

## **ASB Capital Management LLC**

### **Form ADV Part 2 Brochure**

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This brochure provides information about the qualifications and business practices of ASB Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at 240-497-5000 or [pduncan@asbcm.com](mailto:pduncan@asbcm.com). 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. Registration as an investment adviser does not imply a certain level of skill or training.

**ITEM 2: SUMMARY OF MATERIAL CHANGES**

This brochure dated March 31, 2018 serves as an update to ASB Capital Management, LLC's, Form ADV Part 2 brochure dated March 31, 2017. This brochure contains routine annual updates to the prior brochure, as well as certain other updates, including those regarding payments of fees and expenses by advisory clients, risk factors, conflicts of interest, and custody.

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#### **ITEM 4: ADVISORY BUSINESS**

ASB Capital Management, LLC (“ASBCM”) was originally established in 1983, and is a registered investment adviser with the Securities Exchange Commission, and a Maryland limited liability company with its primary place of business in Bethesda, MD. ASBCM is owned by Chevy Chase Trust Holdings, LLC, and is affiliated with Chevy Chase Trust Company (“CCTC”). ASBCM provides investment management services to qualified individuals and various types of institutional clients, as well as providing advisory services to pooled investment vehicles (“Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended and whose securities are not registered under the Securities Act of 1933, as amended. Where the context permits, references herein to “ASBCM” shall also refer to subsidiaries of ASB Capital Management, LLC that serve as general partners of the Funds. ASBCM’s assets under management for December 31, 2017 were valued at \$27,740,914,249.

ASBCM is organized into two separate divisions: ASB Investment Management (“ASBIM”) and ASB Real Estate Investments (“ASBRE”). ASBCM’s advisory services encompass discretionary investment advice for strategies in equities, fixed-income securities and real estate investments.

##### **ASB Investment Management Division:**

ASBIM provides investment management services to qualified individual and institutional clients that include Taft-Hartley plans, pension and retirement programs, separate accounts, endowments and foundations, corporations and other types of accounts. ASBIM also provides advisory services to Funds, which can admit investors that are qualified ERISA pension plans or tax-deferred entities.

ASBIM works closely with clients to develop an investment program designed to meet their financial needs and objectives. Setting portfolio goals and parameters is the collective effort of the client and portfolio manager and may involve, but is not limited to, assessment of the following factors:

- ERISA and other regulatory requirements;
- Risk tolerance;
- Return requirements;
- Legal constraints;
- Capital preservation;
- Asset/liability flows;
- Income production;
- Liquidity needs; and
- Reporting structure and standards for measuring performance as to both time and relevant indices or comparisons.

The client's objectives are documented, and a compatible management strategy is agreed upon. These portfolio guidelines and restrictions provide a reference for the day-to-day management of the account(s), and are also essential to the periodic review of the account by the Portfolio Review Committee and by the client. Portfolio guidelines and restrictions are updated periodically to reflect any changes in a client's needs and a corresponding investment strategy shift is initiated, if required.

When ASBCM is hired as the adviser to a Fund, the Fund's governing document is the guiding document for investment guidelines instead of the investment policy statements of the Fund's investors.

#### ASB Real Estate Investments Division:

ASBRE provides real estate investment management services to Funds and one separate account for certain institutional clients. Investors in the Funds advised by ASBRE include accredited investors that include Taft-Hartley plans, pension and retirement programs, endowments and foundations, corporations and other types of accounts. ASBRE's advisory services primarily encompass discretionary advice for strategies in real estate investments.

ASBRE is adviser to the ASB Allegiance Real Estate Fund, a collective investment fund. CCTC, an affiliate, acts as trustee and custodian to the Fund and participation in the Fund is limited to qualified ERISA plans. The only investment in the ASB Allegiance Real Estate Fund, the collective investment fund, is the ASB Allegiance Real Estate Fund LP. The collective investment fund is a limited partner in the underlying entity.

ASBCM is adviser to the ASB Allegiance Real Estate Fund LP and an indirect subsidiary of ASBCM is its General Partner. Only accredited investors may purchase interests in the ASB Allegiance Real Estate Fund LP. The ASB Allegiance Real Estate Fund is a core real estate vehicle, investing in premium-quality, income-producing properties diversified by property type, location and lease exposures.

ASBCM is also advisor to the ASB Meridian Real Estate Fund Series and an indirect subsidiary of ASBCM is General Partner to the funds. Only accredited investors may purchase interests in one of the ASB Meridian Real Estate Funds. These funds are closed-ended and are focused on value-creation opportunities utilizing low leverage.

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable general partner or trustee, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the advisory agreements with the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund, advisory agreements and/or side letter agreements negotiated with investors in the applicable Fund.

#### **ITEM 5: FEES & COMPENSATION**

ASBCM's advisory fees are generally based on a percentage of the assets under management as provided in the client's investment management agreement. ASBCM will invoice clients on a monthly or quarterly basis in arrears. If a client is invested in the ASB Allegiance Real Estate Fund or the ASB Meridian Estate Funds, or a client has granted custody of assets to CCTC, the client may choose, subject to the applicable fund's governing documents, to have the investment management fees deducted from their account. When CCTC custodies the assets, the fee schedule below is inclusive of custodial and safekeeping fees.

Asset-based fees are based on the following fee schedule, and may be subject to negotiation where circumstances warrant.

**I. Balanced and Equity Accounts**

Individually Managed

1.00% up to \$10,000,000 in market value of assets, negotiable thereafter.  
Smaller accounts may be subject to a minimum annual fee.

**II. Fixed Income Accounts**

Individually Managed

0.75% up to \$10,000,000 in market value of assets, negotiable thereafter.  
Smaller accounts may be subject to a minimum annual fee.

**III. Open-End Pooled Investment Funds**

**ASB Allegiance Real Estate Fund**

1.25% (125 basis points) on the first \$5 million  
1.00% (100 basis points) on the next \$10 million  
0.90% (90 basis points) on the next \$60 million  
0.75% (75 basis points) on the balance (over \$75 million)

**AFL-CIO Equity Index Fund**

**IBEW-NECA Equity Index Fund**

0.015% on invested capital.

**ASB Focused Core Fixed Income Fund**

0.20% on invested capital

**IV. Closed-End Funds and Individually Managed Real Estate Portfolios**

All fees for ASBRE closed-end funds or individually managed Real Estate portfolios are negotiated on a client by client basis.

ASBIM clients will also pay brokerage expenses related to the buying and selling of securities in their account. Brokerage expenses are included in the cost of the transaction. ASBIM does not receive fees for brokerage transactions but may direct a portion of the commissions to a broker or third party in return for certain eligible services, such as research. In cases where ASBCM does not custody assets, clients may pay custodial charges to another institution. Additional information regarding brokerage activities and brokerage fees related to advisory services provided by ASBIM is in Item 12 of this brochure.

When a client holds comingled investment instruments such as mutual funds, exchange-traded funds, collective investment funds, limited partnerships or investment trusts, the client will pay operating fees and other fees charged directly by the comingled investment, thereby reducing the return on that instrument.

## **Real Estate Expenses**

ASBRE Funds and client real estate expenses will be borne by the Fund or client. These expenses include, but are not limited to, development costs, construction, tenant improvements, property management fees, broker fees, legal expenses, property-related taxes, dead deal expenses, etc. From time to time, ASBRE will be required to decide whether certain fees, costs and expenses should be borne by a Fund or other client, on the one hand, and/or whether certain fees, costs and expenses should be allocated between or among clients and/or other parties. Certain expenses may be the obligation of one particular client and may be borne by such client or, expenses may be allocated among multiple clients and other entities. In exercising its discretion to allocate investment opportunities and fees and expenses, ASBRE may be faced with a variety of potential conflicts of interest. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

Certain clients also bear their allocable portion overhead attributable to certain Fund administration, legal, tax, compliance and other professionals whose functions may also include the preparation of financial statements, investor reports, tax returns, the administration of assets and expenses of the Funds and legal and regulatory compliance with applicable laws and regulations. Such amounts will not reduce the advisory fees or other compensation payable by such clients to ASBCM.

With respect to allocating expenses among clients and other parties, as appropriate, to the extent not addressed in a client's governing documents, ASBRE will make any such allocation determination in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. ASBRE will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to a client for a particular service may not reflect the relative benefit derived by such client from that service in any particular instance.

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

Performance-based compensation arrangements are offered on a negotiated basis, subject to compliance with Rule 205-3 of the Investment Adviser's Act of 1940 (Advisers Act) and other applicable laws and regulations. With respect to certain Funds a portion of the profits of each such Fund is distributed to its general partner, if any, as "carried interest" (the "Carried Interest"). Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and investors in such Funds may incur lower or no Carried Interest. The payment by some, but not all, clients of Carried Interest or other performance based fees may create the appearance of an incentive for the ASBCM to disproportionately allocate time, services or functions to Funds paying Carried Interest or other performance based fees, or allocate investment opportunities to such Funds. In addition, this type of fee arrangement provides an incentive for ASBCM to make investments that are riskier and more speculative, i.e., those that may generate higher returns, than would be the case in the absence of a performance fee or Carried Interest. Performance fees, when applicable, are negotiated on a case-by-case basis with institutional clients.

