
Strategic Income	0.75%

Active Fixed Income	0.50%
Passive Fixed Income	0.25%

Fees may be negotiable in certain limited circumstances, and fee arrangements may vary significantly from client to client. Asset-based fees are calculated using the value of the client's assets, including securities and money market funds. Registered investment advisers ("RIAs") or other professional firms, such as family offices, that hire SaratogaRIM to manage a portion of their client's assets receive a 50% discount from the fees listed above for our Quality or Focus strategies. Arrangements with any particular registered investment adviser relationship may vary. On occasion, the Firm agrees to manage fixed income accounts for certain clients who already have established equity accounts.

SaratogaRIM believes that it is important to deploy client assets as opportunities are identified. Therefore, in some unique circumstances, the Firm may withhold investing an account until appropriate opportunities arise. In general, advisory fees are not assessed until the account is broadly in-line with the appropriate model.

SaratogaRIM subadvises the Port Street Quality Growth Fund, a registered investment company that pays SaratogaRIM a quarterly subadvisory fee based upon the Fund's average net assets at month-end at an annual rate of 0.20% on the first \$100 million of assets, 0.30% on the next \$400 million, and 0.35% on assets over \$500 million, payable in arrears. Either party may terminate this agreement upon 60 days' written notice.

SaratogaRIM provides consultant services to institutional investors. Consultation services can include recommendations and investment advice regarding the construction and maintenance of model portfolios. For these services, SaratogaRIM receives a fee based upon the market value of the securities that the investor allocates to the SaratogaRIM Models at an annual rate up to 0.30%. SaratogaRIM does not trade or manage these assets.

## B. Deduction of Management Fees

Clients either may pay by check or provide written authorization for us to deduct the quarterly advisory fees directly from the investment account held at the client's custodian. If fees are automatically deducted, the client receives an account statement from their custodian showing the holdings and account transactions, including the amount deducted for the Firm's fees in order for the client to review the accuracy of the fees being billed.

## C. Types of Fees and Expenses

In addition to our advisory fee shown above, clients are responsible for paying fees associated with investing in their account. These fees include:

- Management fees for ETFs and mutual funds, which are charged by the managers of the ETF or mutual fund, and are a part of the fund expenses;
- Brokerage costs and transaction fees for any securities trades, which generally are charged by the custodian and/or executing broker; and

- Custodial fees charged by the client's custodian.

#### D. Pro Rata Fees

SaratogaRIM generally bills separately managed accounts for our advisory services in advance on a quarterly basis. If either party terminates the investment management agreement, we refund a pro rata fee based upon the market value of the securities in the portfolio and the number of days the money was managed. We bill for our consulting service in advance or in arrears according to the individual management contracts.

#### E. Compensation for the Sale of Securities

Neither the Firm nor any of its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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SaratogaRIM does not receive performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client. As such, the Firm does not use side-by-side management and is not incentivized to treat one account different than another.

### **ITEM 7: TYPES OF CLIENTS**

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SaratogaRIM's clients include individuals, high net worth individuals, charitable organizations, corporations, registered investment companies, pooled investment vehicles, and pension and profit sharing plans. The initial minimum for the SaratogaRIM Large Cap Quality strategy is \$100,000, and the initial minimum for the Large Cap Quality Focus strategy is \$250,000. However, we may waive these minimums at our sole discretion.

### **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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The SaratogaRIM investment process has four levels:

#### 1. Quantitative Analysis:

This part of the process is designed to limit our investable universe to our definition of "Quality". We start with a database of 30,000 securities provided by FactSet; virtually all companies that trade publicly in the United States, then limit our investable universe to companies that share the following characteristics:

- Financially sound with no more than moderate levels of leverage;
- Utilize non-capital intensive business models that generate high quality owner earnings;
- Are currently profitable;
- Have demonstrated a propensity to earn above-average profit margins over time; and

- Have generated at least a dollar of market value for every dollar of retained earnings over time.

## 2. Qualitative Analysis:

Using the fewer than 300 companies that make it through the quantitative screens, SaratogaRIM studies the businesses to better understand their business model as well as the larger industry and macroeconomic factors that influence the business. We select from this pool the highest quality investment candidates - specifically, those we believe to have sustainable competitive advantages, or what Warren Buffett would call “economic moats.”

