



National Investment Services

Client Focused | Flexible Solutions | Consistent Results

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www.nisi.net

Form ADV Part 2A Brochure March 29, 2018

This Brochure provides information about the qualifications and business practices of National Investment Services, Inc. ("NIS"). If you have any questions about the contents of this Brochure, please contact us at (414) 765-1980. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about National Investment Services, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

National Investment Services, Inc. ("NIS") is required to identify and discuss any material changes made to its Form ADV Part 2A ("Brochure"). NIS did not make any material changes to its Brochure since its most recent prior Brochure dated March 30, 2017.

A complimentary copy of this Brochure may be requested by submitting a written request to National Investment Services, Inc., Attn. Compliance Department, Suite 2350, 777 East Wisconsin Avenue, Milwaukee, WI 53202.

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Item 4 Advisory Business

A. Organization

National Investment Services, Inc. ("NIS", "we", "our") is wholly owned by NIS Holding Corporation ("NIS Holding"). NIS Holding is 100% owned by the senior managers of NIS and one outside director. The current ownership group organized and capitalized NIS Acquisition LLC in 2012. In 2014, the ownership group exchanged their equity interests in NIS Acquisition LLC for their current shareholdings in NIS Holding in order to initiate an S corporation tax election.

NIS was formed in November 1993 and began operations on April 1, 1994. From 2008 to 2014, NIS was an operating subsidiary of Titanium Asset Management Corp. ("Titanium"). In 2012, the NIS Holding ownership group, along with another ownership group from one of the other investment managers owned by Titanium, organized and capitalized a holding company, TAMCO Holdings LLC ("TAMCO Holdings") for purposes of acquiring a controlling interest in Titanium. During 2013, TAMCO Holdings acquired all the remaining ownership interests in Titanium. Finally, in 2014, NIS Holding caused Titanium to spin off NIS and Wood Asset Management (an equity investment manager that was also a subsidiary of Titanium) to NIS Holding, such that NIS is now a direct and wholly owned subsidiary of NIS Holding.

B. Advisory Services

We are primarily an institutional-oriented investment management firm that manages client portfolios across a variety of fixed income, preferred stock and equity strategies. We manage separate accounts, as well as private funds. For each of the private funds we manage, NIS is also the Managing Member.

Any reference to the private funds within this Brochure is for informational purposes only and is intended to address required disclosures about our business practices and the conflicts associated with managing the private funds. Only qualified investors are able to invest in these funds and they should read that fund's confidential private placement memorandum before investing. No reference within this Brochure should be viewed as an offer to sell or an offer to buy an interest in the private funds.

C. Specific Client Needs and Restrictions

Whether or not we tailor portfolios to individual client needs depends on the type of client. Institutional clients typically have investment policy statements that contain parameters and restrictions that require varying degrees of portfolio customization. Each of the private funds is managed in accordance with the private fund's offering documents which are provided to investors prior to investment in the private fund.

Our individual clients primarily are introduced to us by third party financial institutions, such as broker-dealers. In these cases, the client's financial advisor will select which of our strategies the client should be invested in, and we will manage the client's account according to our model for the applicable strategy. We provide customized portfolio management services to individuals in some instances, but usually only in the case of a long-term relationship directly with the client.

If you have particular investment restrictions or parameters that you would like us to adhere to, we will generally accept the assignment (subject to minimum account values) as long as the restrictions or parameters do not unnecessarily hinder our ability to properly manage the account in line with the applicable strategy.

D. Wrap Fee Programs

We provide investment management services to clients in several wrap fee programs sponsored by unaffiliated third parties (the wrap program sponsor). There is no difference in our investment strategy or philosophy between wrap fee accounts and our other clients. The wrap fee accounts tend to be smaller than our other accounts and may thus have a few less security positions. In a wrap fee program, the sponsor charges its clients a bundled fee for an array of investment services, such as brokerage, advisory, research, custody and management services. We receive a portion of the bundled fee for our investment management services.