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

ASBCM provides investment management services to qualified individual and institutional clients that include Taft-Hartley plans, pension and retirement programs, separate accounts, endowments and

foundations, corporations and other types of accounts. ASBCM also provides advisory services to Funds.

With respect to the Funds, investment advice is provided directly to the Funds (subject to the direction and control of the general partner of each such Fund, if applicable) and not individually to investors in such Fund. Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act of 1933, as amended and the Investment Company Act of 1940, as amended. Investors in the Funds are generally “accredited investors” and may include, among others, Taft-Hartley plans, pension and retirement programs, endowments and foundations, corporations and other types of accounts. ASBCM does not currently have a minimum size for a Fund, but minimum investment commitments may be established for investors in the Funds. The general partner of each Fund may in its sole discretion permit investments below the minimum amounts set forth in the organizational documents of such Fund.

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

### **Methods of Analysis:**

#### ASB Investment Management Division:

ASBIM conducts investment research using information developed by Wall Street (“Street”) brokerage houses and research firms. Street research consists of publications, industry reports, sector analysis, company analysis, economic announcements and consultations, special reports and other services made available to ASBIM.

Internal research is used in conjunction with Street research to inform investment decisions. Internal research is performed by ASBIM’s analysts and portfolio managers. These individuals analyze investment opportunities by reviewing documents such as:

- SEC filings - 10K’s, 10Q, and prospectuses;
- Company publications - annual reports, quarterly reports, and press releases;
- Company visits and telephone communications;
- Financial reporting services - Moody’s and Standard & Poor’s;
- On-line computer statistical services providing historical data;
- Quantitative computer models; and Pool performance data for mortgage backed securities, asset backed securities and commercial mortgage backed securities.

#### ASB Real Estate Investments Division:

ASBRE conducts investment research to assess, among other factors:

- Market fundamentals;
- Rental rates;
- Sales comparables;
- Discount and capitalization rates;
- Employment growth;



- Household formation;
- General inflation;
- New construction starts;
- Tenant demand;
- Market obsolescence; and
- Other micro and macro-economic statistics and trends gathered from fundamental research performed by ASBRE's in-house staff.

ASBRE also contracts research from a variety of local, regional, and national firms including, but not limited to, Reis, Inc., Property Portfolio and Research (PPR), Cushman Wakefield, CBRE, Trammell Crow Company, Marcus & Millichap, Holliday Fenoglio Fowler, RERC, Costar, the Weitzman Group, and others.

### **Investment Strategies:**

#### **ASB Investment Management Division:**

ASBIM offers several different strategies, including two equity and three fixed income strategies. These strategies, and some of their material risks, are discussed below. Upon client request, ASBIM can provide alternative strategies, managed differently than those outlined below.

#### **Actively Managed Equity: Large Cap Core Equity**

ASBIM Large Cap Core Equity's goal is to outperform the relevant benchmark while mitigating investment risks. ASBIM seeks long-term capital appreciation by investing in a well-diversified portfolio of high quality, industry-leading large capitalization domestic stocks with excellent or improving fundamentals relative to their given sector.

#### **Passively Managed Equity**

ASBIM provides investment management services to certain clients for passively managed accounts and collective funds. The objective of this style of management is to provide investment returns nearly identical to those of the selected benchmark. ASBIM fully replicates the benchmark index. The security positions are added, deleted, or amended in the accounts as warranted by changes in the composition of the benchmark.

#### **Fixed Income**

ASBIM provides active fixed income management through a combination of the strategies outlined below:

*Focused Core:* The Focused Core Fixed Income Fund is a collective investment fund in which CCTC is the trustee and ASBIM has been retained as the investment manager. The Focused Core investment strategy focuses on spread products such as investment-grade corporate bonds and mortgage-backed securities. This style tends to be yield curve neutral.

The strategy employs a 50/50 baseline allocation between credit instruments and mortgage instruments. The style seeks to match the broad characteristics of the Barclays Credit and Barclays Mortgage Indices, but actively manages the individual issues and industry weights within each sector. Relative value considerations determine the replacement of credit instruments with appropriate commercial backed securities and vice versa.

*Total Return Strategy:* This investment strategy focuses on spread products such as investment-grade corporate bonds and mortgage-backed securities. The style employs the active management discipline of the Focus Core style, but utilizes a more flexible approach to asset allocation, including a more frequent consideration of government issued securities.

*Intermediate Strategy:* This investment strategy relies on a concentration of spread products such as corporate bonds and asset-backed securities. The effective maturity for eligible securities is 3 to 5 years.

### **Investment Strategies:**

#### **ASB Real Estate Investments Division:**

ASBRE provides investment portfolios for clients to invest in commercial real estate properties on a pooled and individually managed basis. ASBRE invests in real property through the acquisition of both equity and debt interests on behalf of its clients. Such investments include, but are not limited to, the following:

- (i) Equity interests or equity participation in improved or unimproved real property, either in the form of direct ownership, with or without leaseback provisions of such real property, or in the form of stock, closely held or publicly traded, stock purchase warrants, or other forms of interest in the entity owning or developing such real property;
- (ii) Loans or debt obligations secured by mortgages on, or other interests in, real property, whether for the purpose of acquiring, improving or otherwise developing such real property;
- (iii) Mortgages on the fee, leasehold or other interest in real property, installment sales contracts, sale and leasebacks or any combinations of the foregoing, for the purpose of providing long-term or intermediate-term financing of improved or unimproved real property;
- (iv) Leases or rental agreements providing income or profits from real property; and
- (v) Interests in (a) limited partnerships, (b) limited liability companies or (c) collective investment funds that invest in real estate and/or real estate related investments.

Cash awaiting investment in real estate assets may be invested in money market mutual funds or other suitable investment-grade short-term investments.

#### **Pooled Investment Vehicles**

ASBRE is adviser to the ASB Allegiance Real Estate Fund, LP, a core real estate Fund. ASBRE also provides advisory services to its value-creation series of Funds, the ASB Meridian Real Estate Fund

Series (together, with the ASB Allegiance Real Estate Fund, LP, the “ASBRE Funds”). In addition, ASBRE is adviser to one separate account focused on ground-up development.

ASBRE Funds are available to qualified ERISA pension plans and accredited investors only. The ASBRE Funds’ offering documents contain comprehensive material concerning the specific ASBRE Fund’s investment strategy, risks, fees and legal requirements.

### Individually Managed

ASBRE also provides advice to one Separate Account that invests in development assets.

### **Risks of Loss**

Risk is inherent in all investing. There is no assurance that a client’s account will meet its investment objectives. The value of a client’s investments, as well as the amount of return a client may receive on an investment, can fluctuate significantly. A client or Fund investor can lose part or all of their investment or the investment may not perform as well as other similar investments. A client’s account at ASBCM or investment in a Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency, entity or person. A client or Fund investor should consider how ASBCM’s investment strategies fit into an overall investment program.

The following is a summary description of certain risks of investing in ASBCM’s strategies.

Active Management Risk: Investments are subject to the risk that ASBCM’s judgments about the attractiveness, value, or potential appreciation of a client’s investments is incorrect. If the investments selected and the strategies employed fail to produce the intended results, a client’s returns could underperform other investments with similar objectives and investment strategies.

Changes in Laws. Because increases in state or local sales, income, service or transfer taxes are generally not passed through to tenants under leases, such increases may adversely affect a client’s cash flow and its ability to make distributions to the investors. Real property is also subject to various federal, state and local regulatory requirements and to state and local fire and life-safety requirements. Failure to comply with these requirements could result in the impositions of fines by governmental authorities or awards of damages to private litigants.

New Regulations. The regulatory environment in which a client and ASBCM will operate is subject to heightened regulation. With respect to alternative asset management funds, in recent years the U.S. government has adopted and proposed to adopt new rules or regulations to be applicable to hedge funds, private equity funds or other alternative investment products and their managers. It is difficult to determine the scope and extent of the impact of any new laws, regulations (such as regulations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act) or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which a client or ASBCM operates. There may also be an increase in regulatory investigations of the investment activities of alternative asset management funds and their managers, including a client, ASBCM. Such investigations may impose additional expenses on a client, may require the attention of senior

management and may result in fines or enforcement actions if a client is deemed to have violated any regulations.

*Global Economy and Regulatory Environment.* The range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict. The effect of any such political, regulatory, economic or market outcomes on a client could be adverse.