## 3. Valuation Analysis:

We value the resulting list of 50-100 high quality investment candidates using two separate models: Discounted Cash Flow (DCF) Analysis and Risk-Adjusted Return Analysis. We start by defining the value of any ongoing business as the present value of the future net cash flows that it will generate over its remaining lifetime. Through DCF, we produce a conservative estimate of intrinsic value. We then use quality rankings to establish a minimum margin of safety and set a maximum purchase price with that margin embedded. As a reality check, we also conduct Risk-Adjusted Return Analysis to establish a maximum purchase price with that margin embedded. We use both models to help guide buying and selling decisions.

## 4. Portfolio Construction:

Typically, our target list is then comprised of 20-45 companies that are trading below our maximum purchase price and position sizes will vary based upon the strategy being utilized by the end client.

SaratogaRIM seeks to protect against permanent loss of capital through multiple levels of analysis from the perspective of a long-term investor, and we trade infrequently. Our analysis includes but is not limited to evaluations of the business model, capital structure, and leverage employed, price relative to intrinsic value as well as considerations of extreme economic environments ranging from severe recessionary episodes to prolonged inflationary periods. What we cannot factor in are risks associated with unpredictable natural or human-made disasters ranging from catastrophic earthquakes or tidal waves to nuclear or biological terrorist attacks. Instead, we designed our process generally to protect against these types of risks through the maintenance of adequate diversification.

**Principal Risks:** As with any money manager, there is no guarantee that portfolios managed by SaratogaRIM will not lose money. The market value of the portfolio will fluctuate, which means clients could lose money by investing with us. The principal risks of investing in an account managed by SaratogaRIM are as follows:

**Active Management Risk:** SaratogaRIM portfolios are subject to the risk that the Firm’s research and judgment about the attractiveness, value, or potential appreciation of any of our portfolio holdings may prove incorrect. If the securities selected or strategies employed by SaratogaRIM fail to produce the intended results, portfolios managed by SaratogaRIM could underperform other managers with similar objectives and investment strategies. Furthermore, because our process is geared towards long-term investment, our portfolios are not immune to short-term

market forces (such as a “Flash Crash”), which could impact any investor who instructs us to sell at an inopportune time.

**Investment Style Risk:** SaratogaRIM's approach to investing in high quality companies with low balance sheet, business model, and valuation risk has generally meant its strategies tend to underperform in up markets when risk appetites are high. Conversely, these assets tend to outperform in down markets because of their consistency and security. The company's primary investment strategies differ in a key way: for the Quality strategy, SaratogaRIM will allow cash to accumulate at certain stages of the market cycle which can cause the strategy to underperform in a rising market due to cash drag. The Focus strategy, however, is limited to a maximum 5% cash position which limits cash drag in a rising market but makes the strategy more susceptible to market drawdowns.

**Stock and Bond Market Risk:** Stocks generally fluctuate more than bonds or cash and may decline rapidly over short time periods. There is always a chance that stock prices will decline because stock markets tend to move in cycles, with periods of rising and falling prices. Prices of individual stocks can fall either because of factors related to the underlying business, industry or due to general weakness in the stock market as a whole. We invest primarily in common stocks and bonds. With any bond or stock investment, there is the risk of a loss of capital. While we try to limit potential loss through careful security selection, it is impossible to eliminate the possibility of a permanent loss of capital.

All investments involve different degrees of risk. Clients should be aware of their risk tolerance level and financial situations. We do not guarantee the successful performance of an investment or portfolio, and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

## **ITEM 9: DISCIPLINARY INFORMATION**

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As a registered investment adviser, we are required to disclose any material facts regarding any legal or disciplinary actions that would be material to a client’s evaluation of the investment adviser and each investment adviser representative providing investment advice to the client. We have no information of this type to report.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Neither SaratogaRIM nor any of our officers or management persons have outside business affiliations that present material conflicts of interest to our clients.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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### **A. Code of Ethics**

We have adopted a set of enforceable guidelines (Code of Ethics), which describes unacceptable conduct by SaratogaRIM and our related persons. The Firm’s Code of Ethics is designed to help ensure that we:



- Place our client's interests before our own;
- Do not use nonpublic information gathered when providing services to clients for our gains; and
- Do not engage in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

A full copy of this Code of Ethics is available upon request.