E. Assets Under Management

As of December 31, 2017, our regulatory assets under management were \$6,728,717,000. We have discretionary authority over all of the assets that we manage.

Item 5 Fees and Compensation

A. General Fee Information

Our management fee for separate accounts is charged primarily in arrears on a quarterly basis. The fee schedule, manner in which the fee is calculated, billing method and when fees are due will be detailed in our investment management agreement with each client, and with respect to the private funds in the relevant operating agreement. Fees for partial periods, either upon opening an account or terminating services, will be prorated based on the number of days services will be or were provided.

In a wrap fee program, the wrap program sponsor charges its clients a bundled fee for a package of investment services, such as brokerage, advisory, research, custody and management services. We receive a portion of the bundled fee for our investment management services.

Our management fee for private funds is an asset-based fee and is charged quarterly in arrears. The specific management fee charged to each private fund is outlined within the private fund's

offering documents and is a percentage of the private fund's net asset value. As described in each private fund's offering documents, each private fund pays its own operating expenses and organization expenses which are amortized over a period of time.

Certain of the private funds we manage also pay an incentive fee as described within each fund's offering documents. See Item 6 for additional information on incentive fees and potential conflicts of interest.

When an investor in one of our private funds is also a separate account client of ours and owns the private fund within the separate account, the client/investor only pays one management fee either at the account level or at the private fund level as agreed upon between us and the client/investor.

Brokerage commissions or mark-ups/mark-downs charged by the executing broker-dealers are built into the net cost (or proceeds) of each trade. We will not receive any portion of those commissions or fees. In addition, you may incur charges imposed by third parties other than us in connection with investments made through the account, including but not limited to, custodial fees, mutual fund fees, and exchange-traded fund ("ETF") management fees.

B. Fee Schedules

Our asset-based advisory fees are negotiated with clients (or wrap platform sponsors) on a case-by-case basis and will depend on the characteristics of the account, the relationship with the client, and other variable factors. The following fee scales may be used as a guide:

Institutional Fixed Income Strategies:

Core Strategy

0.30% of the first \$50 million
0.20% of the next \$100 million
0.10% of assets over \$100 million

Core Plus Strategy

0.35% of the total market value

NIS Total Absolute Return Fund, LLC*

NIS Total Absolute Return QP Fund, LLC*

1% of the total market value
15% incentive fee of net profit

NIS Dynamic Fixed Income Strategy

0.60% of the total market value

Preferred Stock Strategy:

NIS Preferred Stock Fund II, LLC*

NIS Preferred Stock Fund QP, LLC*

0.60% of the total market value
15% incentive fee of net profit

NIS Equity Strategies

1.00% per annum on the first \$5 million under management
0.75% per annum on the next \$5 million under management
Fees on accounts over \$10 million will be quoted upon request

*Strategy offered only in a private fund.

C. Account Valuation Practices

Pricing

We use account market values to calculate assets under management, client investment management fees and investment performance, where applicable; therefore, NIS maintains policies and procedures regarding these practices.

We use pricing information provided by Intercontinental Exchange, Inc. (“ICE”) and our sub-adviser, with respect to the firm’s sub-advised assets (collectively, “Primary Pricing Source”) for purposes of valuing client portfolios. In an instance where ICE is unable to obtain a price, an independent pricing source is used where possible (generally consisting of independent broker-dealer quotes or a reliable electronic information service such as Bloomberg). Our pricing policy includes details regarding secondary pricing sources and reviews are performed periodically to assess the accuracy and reasonableness of the prices utilized.

Fair Valuation

In the instance where we are unable to determine a price as outlined in our Portfolio Valuation Policy, our Pricing Committee shall determine a fair value for that security. No single factor or approach shall be implemented by the Committee in every case of determining a fair value for a security, as each individual case is unique in nature.