The outcome of the U.S. Presidential election, for example, has increased uncertainty regarding future political, legislative or administrative changes that may impact ASBCM and its affiliates, a client, a client's subsidiaries, investors and a client's portfolio. Significant uncertainty remains in the market regarding the consequences of the election, and the range and potential implications of possible political, regulatory, economic and market outcomes are difficult to predict. Uncertainty regarding the consequences of the election may have an adverse effect or may cause volatility in the U.S. or global economies and currency and financial markets in the short or long term, as well as the values of a client's investments and a client's ability to execute its investment strategy. Such changes could impact the laws and regulations applicable to ASBCM and its affiliates, a client, a client's subsidiaries, investors or a client's portfolio. While certain of such changes could beneficially impact a client, a client's subsidiaries or certain of a client's investments, other changes may more beneficially impact competitors of a client, or could adversely impact a client, a client's subsidiaries, investors or a client's portfolio.

*Cybersecurity Risk.* ASBCM, its affiliates, a client's service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect a client, a client's subsidiaries, the investors and a client's portfolio, despite the efforts of ASBCM, its affiliates and a client's service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a client, a client's subsidiaries and the investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of ASBCM, its affiliates, a client's service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of ASBCM's or its affiliates' systems to disclose sensitive information in order to gain access to ASBCM's or its affiliates' data or that of the investors. A successful penetration or circumvention of the security of ASBCM's or its affiliates' systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause a client, a client's subsidiaries, ASBCM, its affiliates or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

#### Significant Equity and Fixed Income Risks:

*Market conditions and issuer risk:* The prices of, and the income generated by, the common stocks, bonds and other securities held in a client's portfolio can decline due to market conditions and other factors, including those directly involving the issuers of securities. An individual security, or a basket of securities such as mutual funds or exchange traded funds, can be significantly impacted by these factors. At any time, the value of a security can go up or down more than the market as a whole and

can perform differently from the performance of the market as a whole. A client's portfolio is subject to a substantial or complete loss on an individual investment.

*Investing in equity:* Stocks generally fluctuate in value more than bonds and their values can decline significantly over shorter periods of time. The value of a client's portfolio that invests in equity can decline due to general market conditions or because of factors that affect a particular industry or market sector.

*Investing in fixed income:* Rising interest rates will generally cause the prices of bonds and other debt securities to fall. In addition, falling interest rates can cause an issuer to redeem, "call" or refinance a security before its stated maturity, which can result in the portfolio having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities are subject to greater price fluctuations than shorter maturity debt securities.

*Asset allocation risk (balanced accounts only):* The level of risk in a client's portfolio will directly correspond to the risks of the underlying asset classes which comprise the portfolio. The client and the portfolio manager agree to asset allocation targets as part of determining the client's investment objective. However, market price fluctuations can bring a client's portfolio outside of the asset allocation targets. Decisions by the portfolio manager as to the timing of reallocation of client assets among the various asset classes can cause the client's portfolio to underperform other client portfolios with similar investment objectives.

#### Significant Real Estate Risks:

*Investment in Real Estate Generally.* Real estate investments are subject to various risks, many of which are beyond the control of a client, such as adverse changes in national or local economic and demographic conditions; local conditions (such as an oversupply of space or a reduction in demand for space); the quality and philosophy of management; competition based on rental rates; adverse changes in financial conditions of tenants, buyers and sellers of properties; quality of maintenance, insurance and management services; reduction or change in sources of debt or equity financing, including changes in interest rates; increases in real estate taxes and operating expenses, including energy prices; changes in law, regulations and governmental policies, including environmental laws, health and safety laws, zoning laws and governmental fiscal policies; potential liability under changing environmental and other laws; changes in the relative marketability of properties; cyclical over-building in property sectors; risks due to dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials; structural or property latent defects; natural and unnatural disasters; acts of terrorism; uninsurable losses; condemnations; and others. As a result, a client may be subject to claims and expenses in respect of an asset in excess of a client's investment in such asset that could significantly impact the cost of operations, cash flow and results of operations, thereby leading to losses. **No assurance exists that a client can achieve its return objectives.** Investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property) could also create risks of successor liability.

*Fund against financial loss.* Moreover, to the extent ASBCM is not able to purchase properties because of a seller's failure to cause completion thereof, a client may have lost the opportunity to make alternative investments in properties, and there may be a corresponding delay in the investment of a client's funds.

Competition; Difficulty of Locating Suitable Investments. Although ASBCM's professionals have been successful in identifying suitable investments in the past, ASBCM may be unable to find a sufficient number of attractive opportunities to meet a client's investment objectives. The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. A client will be competing for investments with other real estate investment vehicles, as well as individuals, publicly-traded REITs, financial institutions (such as mortgage banks, insurance companies and pension funds) and other institutional investors. Additional funds and REITs with similar investment objectives to a client may be formed in the future by other unrelated parties. The success of a client will depend on the ability of ASBCM's professionals to identify suitable investments, to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of a sufficient number of suitable investments. There can be no guarantee that a client will be able to locate, complete and exit investments that satisfy a client's rate of return objectives, or realize upon their values, or that a client will be able to fully invest all funds committed for investment by its investors.

Risks of Leverage. Subject to the limitations set forth in a client's governing documents, indebtedness may be incurred in connection with the operations of a client and its subsidiaries. The use of leverage will increase the exposure of the Investments to adverse economic factors, such as rising interest rates, economic downturns, or deteriorations in the condition of the Investments or their respective markets. In the event an Investment is unable to generate sufficient cash flow to meet debt service payments or there are other defaults under any loan documents underlying its indebtedness, the lender will be entitled to exercise the remedies specified under the loan documents, as well as its remedies under law. These remedies may include acceleration of the indebtedness and foreclosure on any collateral securing the loan. A lender seeking to enforce its claims may have recourse to a client's portfolio generally and not be limited to any particular Investment, such as the asset giving rise to or securing the liability. Debt also may not be available to a client or its subsidiaries on the terms and conditions and at the rates or in amounts that are consistent with a client's investment strategy.

Investments in Land; Development and Redevelopment. A client may acquire direct or indirect interests in undeveloped land or underdeveloped real property (which may often be non-income-producing), real estate developments or redevelopments and/or businesses that engage in real estate development or redevelopment. To the extent that a client invests in such assets or activities, it will be subject to the risks normally associated with such assets and development activities. Such risks include risks relating to the availability and timely receipt of zoning and other regulatory approvals, the cost and timely completion of construction (including risks beyond the control of a client, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on a client. Properties under development or properties acquired for development may receive little or no cash flow from the date of acquisition through the date of completion of development and may continue to experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced.

Debt Investment Risks. A client may invest capital in debt investments, including construction, participating and other real estate-related loans (collectively, "Debt Investments"). The value of a client's Debt Investments and a client's ability to realize full repayment on a Debt Investment may be adversely affected by all of the factors that affect an Investment. Risks of Debt Investments include:

(i) dependency for repayment on successful operation of the underlying property and tenant businesses operating therein; (ii) the fact that such loans are often non-recourse to the borrower; and (iii) amortization schedules that are often longer than the stated maturity and provide for balloon payments at stated maturity rather than periodic principal payments.

Debt Investments are also subject to risks of borrower defaults, bankruptcies, fraud and special hazard losses that are not covered by standard hazard insurance. In the event of any default under mortgage loans held by a client or any entity in which a client has an interest, a client will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal amount of the mortgage loan and may not receive interest payments on such mortgage loan. Foreclosures of mortgage loans, bankruptcies affecting mortgage loan borrowers and other collateral realization processes are expensive and lengthy processes that could have a substantial negative effect on a client's anticipated return on the affected mortgage loans.

In addition, the market value of a client's Debt Investments may be affected by changes in interest rates. In general, the market value of a debt investment will change in inverse relation to an interest rate change where a debt investment has a fixed interest rate or only limited interest rate adjustments. Accordingly, in a period of declining interest rates, Debt Investments without adequate call protection may benefit less than other fixed income securities due to accelerated prepayments. Interest rate changes may also affect a client's return on new investments. If there is a period of declining rates, the amounts becoming available to a client for investment due to repayment of its Debt Investments may be re-invested at lower rates than a client had been able to obtain in prior investments. Increases in the interest rates on debt incurred by a client in originating or acquiring investments may not be reflected in increased rates of return on the related investments, adversely affecting a client's return on those investments. Accordingly, interest rate changes may adversely affect the total return on investments of a client.

*Interests in Real Estate Securities.* A client may hold non-controlling interests with limited voting rights in certain publicly traded U.S. real estate equity securities, including real estate investment trusts and other companies principally engaged in the real estate industry (collectively, "Real Estate Securities"). A client may have a limited ability to protect its position in such investments. Investors will have no direct interest in Real Estate Securities, and will have no standing or recourse against the underlying companies, their management or their affiliates. A client's rights with respect to its investments in Real Estate Securities will be exercised by ASBCM, without seeking instruction from any investor.