#### B. Personal Trading for Related Persons

SaratogaRIM requires their personnel to report all securities holdings and transactions to the Firm.

SaratogaRIM may buy or sell some of the same securities for clients that personnel of SaratogaRIM already hold in their personal accounts. Personnel of SaratogaRIM may also buy or sell some of the same securities in their personal accounts that are already held in client accounts. We prohibit personal trading that takes advantage of price movements caused by client transactions.

SaratogaRIM may restrict personnel from trading certain securities if there is a pending or anticipated trade for a particular security. When possible, the Firm will aggregate personal trades with clients' trades at the end of the day. If we place block trades for clients and the Firm's personnel have managed accounts with the Firm, then those trades will be included in the block trade. Additional information about block trades and aggregation of orders is provided in Item 12E: Brokerage Practices.

### **ITEM 12: BROKERAGE PRACTICES**

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#### A. Selecting Brokers/Custodians

We recommend broker/custodians who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We may consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (buy and sell securities for client accounts);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Quality of services;
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
- Reputation, financial strength, and stability;
- Prior service to us and our other clients; and
- Availability of other products and services that benefit our ability to serve our clients, as discussed below.

We do not maintain custody of client assets that we manage, although we may be deemed to have custody of client assets if we have the authority to withdraw assets from a client account (see Item 15: Custody). We require that all client assets be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We may recommend unaffiliated custodians for consideration by the client, such as Charles Schwab & Co., Inc. (Schwab), member FINRA/SIPC; TD Ameritrade Institutional (“TDA Institutional”), a division of TD Ameritrade, Inc. (“TD Ameritrade”), member FINRA/ SIPC; or National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, “Fidelity”) through which Fidelity provides SaratogaRIM with “institutional platform services.” The client’s custodian may also offer services for use by independently registered investment advisors, which include trade execution and clearance and settlement of transactions.

In most cases, SaratogaRIM places trades through the custodian selected by the client, who also acts as a broker-dealer (a “Designated Broker-Dealer”). In these cases, clients have negotiated the terms and conditions (including, but not limited to, all fees and commission rates) relating to all services provided by such Designated Broker-Dealer and clients are satisfied with such terms and conditions. SaratogaRIM will not negotiate brokerage commissions with respect to transactions executed by Designated Broker-Dealer for clients, and as a result, clients may pay higher commissions than those paid by clients who have not directed SaratogaRIM to execute transactions through either the Designated Broker-Dealer or another broker-dealer designated by such clients. By directing SaratogaRIM to use the Designated Broker-Dealer, clients may not receive the best execution with respect to certain transactions effected on their behalf. Disclosure regarding our primary Designated Broker-Dealers is provided below. In circumstances where the Firm manages a referred client, the referring institution will choose the custodian.

SaratogaRIM has discretion to choose the broker-dealer for an account only where the clients have selected to maintain their accounts at a custodian (usually a bank or trust company) that does not provide execution services. In these very limited cases, the custodians mandate that we select a broker for trade execution. In these instances, the Firm also has complete discretion over the selection of brokers and dealers used. When we select the broker-dealer for a transaction that cannot be executed through the client’s custodian, we may cause the client to pay a higher commission for effecting a transaction than another broker-dealer would have charged for effecting that transaction. We do this if we determine in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. The determination is viewed in terms of the overall execution received for our client.

In addition to the Designated Broker Dealers specifically mentioned above, the Firm has a similar arrangement with Royal Bank of Canada and Pershing LLC.

## B. Products and Services

Custodial brokers provide our clients and us with access to its institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to their retail customers. They also make available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. There is no direct link between our participation in the program and the investment advice we give to clients, although we may receive economic benefits through our participation in the program that is typically not available to custodial retail investors. Support services are generally available on an unsolicited basis (i.e., we do not request these services) and are offered to us at no charge.

Typically, “soft dollars” are generated when an investment adviser enters into an agreement with an executing broker to receive a portion of the commissions generated by the adviser’s client trades. Soft dollars also include research or products or services other than execution from a broker-dealer or third party in connection with client security transactions. The soft dollars are allocated to the investment adviser and can then be used to purchase items or services. The investment adviser has a fiduciary duty to its clients to obtain best execution, on an overall basis, for any securities transactions. The Firm does not have soft dollar arrangements with any executing broker to receive any portion of the commission generated by trades placed by SaratogaRIM on behalf of clients.