There are inherent conflicts of interest when we value client accounts, as higher security prices increase market values, thereby enhancing performance results and increasing fees. In addition, because clients pay different fees based on differing fee schedules or the size of the account, we have theoretical incentive to favor those accounts where we earn the highest fees. We maintain investment, trade allocation and account valuation (including fair valuation) policies and procedures to address such conflicts of interest.

Item 6 Performance-Based Fees and Side-By-Side Management

We do not charge performance-based fees on our separately managed account portfolios. Incentive fees (performance-based fees) are charged in NIS Preferred Stock Fund II, LLC, NIS Preferred Stock Fund QP, LLC, NIS Total Absolute Return Fund, LLC and NIS Total Absolute Return Fund QP, LLC. An investor (or class of investors) within a private fund may pay higher or lower incentive fees than other investors or none at all as agreed upon by us and the investor. Incentive fees create a conflict of interest in that we have the potential to earn higher fees if we place more favorable trades in accounts where we receive an incentive fee. In order to mitigate this conflict of interest, we

maintain trading policies and procedures as well as a Code of Ethics which requires we treat all clients fairly and act only in the best interest of our clients.

Item 7 Types of Clients

We manage assets for multi-employer funds (pension and health and welfare), corporations, individuals, high net worth individuals, state and local governmental entities, ERISA plans, Taft-Hartley accounts, private funds, unified managed accounts ("UMAs") and endowment and foundation funds. Employees through NIS's retirement plan and our firm owners may invest in the private funds and/or have separate accounts managed by us. Certain employees invest in an investment club managed by us which could invest in similar securities as other strategies we manage. Management fees and related incentive fees may be less or waived for employees and owners. Managing assets for employees and owners creates a conflict of interest as we may have an incentive to favor these accounts over other client accounts. In order to mitigate this conflict of interest, we maintain trading policies and procedures as well as a Code of Ethics which requires we treat all clients fairly and act only in the best interest of our clients.

Generally, separately managed accounts have a minimum investment of \$20 million and the private funds have minimum initial investment of \$5 million. These minimums may be waived at our discretion.

Interests in the private funds are only offered to persons who meet the eligibility requirements for investment in privately offered funds, which (1) rely on an exclusion from the definition of "investment company" under the Investment Company Act of 1940, as amended ("1940 Act") provided by either Section 3(c)(1) or Section 3(c)(7) thereunder; and (2) rely on an exemption from registration under the Securities Act of 1933, as amended ("Securities Act"), provided by Section 4(a)(2) and Rule 506 of Regulation D. Investors and prospective investors in each private fund are urged to refer to the offering documents of such private fund for detailed information on the investment requirements.

Item 8 Methods of Analysis, Investment Strategies, and Risk of Loss

Investing in securities involves the risk of loss of your investment. You should be prepared to bear that risk.

A. Analysis and Strategies

Fixed Income Strategies

Our fixed income portfolios typically include the following types of securities:

- U.S. Treasury and agency securities

- U.S. Government
- Domestic and international investment grade and high yield corporate securities
- Mortgage-backed securities
- Asset-backed securities
- Municipal securities
- Fixed Income Exchange-Traded Funds
- Preferred stock

Our fixed income investment philosophy is based on fundamental economic analysis, technical interest rate analysis, structure optionality analysis, and credit research. Our economic outlook leads to strategy decisions that reflect our views on interest rates, trends in volatility, and relative value among market sectors.

The primary methods we use to attempt to add value to portfolios are the following:

Yield Curve management: We try to select specific maturities that will benefit from our view on the direction of rates and potential Federal Reserve monetary easing or tightening.

Sector allocation: The primary sectors of the fixed income market are U.S. Treasury securities, U.S. agency securities, corporate securities, and mortgage-backed securities. We attempt to maintain overweight positions (relative to the benchmarks) in the sector(s) that we believe will outperform the other sectors.

Security selection: We seek to identify undervalued securities in order to increase the yield of our portfolios and provide price appreciation.

We have engaged an external investment adviser to manage (sub-advise) a portion of our fixed income assets (specifically, NIS High Yield Fund, LLC.).