*Insurance May Not Cover All Losses.* A client or its subsidiary that holds title to an Investment will attempt to maintain insurance coverage in respect of such Investment on a per-occurrence and annual aggregate basis to the extent such coverage is available at commercially reasonable rates, as determined by ASBCM. A client will attempt to maintain insurance coverage against liability to third parties for injury and property damage in amounts determined by ASBCM. However, the insurance industry is currently in an unpredictable state, and, as a result, the actual premiums and deductibles payable by a client may be substantially different than the applicable General Partner's projections of premiums and deductibles. Insurance against certain risks, such as earthquakes, floods, windstorms, biological agents (e.g., mold) or damage by terrorism, may be commercially unavailable, available in amounts that are less than the full market value or replacement cost of an Investment, subject to a large deductible or not economically insurable. In addition, there can be no assurance that the particular risks that are currently insurable will continue to be insurable on an economic basis. There is no guarantee that any insurer will pay the full amount of any claim, that the insurer will not dispute or

refuse to pay on any claim of loss or that the insurer will be solvent or financially able to pay any claim, especially in the case of a catastrophic loss in one geographical area. Additionally, all of the properties owned by a client may be at risk in the event of an uninsured liability to third parties. Should an uninsured loss or a loss in excess of insured limits occur, a client could lose all or a portion of the capital it has invested in an investment, as well as the anticipated future revenue from the investment. In that event, a client might nevertheless remain obligated for any notes payable or other financial obligations related to the investment, in addition to obligations to a client's ground lessors, franchisors and managers. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the portfolio properties pledged as collateral for loans, and other factors might also keep a client from using insurance proceeds to replace or renovate an investment after it has been damaged or destroyed. Under those circumstances, the insurance proceeds a client receives might be inadequate to restore a client's economic position on the damaged or destroyed Investment.

*Environmental Matters.* Under various federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances or petroleum products on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of, or the failure to properly remediate, such substances may adversely affect the owner's ability to borrow using such real property as collateral or to sell such property. In connection with the ownership (direct or indirect), management and development of an Investment, a client or one of the entities that hold title to Fund assets could be considered an owner or operator of the Investment and may be liable for removal or remediation costs, as well as certain other potential costs relating to such hazardous or toxic substances or petroleum products.

Although each Investment may be subject to environmental assessments before acquisition, no assurances can be given that the environmental assessments reveal all environmental liabilities, or that a client has established adequate reserves for such liabilities, or that no prior owners created any environmental condition not disclosed in the environmental assessment for such Investment.

*Harmful Mold and Other Air Quality Issues.* When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to radon, airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of a client's properties could require a client to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose a client to liability from its tenants, employees of its tenants and others if property damage or health concerns arise.

*Real Estate-Related Regulatory Risks.* Each Investment is subject to various laws and regulations, including building codes, laws and regulations pertaining to fire safety and handicapped access (including the Americans with Disabilities Act of 1990), and other laws and regulations that may from time to time be enacted. A client may be required to incur significant costs to comply with any future changes in such laws or regulations. However, noncompliance with the existing or future laws and



regulations to which each Investment is subject could result in substantial capital expenditures to bring the relevant Investment into compliance, as well as the imposition of fines or an award of damages to private litigants, which might adversely affect a client.

*Market Conditions.* A client's strategy in some investments may be based, in part, upon the premise that real estate businesses and assets will be available for purchase by a client at prices that ASBCM considers favorable. Further, a client's strategy for an Investment may rely, in part, upon the continuation of existing market conditions (including, for example, supply and demand characteristics), or, in some circumstances, a local market recovery or improvement in market conditions over the projected holding period for the investments. No assurance can be given that real estate businesses and assets can be acquired or disposed of at favorable prices or that the market for such assets will either remain stable, or, as applicable, recover or improve, since this will depend, in part, upon events and factors outside the control of ASBCM.

*Dependence on Tenants.* It is anticipated that a client will depend on tenants for the majority of its revenue. Any defaults on lease payment obligations by a tenant will cause a client to lose the revenue associated with the relevant lease. If such defaults become significant, a client will be forced to use other funds to make payments on the mortgage indebtedness secured by the impacted property to avoid foreclosure. If a tenant defaults, a client may experience delays in enforcing its rights as a landlord and may incur substantial costs in protecting its investments. In addition, if a tenant at a single-user facility, which has been designed or built primarily for a particular tenant or a specific type of use, fails to renew its lease or defaults on its lease obligations, a client may not be able to readily market a single-user facility to a new tenant, if at all, without making substantial capital improvements or incurring other significant re-leasing costs. Further, a client may enter into leases containing co-tenancy provisions. Co-tenancy provisions may allow a tenant to exercise certain rights if, among other things, another tenant fails to open for business, delays its opening or ceases to operate, or if a percentage of the property's gross leasable space or a particular portion of the property is not leased or subsequently becomes vacant. A tenant exercising co-tenancy rights may be able to abate minimum rent, reduce its share or the amount of its payments of common area operating expenses and property taxes or cancel its lease.

*Tenant Bankruptcy Risks.* ASBCM cannot provide assurance that any tenant that files for bankruptcy protection will continue to pay rent to a client. A bankruptcy filing by, or relating to, one of a client's tenants or a lease guarantor would bar efforts by a client to collect pre-bankruptcy debts from that tenant or lease guarantor, or its property, unless a client receives an order permitting a client to do so from the bankruptcy court. In addition, a client cannot evict a tenant solely because of bankruptcy. The bankruptcy of a tenant or lease guarantor could delay efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is assumed by the tenant in bankruptcy, all pre-bankruptcy balances due under the lease must be paid to a client in full. If, however, a lease is rejected by a tenant in bankruptcy, a client would have only a general, unsecured claim for damages. An unsecured claim would only be paid to the extent that funds are available and only in the same percentage as is paid to all other holders of general, unsecured claims. Restrictions under the bankruptcy laws further limit the amount of any other claims that a client can make if a lease is rejected. As a result, it is likely that a client would recover substantially less than the full value of the remaining rent during the term.

*Dependence on Property Managers.* Although a client will monitor the performance of its Investments, it will be the responsibility of unaffiliated property managers to manage the Investments on a day-to-

day basis. A client's results of operations, including its ability to make payments on any indebtedness, will depend to some degree on the ability of the property managers to operate Investments on economically favorable terms. There can be no assurance that the management teams of property management firms employed by a client will be able to operate each of the Investments successfully. Moreover, the risks of dependence on property management firms are different by property type and by investment stage.

Any property manager retained by a client or its subsidiaries may provide management services to properties owned by others that compete with one or more of the Investments of a client. As a result, such property manager may at times face conflicts of interest in the management of Investments and non-Fund properties managed by such property managers.

Any property manager retained by a client or its subsidiaries receives a base property management fee based upon gross revenues. Such fee arrangements may create an incentive for the Investments to be managed in a manner that is not consistent with a client's objectives.

*Multi-family Properties.* The value and operation of multi-family properties may be affected by a number of factors, including, among others, the location of the property; the services and amenities provided by the property and its age, condition, appearance, construction quality and other physical attributes; management's ability to provide adequate maintenance and insurance; access to transportation; the level of mortgage interest rates, which may make the purchase of housing a more attractive alternative than leasing; the degree to which the tenant mix is dependent upon a particular segment or segments of the population (e.g., military personnel); the property's reliance upon governmental or rent subsidy programs; and state and local regulations, which may affect the ability to increase rents.

Various laws and regulation regulate the relationship of a landlord and its tenants. These laws and regulations, to a greater or lesser extent, provide certain protections or rights for tenants or limit the landlord's ability to take action against a tenant in certain circumstances, including consumer protection statutes that prohibit certain landlord practices.

*Office Properties.* A number of factors may affect the value of office properties, including, among other things, diversification of the tenant base (i.e., reliance on one or only a few tenants versus a greater number of tenants or tenants in similar types of businesses versus a greater diversity of businesses); and the location, appearance, amenities and other physical attributes of the properties; and competition from other office properties. Office properties generally require their owners to expend significant amounts for general capital improvements, tenant improvements and costs of reletting space. In addition, office properties that are not equipped to accommodate the needs of modern businesses may become functionally obsolete and thus noncompetitive, or may require substantial capital investment to upgrade facilities in order to be competitive. Office properties may also be adversely affected if there is an economic decline in the businesses operated by their tenants. The risks of such an adverse effect are increased if the property revenue is dependent on a single tenant or if there is a significant concentration of tenants in a particular business or industry.