### C. Services that May Not Directly Benefit Clients

Certain products and services assist us in managing and administering our clients’ accounts. Benefits made available to us (without cost or at a discount) include software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to the client accounts);
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients’ accounts; and
- Assist with back-office functions, recordkeeping, client reporting, and the ability to have advisory fees deducted directly from client accounts.

### D. Services that Generally Benefit Only Us

Services intended to help us manage and further develop our business enterprise include:

- Educational conferences and events;
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

Custodial brokers may provide some of these services themselves. In other cases, they may arrange for third-party vendors to provide their services to us. They may also discount or waive their fees for some of these services or pay all or a part of a third party’s fees. Custodial brokers may also provide us with other benefits, such as occasional business entertainment of our personnel.

These products or services may assist us in managing and administering client accounts. The benefits received by the Firm or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to specific custodial services. As part of the Firm’s fiduciary duties to its clients, it endeavors at all times to put the interests of the clients first. Clients should be aware, however, that the Firm’s receipt of economic benefits in and of itself creates a potential conflict of interest and may indirectly influence the choice of brokerage services. We believe, however, that our recommended custodial brokerage firms are in the best interests of our clients. Our selection is primarily supported by

the scope, quality, and price of their services (see Item 12A: Brokerage Practices) and not their services that benefit only us.

#### E. Aggregation of Orders

SaratogaRIM performs investment management services for multiple clients. Often, we will seek to purchase or sell the same security for numerous accounts at the same time. In those cases, where a custodial broker-dealer's systems are conducive to the practice, we may place an aggregate order with that broker/dealer and allocate the resulting securities or proceeds among all participating accounts on an average price basis. The main reason we do so is to promote equality of results for our many clients for whom we believe transactions in that security are appropriate at that time. Clients whose accounts are custodied at (and whose transactions are therefore executed by) one brokerage firm often will not receive the same execution prices as clients whose accounts are custodied at another brokerage firm. The Firm attempts to minimize these execution differences to the extent practicable. Transactional fees typically are calculated and assessed on an account-by-account basis, regardless of whether the transaction is part of an aggregated order. Aggregation of orders often will not result in lower commission rates, particularly from custodial brokers that already provide the Firm's clients discounts based on their relationship with the Firm.

Whenever we are trading the same security for multiple clients (at the same custodian) we aggregate purchases and sales through block trades in order to avoid giving any particular client an unfair pricing advantage. When trading at different custodians, all block trades are entered simultaneously to ensure no custodian takes priority over the other. Trades for different strategies may be aggregated separately.

*Partial Allocations Policy:* Generally, we enter trades as limit orders utilizing our block accounts. If the trading volume for a particular position is low, we may choose to enter the order in smaller portions over time, and our trade orders may not always be completely filled. Before trading, the investment team determines the total amount of the security needed across all client accounts, the total amount per broker, and the amount per client account. If we obtain a partial fill, shares are allocated to fill entire positions in random accounts. Any remaining shares are allocated to one random account, though they do not fill that account's entire position.

### **ITEM 13: REVIEW OF ACCOUNTS**

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#### A. Review of Client Accounts

Our operations team reconciles accounts daily, and our investment team reviews every account after it has been invested or rebalanced to ensure portfolio weightings are correct. We perform account reviews when there has been a material movement in a stock position or when cash has been withdrawn from or deposited into an account. Accounts are reviewed by the operations or investment team to determine whether a rebalance is required. These teams include the following individuals: Marc Crosby (President, Analyst & Assistant Portfolio Manager), Travis Hanson (Chief Financial Officer & Operations Specialist), Adam Oreglia (Information Securities Manager & Operations Specialist), Phil Spencer (Director of Research, Analyst & Assistant Portfolio Manager), Jim Tanner (Director of Operations), and Kevin Tanner (Chairman, CEO & Chief Investment Officer).

## B. Reports to Clients

SaratogaRIM's direct clients can view reports under Dynamic Reports and Client Center tabs on our website.