Preferred Stock Strategy

The Preferred Stock Strategy objective is to provide returns in excess of conventional fixed income securities with a lower volatility than equities by employing an active long/short strategy investing primarily in \$25/par and \$1,000/par board-listed securities that represent the retail preferred stock market. We attempt to take advantage of an inefficient market via a close monitoring of the market. Our strategy includes actively searching for relative value anomalies and trading for capital gains to enhance regular dividend income.

Dynamic Fixed Income Strategy

Our Dynamic Fixed Income Strategy (DFI) provides clients with a flexible, diversified portfolio designed to be well-suited for any market condition. The strategy is comprised of four components ((1) Traditional Fixed Income, (2) NIS High Yield Fund, LLC/NIS High Yield Fund QP, LLC, (3) NIS Total Absolute Return Fund, LLC/NIS Total Absolute Return Fund QP, LLC, and (4) NIS

Preferred Stock Fund II, LLC/NIS Preferred Stock Fund QP, LLC) that are managed independently, lowly correlated, each providing exposure to specific asset classes.

We deploy an active management strategy with tactical allocations to the portfolio components, allowing us to capitalize on the market cycle and to add protection when risks become elevated. These components and allocation ranges are customized by clients and their consultants based on plan type and liquidity needs.

Equity Strategies: Large Cap Value, Core Equity, and Dividend Income Strategies

Our conservative equity investment strategies seek to generate consistent, competitive long-term results relative to the broader market, but with lower levels of volatility. Our equity strategies primarily invest in domestic exchange-traded equities, American Depositary Receipts (ADRs) and equity ETFs.

Our investment process begins with a focus on leading economic indicators and market cycles. Our top-down macroeconomic and sector analysis identifies investment opportunities on the basis of relevant cycles and historical trends. Our research indicates that successful sector allocation and security selection is heavily influenced by where we are in the economic cycle. Using bottom-up stock selection, we employ fundamental and quantitative criteria to identify undervalued companies. These are typically high-quality, temporarily out-of-favor stocks with strong balance sheets, good revenue and earnings growth prospects, attractive and growing cash dividends, and strong management teams. Sell price targets are established and maintained for each individual security for constant evaluation of upside potential versus downside risk.

B. Material Risks

While not an all-inclusive list, we believe that the following risks are the most relevant within our strategies:

Interest Rate Risk - If interest rates rise, bond prices decline. The longer a bond's maturity, the greater the impact a change in interest rates can have on its prices. If a bond is not held until maturity there may be a gain or loss when the bond is sold.

Credit Risk - Bonds carry the risk of default. Companies or individuals may be unable to make the required principal and interest payments on their debt obligations. Historically, corporate bonds carry a greater credit risk than U.S. Treasuries.

Inflation Risk - There is a possibility that the value of assets or income will decrease as inflation shrinks the purchasing power of a currency.

Call, Prepayment and Extension Risk - Some fixed income securities can be called or paid before their maturity date. An unexpected decline in interest rates could cause these securities to be paid off early. This would cause a loss of income in the portfolio and would usually force us to reinvest in lower-yielding securities.

Reinvestment Risk - Interest or dividends earned from an investment may not be able to be reinvested in such a way that they earn the same rate of return as the invested funds that generated them.

Management Risk - Performance could be hurt if we improperly execute the portfolio's strategies or make poor strategic decisions.

Currency Risk - The risk that an investment's value will be affected by changes in exchange rates. For example, if money must be converted into a different currency to make a certain investment, changes in the value of the currency relative to the U.S. dollar will affect the total loss or gain on the investment when the money is converted back. This risk can affect a U.S. investor's international investments. We typically do not have exposure to this risk in our portfolios.

Mortgage-Backed and Asset-Backed Securities Risk – Certain bonds or contracts derive their value from underlying loans, securities or indices. There is risk that these bonds could move in a non-linear fashion from that of the underlying loans, assets or indices. In addition, derivatives have higher liquidity risk.