*Industrial Properties.* Although owners of industrial properties are not generally required to expend substantial amounts for general capital improvements, tenant improvements or reletting costs, various other factors may affect the returns from this type of property in addition to the risks generally applicable to real estate, including, among other things, the design and adaptability of the property and the degree to which it is generally functional for industrial purposes, the proximity to highways

and other means for the transportation of goods, the number and diversity of tenants among businesses or industries and the cost of converting a previously adapted space to general use. An industrial property may be more likely to have one or only a few tenants, which increases the risk that a decline in their operations or their particular business or industry segments may adversely affect the returns from the property.

Industrial properties typically have short-term leases, which may increase the risk of vacancies. Additionally, a property designed for a particular use or function may be difficult to relet to another tenant or may become functionally obsolete compared other properties. Particular uses of industrial properties may increase their risk of environmental problems.

In addition, because of unique construction requirements of many industrial properties, many vacant industrial property spaces may not be easily converted to other uses. Thus, if the operations of any industrial property becomes unprofitable, the liquidation value of that industrial property may be substantially less than would be the case if the industrial property were readily adaptable to other uses.

*Retail Properties.* The revenues and values of retail properties are subject to a number of factors, such as the overall health of the economy, shifts in consumer demand and spending habits, competition from other forms of retail selling (e.g., discount centers, outlet malls and internet sales), trends in the retail industry and the safety, convenience and attractiveness of the properties. A number of retail leases, in addition to or in lieu of base rent, may include a provision for percentage rent that is dependent upon the amount of a tenant's sales. Rental income attributable to leases with percentage rent provisions may decrease in a general economic downturn that adversely affects tenant sales. Additionally, traditional retail centers often have anchor tenants (i.e., typically a tenant occupying a significant amount of the space). If an anchor tenant suffers a substantial downturn in its business, becomes insolvent or does not renew its lease, the center could experience a material reduction in the income and value of the center. Certain tenants at a retail center may have provisions in their leases permitting them to terminate their leases in the event an anchor tenant no longer occupies its space there. Other tenants at the retail center may refuse to renew their leases when the time comes. These events, individually or collectively, may result in large vacancies at the center for an extended period of time and thus have a substantial adverse affect on the revenues from the center and, consequently, its value. There may also be significant costs incurred to relet the vacant space of a former anchor tenant and any other tenants that terminate or refuse to renew their leases due to the anchor tenant's vacancy.

*Inflation Risks.* Increases in the rate of inflation may adversely affect a client's net operating income from leases with stated rent increases or limits on the tenant's obligation to pay its share of operating expenses, which could be lower than the increase in inflation at any given time. Inflation could also have an adverse effect on consumer spending, which may impact a client's tenants' sales and, with respect to those leases including percentage rent clauses, a client's average rents.

*Illiquid Investments.* The investments made by certain clients are expected to be illiquid. Given the nature of the investments contemplated by a client, there is a significant risk that a client will be unable to realize its investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy within any given period of time. In particular, these risks could arise from changes in the financial condition or prospects of the person or entity in which the investment is made, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which investments are made. Dispositions of

investments may be subject to contractual and other limitations on transfer (including prepayment penalties with respect to property-level debt) or other restrictions that would interfere with the subsequent disposition of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In addition, it is unlikely that there will be a public market for the investments held by a client. Additionally, in some cases a client may be prohibited by contract from selling investments for a period of time.

Furthermore, a client may acquire freestanding single-tenant net-leased properties. These types of properties are relatively illiquid compared to other types of real estate and financial assets. This illiquidity will limit a client's ability to quickly change its portfolio in response to changes in economic or other conditions. With these properties, if the current lease is terminated or not renewed, a client may be required to renovate the property or to make rent concessions in order to lease the property to another tenant or sell the property. Moreover, as the current lease for any such property nears expiration, it may be difficult to sell such property on terms and conditions that ASBCM considers favorable, if at all. In addition, in the event a client is forced to sell such property, a client may have difficulty selling it to a party other than the tenant or borrower due to the special purpose for which the property may have been designed.

*Recharacterization of Sale-Leaseback Transactions.* A client may from time to time enter into a sale-leaseback transaction where a client purchases a property and then leases the property to the seller. The transaction may, however, be characterized as a financing instead of a sale in the case of the seller's bankruptcy. In this case, a client would not be treated as the owner of the property but rather as a creditor with no interest in the property itself. The seller may have the ability in a bankruptcy proceeding to restructure the financing by imposing new terms and conditions. The transaction also may be recharacterized as a joint venture. In this case, a client would be treated as a joint venturer with liability, under some circumstances, for debts incurred by the seller relating to the property.

*Inability to Pass On Operating Expense Increases to Tenants.* Operating expenses, such as expenses for fuel, utilities, labor, building materials and insurance are not fixed and may increase in the future. There is no guarantee that a client will be able to pass these increases on to its tenants. To the extent these increases cannot be passed on to a client's tenants, any increases would cause a client's cash flow and operating results to decrease.

*Dependence of Public Utilities and Services.* Public utilities, especially those that provide water and electric power, will be fundamental for the sound operation of a client's assets. The delayed delivery or any material reduction or prolonged interruption of these services could allow certain tenants to terminate their leases or result in an increase in a client's costs, as a client may be forced to use backup generators, which also could be insufficient to fully operate its facilities and could result in its inability to provide services. Accordingly, any interruption or limitation in the provision of these essential services may adversely affect a client.

*Increase in Real Estate Taxes.* Local real property tax assessors may seek to reassess some of a client's properties as a result of a client's acquisition of the property. Generally, from time to time a client's property taxes will increase as property values or assessment rates change or for other reasons deemed relevant by the assessors. An increase in the assessed valuation of a property for real estate tax purposes will result in an increase in the related real estate taxes on that property. Although some tenant leases may permit a client to pass through the tax increases to the tenants for payment, there is no assurance that all leases will be negotiated to provide a client with such right. Increases not passed

through to tenants will adversely affect a client's income, cash available for distributions, and the amount of distributions.

*Necessity of Obtaining Development Agreements and Other Approvals from Local Government Agencies.* For an investment to be attractive for development, a client may choose to negotiate and execute a development agreement, modify an existing development agreement, or obtain approval of a preliminary plat, all designed to reflect changing or projected market conditions, and obtain other associated required approvals from state, local and, as applicable, federal government agencies. In addition, a client may create a utility district, an improvements district, a municipal facilities district, or a tax increment structure to provide for water, wastewater services and many other improvements. The process of obtaining these approvals (which may require certain environmental impact and underwriting feasibility studies) may take many months, and the costs of holding an investment will accrue while regulatory and governmental approvals are being sought. These approvals may not be received at all, or may not be received in a timely manner, or at sufficient levels or amounts, or may not be received in a manner that is acceptable to a client or a potential purchaser of the investments. Failure to obtain acceptable approvals or obtain these approvals in a timely manner could have a significant negative effect on the value of an investment and, in turn, on the value of the Interests.

*Development Competition.* The development of undeveloped and/or partially developed properties is a highly competitive business. To the extent that a client invests in undeveloped or partially developed properties, a client may be competing with other properties in close proximity to a client's investments to obtain entitlements and sell the investments. Moreover, the business of a client could be adversely affected by periodic overbuilding of competitive properties in the real estate market where a particular investment is located, which could affect the ability of a client to entitle investments and the ultimate value of the investments. Changing demographic trends and general and local economic conditions could influence growth patterns and render investments less valuable. The profitability and success of commercial development will depend upon a number of factors including the anticipated volume of traffic on related arterial roadways, the population growth in the area in which an investment is located and the surrounding areas, the level of residential development surrounding an investment and the level of commercial development on parcels adjacent to or near an investment. A client's success, therefore, will depend in part upon the ability of ASBCM to select investments that will be competitive in their markets.

*Failure to Complete Projects.* There is a risk that a client may contract to acquire properties from sellers that fail to complete construction or that do not satisfactorily lease-up newly constructed properties prior to closing with a client. If these situations occur, closing on a property may be delayed until the conditions have been satisfied or a client may choose not to proceed with closing on a property. There can be no assurance that steps taken by ASBCM to minimize risks of contracting with a nonperforming seller will in all cases protect a client against financial loss. Moreover, to the extent ASBCM is not able to purchase properties because of a seller's failure to cause completion thereof, a client may have lost the opportunity to make alternative investments in properties, and there may be a corresponding delay in the investment of a client's funds.

*Contingent Liabilities on Disposition of Investments.* In connection with the disposition of an Investment, a client may be required to make representations about such Investment. A client also may be required to indemnify the purchaser of such Investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which ASBCM may establish reserves or escrow accounts. Furthermore, under applicable law, each investor in a client

that receives a distribution in violation of such law will, under certain circumstances, be obligated to recontribute such distribution to the client.

#### **ITEM 9: DISCIPLINARY INFORMATION**

Not Applicable.