### **Client Center**

#### **Monthly**

- Performance Report

#### **Quarterly**

- Quarterly Report
- Management Fee Invoice

#### **Annually**

- Performance Appraisal
- Annual Realized Gain/Loss
- Income & Expense Report

### **Dynamic Reports**

#### **Daily**

- Appraisal with Unrealized Gain/Loss
- YTD Realized Gain/Loss
- YTD Income & Expense

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

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### A. Other Compensation

We may receive an economic benefit from Schwab, TD Ameritrade and Fidelity in the form of the support products and services they make available to independent investment advisors whose clients maintain their accounts in their custody. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12: Brokerage Practices). The availability of custodial broker's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### B. Client Referrals

SaratogaRIM does not compensate any persons for client referrals.

## **ITEM 15: CUSTODY**

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Under government regulations, SaratogaRIM is deemed to have custody of client assets if the client authorizes the Firm to instruct the qualified custodian to deduct our fees directly from the client account or if the client grants us the authority to move money to another person's account. For more information, regarding fee arrangements see Item 5: Fees and Compensation.

Clients also receive quarterly statements directly from their custodian that details all transactions in the account. Clients should carefully review those statements promptly when they are received. We also urge clients to compare account statements received from the custodian to the periodic portfolio reports provided on the Firm's website.

## **ITEM 16: INVESTMENT DISCRETION**

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As one of the conditions of managing client accounts, SaratogaRIM requires clients to provide discretionary authority for SaratogaRIM to manage account assets. Discretionary authority means the client gives the Firm trading authority to place trades on the client's behalf.

Clients grant us discretionary authority by signing a contract that provides us with trading authority. Any limitations to the trading authorization will be added to this agreement. Specific investment restrictions may be negotiated and agreed upon by the client and the Firm. For example, clients may ask us to refrain from buying or selling a specific stock due to their personal financial situation, such as personal diversification reasons (e.g., they own one of our holdings elsewhere and do not want additional exposure); prohibition from owning a particular issue due to an affiliation they may have with that particular company; or objections to an investment on moral or religious grounds.

## **ITEM 17: VOTING CLIENT SECURITIES**

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SaratogaRIM votes proxies on behalf of clients when asked to do so. In order to help ensure that proxies are voted in the best interest of clients, the Firm had adopted a Proxy Voting Policy that describes its procedures. In general, when the purpose of holding a stock relates to the stock's growth or value over an extended period, voting proxies may further that purpose. As to those types of holdings, therefore, the Firm evaluates on a case-by-case basis whether, under the circumstances, it is likely to be in the clients' best interest to exercise voting rights as to those securities. We may consider a variety of factors, including our reasons for buying the stock, the nature of the proxy proposals, and the estimated time the clients will continue to hold the stock.

Part of SaratogaRIM's proxy voting process is to identify potential conflicts of interest between its interest and those of its clients, such as the following:

- Proxy votes regarding non-routine matters are solicited by a company that has (or whose retirement plans have) an institutional separate account relationship with the Firm;
- SaratogaRIM has a material business relationship with a proponent of a proxy proposal, participants in a proxy contest, or directors or director candidates of a company; and
- A SaratogaRIM employee has an interest in the outcome of a particular proxy proposal (which might be the case if, for example, a member of the Firm's employee's immediate family were a director or executive officer of the relevant company).

While rare, SaratogaRIM will seek to resolve all conflicts in its clients' collective best interest. Voting in accordance with the Proxy Voting Policy generally prevents apparent conflicts from affecting the vote. However, if (i) a proposal is not covered by the Proxy Voting Policy or (ii) a portfolio manager seeks to vote contrary to the policy, the Proxy Committee will inquire as to whether the Firm has any interests that could be viewed as potentially conflicting with the interests of our clients. If there are any potential conflicts, the Proxy Committee will consult with an independent consultant or outside counsel if needed, to determine what votes on those proposals would be in the collective best interest of the clients.

If clients grant proxy voting authority to SaratogaRIM, then they may not provide direction to the Firm regarding voting. Clients may obtain free of charge a copy of our Proxy Voting Policy, or records detailing how the Firm voted proxy issues on its clients' behalf by submitting a written request.

Clients may elect to retain the authority to vote the proxies. In this case, the client will receive proxies and other related paperwork directly from the custodian. Upon request, we will provide guidance about voting a specific proxy solicitation.

## **ITEM 18: FINANCIAL INFORMATION**

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As a registered investment adviser, SaratogaRIM is required to provide certain financial information or disclosures about the Firm's financial condition. SaratogaRIM has no financial commitments that impair its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.