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

ASBCM is a subsidiary of Chevy Chase Trust Holdings, LLC, and is an affiliate with CCTC. ASBCM has been hired by CCTC to provide investment advice to collective funds for which CCTC serves as trustee and custodian. Investment officers at CCTC and ASBCM support various business lines and several employees are dual employees of both CCTC and ASBCM. Additionally, CCTC provides support services, such as accounting and information technology, to ASBCM.

In addition, certain subsidiaries of ASBCM serve as general partners of the Funds.

Conflicts of interests between the affiliates are mitigated because CCTC and ASBCM have different product offerings and investment styles. CCTC's equity style is based on thematic investing, which involves capitalizing on powerful secular themes and global trends through consideration of cyclical views and economic factors, among others. This style is different from ASBCM's equity offering, which is managed more specifically to a relevant benchmark. CCTC's fixed income offerings are tailored to high net worth individuals with liquidity needs and tax considerations, while ASBCM's fixed income offerings are designed to be managed against fixed income benchmarks, with client-specific considerations in mind.

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

##### **Code of Ethics**

All ASBCM employees, officers, directors and consultants with access to ASBCM's recommended investments ("Access Persons") have a fiduciary duty under state and federal securities laws to act in the best interest of ASBCM's clients. An integral part of this duty is the avoidance of conflicts of interest. Therefore, ASBCM Access Persons may not use their position, or information they learn at ASBCM, to create a conflict, or the appearance of a conflict, between their personal interests and those of any client. ASBCM maintains a Code of Ethics, adopted pursuant to SEC Rule 204A-1, that includes a Personal Securities Transaction Policy, an Insider Trading Policy, and other matters related to conduct. A copy of the Code of Ethics is available upon request.

##### **Personal Securities Transaction Policy**

Personal securities transactions create potential conflicts of interests. Therefore, unless an exception applies, all Access Persons must pre-clear all equities, debt securities, derivatives, options and futures purchases or sales with the Chief Compliance Officer ("CCO"), or his or her designee, before a transaction is initiated for their personal account(s). These requests are compared to the Restricted

List: a list composed of all holdings within the actively managed composites purchased or sold for ASBCM client accounts. In addition, the CCO, the Insider Trading Officer, or the General Counsel of ASBCM can add securities to the Restricted List in instances where the firm or its officers, and employees may have access to material, non-public information. The Restricted List is maintained by the CCO, or his or her designee.

Access Persons are prohibited from purchasing or selling for their personal accounts any equity, fixed income securities or derivative where the underlying security(ies) is on the Restricted List unless the purchase or sale qualifies for an exemption noted below. In addition, no Access Person may (i) purchase a security within 7 calendar days of that security being purchased/sold in client accounts. Access persons are also prohibited from purchasing or selling derivatives for their personal account(s) where the underlying security is on the Restricted List.

The exemptions listed below apply to securities placed on the Restricted List and are exempt from pre-clearance: Transactions include:

1. A sale request must be sent to the CCO, or his designee, and a written approval must be received by the Access Person prior to the transaction. The sale will not be approved if an aggregated firm trade in the actively managed composites has occurred within the last 7 calendar days or the portfolio manager for the actively managed composites indicated to the CCO, or his or her designee, that an aggregated firm trade is being contemplated for the security. This exemption is meant to facilitate Access Persons selling out of existing securities in their personal accounts that are also on the Restricted List, if the sale does not present a conflict with the clients.
2. Transactions for which the Access Person has given full investment and management discretion to an asset manager are exempt;
3. The purchase or sale of shares of registered open-end mutual funds and money market funds;
4. The purchase or sale of treasury bonds, treasury notes, treasury bills, U.S. Savings Bonds, and other instruments issued by the U.S. Government;
5. The purchase or sale of debt instrument issue by a banking institution, such as bankers' acceptances and bank certificates of deposit (Note that bonds issued by a banking institution must be pre-cleared);
6. The purchase and sale of investment grade municipal bonds;
7. The purchase or sale of commercial paper and other high-quality short-term debt instruments;
8. The purchase or sale of U.S. and foreign currency;
9. Dividend Reinvestment Programs;
10. The purchase or sale of Exchange Traded Funds; and
11. Transactions effected pursuant to an automatic investment plan;<sup>1</sup>

Securities placed on the Restricted List because of material non-public information do not qualify for exemptions.

A detailed description of the Personal Securities Transaction Policy is available upon request.

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<sup>1</sup> Any transaction that overrides the pre-set schedule or allocations of the automatic investment plan must be included in a quarterly transaction report.

## **Annual Holdings Report**

All ASBCM employees, officers, and directors are required to complete an annual holdings report of all reportable securities. These reports are submitted to the CCO, who monitors the annual holding reports and resolves any conflicts in an appropriate manner.

## **Insider Trading Policy**

It is the policy of ASBCM to comply with the restrictions of 17 CFR 240.10b.5 (Rule 10b.5) and the Insider Trading and Securities Fraud Enforcement Act with regard to buying and selling securities. If any ASBCM personnel possess material inside (non-public) information it should be brought to the attention of ASBCM's Insider Trading Officer. ASBCM's Insider Trading Officer shall direct the investment personnel to: (i) keep the information confidential; (ii) refrain from trading in or recommending the securities concerned while such information remains undisclosed to the investing public; and (iii) any other actions deemed appropriate to prevent unintentional disclosure. Directors, officers, employees, consultants, public accountants, and attorneys of ASBCM are deemed to be insiders. Furthermore, all ASBCM directors, officers and employees are subject to ASBCM's Insider Trading Policy.

## **Privacy Policy**

In order to protect the confidentiality of clients' non-public, financial information, ASBCM maintains a Privacy Policy that specifies the procedures used to secure sensitive client information. All ASBCM employees and officers are required to receive annual privacy training. A Privacy Pledge summarizing ASBCM's policies regarding protecting client information is provided at the time of account opening, and annually thereafter when material updates are made to the Policy. The Privacy Pledge is also available on ASBCM's website at [www.asbcm.com](http://www.asbcm.com).

## **Conflicts of Interest**

Conflicts of interest may arise between ASBCM, its affiliates and a client under certain circumstances, including those potential conflicts of interest which are enumerated below.

*Other ASBCM Business Relationships.* ASBCM and its affiliates have, and continue to develop, advisory and other relationships with a wide variety of clients and investors. As a result of obligations that arise from those relationships, including obligations of confidentiality, certain potentially suitable investment opportunities or structuring alternatives of which ASBCM or its affiliates become aware may not be offered or disclosed to a client.

*Allocation of Investment Opportunities.* Because ASBCM may have more than one client pursuing substantially similar investment strategies, potential conflicts of interest may exist with respect to various investment opportunities that arise. In order to minimize the potential for conflicts of interest and to insure that all clients pursuing substantially similar investment strategies are treated in a consistent and equitable manner, ASBCM has established a Pipeline Allocation Committee (the "PAC") for the purpose of ensuring an objective process for equitable allocations of investment opportunities among a client and other funds and clients sponsored by or advised by ASBCM. For additional detail regarding the PAC allocation process, please see Item 12.



Subject to any investment allocation requirements in a client's governing documents, no active investment client or fund shall be favored over any other client or fund, and all clients and funds will be allocated investments without prejudice in accordance with each client's or fund's approved investment objectives. The PAC will consider the investment guidelines of each account or fund, suitability for the overall portfolio strategy of the account or fund and the previous allocation history of the eligible accounts or funds in determining to which account or fund an investment will be allocated.

If an investment is sourced by staff of a specific client or fund and referred to ASBCM, that investment will be automatically allocated to that client or fund provided that ASBCM's Capital Investments Group had not previously sourced the investment and the PAC had not already allocated it to a different client.

ASBCM will, from time to time, consider, and reject an investment opportunity on behalf of one client and may subsequently determine to have another client make an investment in the same opportunity. A conflict of interest arises because one client will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by ASBCM on behalf of the original client considering the investment. In such circumstances, the benefitting client or clients will not be required to reimburse the original client for expenses incurred in connection with researching such investment.

*Officer, Principal, and Employee Interests in Funds Advised by ASBCM.* Certain officers, principals and employees of ASBCM and its affiliates from time to time invest in, and alongside, certain real estate funds advised by ASBCM, either through such fund's General Partner, as direct investors in the fund(s) or otherwise. Such fund(s) or its General Partner, as applicable, typically reduce all or a portion of fees and carried interest related to investments held by such persons. If officers, principals and employees of ASBCM make capital investments in or alongside the funds advised by ASBCM, they may have conflicting interests with respect to these investments.

*Allocation of Personnel.* Officers and employees of ASBRE, including members of its Investment Committee, are involved in activities for multiple ASBRE clients. Certain officers and employees of ASBCM are also dual employees with Chevy Chase Trust Company, an affiliate of ASBCM. Conflicts may arise in the allocation of time, services or functions involving the officers and employees of ASBCM.

*Valuation Process.* Certain personnel of ASBCM, in their capacity as personnel of ASBCM, will perform activities which assist in the valuation of the assets of clients. Such persons potentially may face a conflict of interest in that the fees paid by certain clients to ASBCM are based upon such valuation.

*Transactions With Affiliates and Clients of ASBCM.* To the extent permitted by law, a client may from time to time engage in transactions with another client of ASBCM in circumstances where ASBCM or its affiliate is acting on behalf of such client by purchasing investments from or through such client, co-investing with such client in certain investments or investing in entities in which such client holds an interest, or selling an investment to such client. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a client may not receive the best price otherwise possible, or ASBCM might have an incentive to improve the performance of one client by selling underperforming assets to another client in order, for example, to earn fees.

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. In connection with ASBCM’s management of the clients, ASBCM and may engage in principal transactions. ASBCM has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable client(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

Conflicts may arise when a client makes investments in conjunction with an investment being made by other clients, or in a transaction where another client has already made an investment. Investments by more than one client of ASBCM in an investment may also raise the risk of using assets of a client to support positions taken by other clients of ASBCM. There can be no assurance that the return of a client participating in a transaction would be equal to and not less than another client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A client may invest in opportunities that other clients have declined, and likewise, a client may decline to invest in opportunities in which other clients have invested.

Competition Between Properties. It is possible that a client may acquire interests in properties that are in competition, including in connection with leasing or selling such properties, with properties owned by other clients of ASBCM or its affiliates, including other funds managed or advised by ASBCM.

Joint Venture Partners: Some of the third-party operators and joint-venture partners with which ASBCM may elect to co-invest a client’s capital may have pre-existing investments with ASBCM and its affiliates. In addition, ASBCM and its affiliates may have the right to receive management and other fees and profits interests with respect to any such joint investments with third parties. To the extent a dispute arises between ASBCM and such operators and partners, a client’s investments relating thereto may be affected.

In addition, these third-party operators and joint venture partners typically have the right to receive management and other fees and profits interests with respect to co-investments by a client. These are in addition to the fees received by ASBCM.

Diverse Interests Of Investors. The investors in a Fund may have conflicting investment, tax and other interests with respect to their investments in the Fund. Investors could include, but are not limited to tax exempt investors (e.g., corporate and public pension funds, endowments and foundations), taxable investors (e.g., funds of funds, sovereign wealth funds, insurance companies, high net worth individuals and employees of ASBCM and its affiliates and employees of ASBCM’s operating partners) and non-U.S. investors. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments, the amount or nature of taxable income with respect to an investment and the use or availability of tax credits for a deferral of taxable income and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by ASBCM (including with respect to the nature or structuring of investments) that may be more beneficial for

one investor than for another investor, especially with respect to investors' specific or particular tax situations. In addition, the Fund may make investments that may have a negative impact on related investments made by the investors in separate transactions. In selecting and structuring investments appropriate for a Fund, ASBCM will consider the investment and tax objectives of the Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

Certain Fund investors are affiliated with ASBCM and hold a substantial majority of the interests in such Fund. As a result, such investor controls the outcome of any votes taken by the investors in the Fund. As an affiliate, such investor may have an incentive to favor the ASBCM when exercising its voting authority.

*Service Providers.* ASBCM will have a conflict of interest with the clients in recommending the retention or continuation of a service provider to a client if such recommendation, for example, is motivated by a belief that the service provider or its affiliate will provide ASBCM information about markets in which ASBCM operates or is interested or will provide other services that are beneficial to ASBCM or its clients. Although ASBCM selects service providers that it believes will enhance performance of the clients and their investments, there is a possibility that ASBCM, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Service providers to ASBCM and its affiliates often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by ASBCM or its affiliates differ from those required by clients, ASBCM and its affiliates will pay different rates and fees than those paid by such clients.

*Other Relationships.* ASBCM and its affiliates have existing and potential relationships with a significant number of corporations, institutions and individuals in matters related to its other businesses and investments. As a result of these relationships, ASBCM may face conflicts of interest in connection with any transactions involving an investment by a client with such persons, including with respect to the consideration offered by, and the obligations of, such persons. In determining whether to pursue a particular investment on behalf of a client, these relationships could be considered by ASBCM, and there may be certain potential investments which will not be pursued on behalf of the client in view of such relationships. As a result, there can be no assurance that all potentially suitable investment opportunities that come to the attention of ASBCM will be made available to each client.

## **ITEM 12: BROKERAGE PRACTICES (ASBIM)**

### **Selection Criteria for Brokers and Dealers**

ASBIM generally has discretionary authority to manage its clients' accounts, which includes authority to determine, without specific client consent, the broker-dealer used in client securities transactions and the commission rate or price to be paid to such broker-dealer, provided the commission is reasonable and in relation to the services rendered.

For all transactions, ASBIM considers the full range of quality of a broker's services, including, but not limited to:

- Brokerage capacity (principal or agent);
- Execution capability;
- Commission rates;
- Value of research;
- Available liquidity;
- Responsiveness to ASBIM;
- Trading expertise;
- Access to underwritten offerings and secondary markets;
- Reliability in executing trades and keeping records;
- Reputation and integrity;
- Financial services offered;
- Willingness and ability to commit capital;
- Fairness in resolving disputes;
- Timing and size of order; and
- Current market conditions.

ASBIM considers the foregoing factors, which it expects to enhance the portfolio management capabilities of ASBIM, without demonstrating that such factors are of a direct benefit to its clients.

Trading execution is examined on a quarterly basis by the ASBIM Portfolio Review Committee to ensure clients are receiving best execution.

### **“Soft Dollar” or Research/Execution Policy**

ASBIM does not conduct “soft dollar” arrangements. It receives brokerage research or sell-side research as part of its brokerage activities. Brokerage research presents a potential conflict of interest in that ASBIM may not receive the lowest available commission in placing trades by giving preference to brokers that provide sell-side research. The ASBIM Portfolio Review Committee oversees all brokerage research services and soft dollar arrangements on a monthly basis to help ensure that all arrangements are consistent with ASBIM’s fiduciary duties (including its duty to obtain best execution for its clients) and applicable law.

ASBIM does not typically negotiate “execution-only” commission rates; thus, clients are deemed to be paying for other services, including research, with their commission dollars. Research issued to service some or, in certain circumstances, all clients, subject to compliance with applicable law. Research is not necessarily be used by ASBIM in servicing the clients whose commission dollars paid for the research. Some clients direct ASBIM to use certain brokers (described below under “Client Directed Brokerage”); some clients may require ASBIM to effect trades through their custodial brokers; and some clients’ investment preferences results in minimal trading in their accounts. Such clients’ commission dollars are unavailable to pay for research received from other brokers, so those clients who grant ASBIM full discretion to select brokers are subsidizing the research provided to all clients.

### **Client-Directed Brokerage Transactions**

Advisory clients may direct ASBIM to execute trades with a specific broker-dealer. Although ASBIM's objective is to seek the best price and execution for every transaction, the fact that ASBIM does not have flexibility in selecting a broker for a directed trade can impact the execution price the directing client realizes and the directing client may not realize the same price or commission rate achieved for other clients. Furthermore, ASBIM retains sole and absolute discretion to not to engage any securities broker-dealer to execute any transaction for the client if the use of the services of such broker-dealer would violate applicable law, regulation or a stated position of the Securities and Exchange Commission or other regulatory body, or if ASBIM determines that the use of such broker-dealer is inconsistent with its fiduciary duty to the client

### **Batch Transaction Policy**

Investment allocation presents a risk that ASBIM shows preference in which clients receive investment opportunities. It is ASBIM's policy that when combining or "batching" orders of the same security for more than one account:

- The resulting benefits in price and broker-dealer charges are applied on a pro-rata or average basis to the accounts involved in the transaction if the entire order can be executed; or
- To pro-rata to each account its allocable share of the securities purchased or sold if the entire order cannot be executed.

Where purchase or sale orders of the same security cannot be combined, transactions will be made on a rotation basis.

## **ITEM 12: ASSET ALLOCATION AND VALUATION (ASBRE)**

### **ASBRE Investment Allocation**

There is a risk that ASBRE may show preference in allocating investment opportunities between clients. ASBRE, formed by ASBCM's Board of Directors, manages this risk through its allocation policy, related procedures, the Pipeline Allocation Committee (PAC), all of which are discussed below.

When allocating investments, it is ASBRE's policy that no active investment client shall be favored over any other client, and all clients will be allocated investments without prejudice in accordance with each client's approved investment objectives. Furthermore, the PAC oversees and ensures that the processes used to allocate investment opportunities is equitable and objective.

The PAC meets at least monthly, or more frequently as needed, to review new investments to the various portfolios managed by ASB. An allocation recommendation is made to the PAC before the proposed investment is submitted to the Real Estate Advisory Investment Committee ("REIAC") for approval. REIAC only reviews allocation recommendations for investments approved by the PAC.

When determining allocation of an investment, ASBRE considers the following factors, in order of their importance:

- *Client Investment Guidelines:* When determining if an investment can be allocated to an account, ASBRE shall ensure that the investment does not violate any client-imposed guidelines. Client restrictions on the type of investment, the amount of leverage permitted, or other client-imposed investment criteria shall be given consideration in determining whether the account is eligible for allocation.
- *Portfolio Suitability:* When reviewing each available account for allocation, ASBRE can remove an account from consideration if the potential investment is not suitable for the overall portfolio strategy of the account. Diversification considerations, such as asset holdings by type or geographic location, may indicate that a potential investment is not be appropriate for allocation. Other portfolio strategy considerations, such as the impact on leverage or the individual asset size relative to the account, are also considered in determining if an account is a candidate for allocation.
- *Previous Allocation History:* If all other factors are substantially equal, ASBRE shall allocate potential investments based on the previous allocation history of the eligible accounts. ASBRE will review the previous allocation history for each account eligible and determine the recent activity in each account. Then, the candidate account that has the oldest allocation shall be given preference in allocation.
- If an investment is sourced by staff of a specific client and referred to ASBRE, that investment will be automatically allocated to that client, provided that ASBRE had not previously sourced the investment and the PAC had not already allocated it to a different client.

In addition to the policy, procedures and the PAC controls noted in Item 12, all allocation decisions are reviewed quarterly by the Pipeline Oversight Review Group. This group determines if the allocation decisions made by the PAC appear compliant with this policy's criteria. Voting members of the Pipeline Oversight Review Group include three members of ASB Management that are not members of ASBRE. The Portfolio Managers and members of ASBRE are not voting members of the Pipeline Oversight Review Group.

There can be no assurance that the application of the process and factors set forth above will result in a client participating in all investment opportunities that fall within its investment objectives.

## **Real Estate Valuation**

There is a risk that values reported to clients for their investments will not be received if the underlying real estate properties were sold at market. ASBRE maintains the following valuation policies and practices for its open- end fund to ensure that each real estate asset will be valued at its fair market value.

### Appraisals

Unless otherwise specified by client guidelines, real estate investments receive an external opinion of value each quarter, with the exception of recently purchased investments which are valued at cost plus capital expenditures less liabilities, if any. A complete appraisal performed by a qualified independent appraiser is performed within 12 months of the most recent appraisal; however, if the property is under contract or a binding letter of intent, no appraisal is necessary provided the sale occurs within 15 months of the last appraisal. An appraisal firm may not perform appraisals for more than three consecutive years on a specific property. Appraisal firms are approved by the REAIC.

Relevant information is supplied to the independent appraiser, who carries out a full-scale, on-site physical investigation of the property, a financial evaluation of the property's current and potential income and expenses, an analysis of comparable properties in the area, and an analysis of the market activity affecting the property's value. An independent appraisal management firm oversees and administers the appraisal process. Each investment is appraised by independent appraisal firms annually, with approximately 25% of a fund's investments being appraised each quarter. The appraised values are updated quarterly by the appraisal management firm based upon financial, leasing and capital market activity that impacts value. As such, each quarter, the investments receive a third-party opinion of value that is reflected in the fund's NAV.

The valuation and accounting policies of ASBRE are in accordance with the NCREIF – Real Estate Information Standards. Any open end fund's NAV is determined as of the last day of each calendar quarter. All appraisal values are reviewed and approved by the by the President of ASBRE. The values are then submitted to the Appraisal Oversight Group, composed of members of ASBCM management that are not part of ASBRE, for review prior to setting the NAV of any open end fund.

Assets held in closed ends funds are initially valued at acquisition price. Thereafter, these assets receive an annual external opinion of value on an annual basis. All assets within the closed end fund shall be held at their fair value in accordance with generally accepted accounting principles. The President of ASBRE or the fund's Portfolio Manager will approve all values before setting the value of the fund. The ASBRE Appraisal Oversight Review Group reviews appraisals of the abovementioned properties no less than annually.

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

#### **ASB Investment Management Division:**

When an account is opened, it is reviewed by the ASBIM Portfolio Review Committee to ensure that the investment program is documented, designed to meet the specific needs of the client and that the agreed upon guidelines are in line with the overall investment policy. Once the account is operational, it is reviewed at least annually by the ASBIM Portfolio Review Committee, which monitors the investment mix, performance, changes in client objectives, and other pertinent portfolio considerations. Performance review meetings are conducted with clients at least annually, and more often if requested. Written reports are presented as specified by client contract.

#### **ASB Real Estate Investments Division:**

The REIAC, formed by ASBCM's Board of Directors, performs oversight of real estate investment recommendations for the limited partnerships and the separately managed accounts managed by ASBRE. ASBRE management is responsible for reviewing investment properties on an annual basis, reviewing proposals regarding acquisition and/or disposition of assets, and development or change in financial structure of properties. ASBRE makes presentations to REIAC, which provides its advice. Other clients may specify separate approval and oversight procedures in their contracts with ASBRE. Written reports to clients are presented as specified by client contract and/or Fund organizational documents.

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

ASBCM may enter into written agreements with unaffiliated third parties under which ASBCM compensates the respective party for referrals that result in opening a new account(s). ASBIM contracts with a firm that provides administrative and consulting services to insurance companies. ASBIM agreed to split the investment management fees with this firm for clients hiring ASBIM under this arrangement. Specifics of the shared fee arrangement are provided to prospective clients. ASBIM has also entered into written agreements with persons to act as finders on behalf of ASBIM. ASBIM pays these persons a percentage of fees during the first five years of a client relationship. The finder is responsible for disclosing the specifics of the compensation to prospective clients. ASBCM's payment of referral fees will not increase ASBCM's fees above the published fee schedule, and all referral payments will comply with applicable federal and state laws including the Investment Adviser's Act Rule 206(4)-3.

Additionally, ASBIM provides the ASB Large Cap Core Equity model to an investment platform and receives a fee equal to a percentage of the assets under management for this service. Accounts on these platforms are investment adviser clients of the platform's sponsor, not ASBIM. ASBIM is compensated for providing the advice to the platform's sponsor. ASBIM has a trade rotation policy to ensure that clients and platforms are treated in an impartial manner when model trades are conducted.

ASBRE has not entered into any third party referral arrangements for distribution or fee sharing.

#### **ITEM 15: CUSTODY**

ASBCM has custody of certain client assets. While ASBCM is deemed to have custody of the assets of ASB Allegiance Real Estate Partners GP, LLC and the ASB Meridian Real Estate Fund Series because its related persons serve as general partners of those Funds, ASBCM is not required to have a qualified custodian send account statements directly to those Funds or their investors. and as a result, ASBCM, is deemed to have custody of those funds' assets. To the extent assets of a separate account are held by one or more custodial banks, such custodial banks send account statements to an independent representative of the client and/or the client. Such client should compare the account statement received from the custodial bank to account statements ASBCM delivers to investors. For select clients, ASBCM may provide customized reports. Clients requesting these reports should carefully review the information against statements from the qualified custodian.

CCTC is custodian of certain ASBCM client assets and trustee on all of the collective funds managed by ASBCM. In turn, CCTC holds all publically traded securities and cash at its qualified custodian, SEI Private Trust Company. CCTC provides ASBCM an internal control report regarding the institutional custody services it provides for ASBCM clients. A copy of this internal control report is available to shared clients of ASBCM and CCTC. In addition, a copy of SEI Private Trust Company's internal control report is available to all ASBCM clients with assets held at that institution.

#### **ITEM 16: INVESTMENT DISCRETION**

ASBCM typically manages accounts on a discretionary basis. Clients will provide ASBCM with full discretion of the assets in their account(s) by signing ASBCM's Investment Management Agreement for Discretionary Accounts.



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

In general, votes for ASBCM's clients follow the AFL-CIO proxy voting guidelines, which ASBCM believes to be consistent with the exercise of its fiduciary duty. This policy provides an indirect benefit to ASBCM in its business development efforts within the union marketplace. If a client desires an alternative set of proxy voting guidelines, ASBCM may arrange to vote the proxies in accordance with the client's best interests.

ASBCM employs a third party proxy voting vendor, Broadridge Financial Solutions, to administer the proxy voting process. Broadridge Financial Solutions votes the ballots and documents all voting activity on behalf of ASBCM. In the event ASBCM experiences a conflict of interest between ASBCM and its client with respect to any particular vote, ASBCM will defer to Broadridge Financial Solutions' recommended vote. Clients may request a copy of ASBCM's proxy voting policies and procedures, as well as how their proxies were voted, by contacting Paul Duncan at 240-482-2990.

#### **ITEM 18: FINANCIAL INFORMATION**

Not Applicable. ASBCM does not require prepayment of client fees.

#### **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not Applicable.