Counterparty Risk – There are risks associated with settling trades and gains associated with derivatives when dealing with counterparties.

Equity Securities Risk – Equity securities include common stocks, preferred stocks and ETFs that invest in these securities. Equity markets can be volatile and stock prices can increase or decrease based on the issuer's financial condition and overall market conditions.

ETFs Risk - Clients may lose money investing in an ETF if the value of securities owned by the ETF declines. Clients could pay more to purchase ETF shares, or receive less in a sale of shares, than the actual net asset value of the shares. In addition, when clients invest in an ETF they will bear additional expenses based on the pro rata share of the ETF's operating expenses. The risk of owning an ETF generally reflects the risks of the underlying securities that the ETF is designed to track and the investment strategies employed by such ETF. The ETF may not track the underlying index.

High Yield Risk - High yield securities are rated lower than investment grade securities because there is a greater risk the issuer will default and not be able to make interest and principal payments. Clients should expect portfolio valuations to fluctuate over time and for those clients invested in high yield securities, the price volatility may be greater.

Municipal Securities Risk - The risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at

the federal level but may be taxable in individual states other than the state in which both the investor and municipal issuer are domiciled.

C. Other Risks

In addition to the material risks identified above, client accounts are subject to general market risk. Securities purchased and held in client accounts may decline in value because of a general decline in the market. Securities markets move in cycles, with periods of rising prices followed by periods of falling prices. The value of the securities held in client accounts will tend to increase or decrease in response to these movements. Client accounts are also subject to investment style risk. A client account invested in one of NIS's investment strategies involves the risk that the investment strategy may underperform other investment styles or the overall market.

Certain private funds have an initial twelve-month lock-up period as described in the respective private fund's offering documents.

NIS does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

From time to time, NIS may establish new private funds having no operating history upon which prospective investors can evaluate the potential performance and operations. In any case, the past investment performance of a private fund should not be construed as an indication or guarantee of future results of an investment in such private fund.

D. Cybersecurity and Identity Theft Risk

Increased reliance on internet-based programs and applications to conduct transactions and store data creates growing operational and security risks. Targeted cyberattacks or unintentional events can lead to breaches in computer and data systems security and subsequent unauthorized access to sensitive transactional and personal information held or maintained by NIS and third-party service providers. Any breaches that occur could result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to clients or investors, and may lead to theft, data corruption, or overall disruption in operational systems. NIS's information and technology systems may be vulnerable to damage or interruption from, but not limited to, computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, security breaches, and usage errors by employees. A successful penetration or circumvention of NIS's systems has the potential to disrupt our ability to engage in transactions, cause direct financial loss and reputational damage, or result in violation of applicable laws related to data and privacy protection and consumer protection.

E. Business Continuity and Disaster Recovery

NIS has policies and procedures designed in an effort to mitigate the risks of business interruptions.

The foregoing list of “Risk Factors” does not propose to be a complete enumeration or explanation of all of the risks involved. Prospective clients and investors should read this entire Brochure and consult with their own advisors regarding the potential risks associated with any investment.

Item 9 Disciplinary Information

There are no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of NIS’s advisory business or the integrity of NIS’s management.

Item 10 Other Financial Industry Activities and Affiliations

NIS serves as the Managing Member of the private funds it manages.

NIS is an exempt commodity pool operator with the U.S. Commodity Futures Trading Commission.

NIS and its affiliates may be subject to various conflicts of interests in their relationships with clients, including the private funds. In addition to conflicts discussed elsewhere in the Brochure, these conflicts include:

- The services of NIS are not exclusive to any separate account client, any private fund or any strategy. NIS and its affiliates may, in the future, provide similar services to other clients or private funds, some of which may have investment objectives and policies similar to those of current clients, strategies and/or the private funds.
- NIS’s personnel will devote such time to its investment advisory activities as they determine to be necessary to properly manage the investment portfolios of the separate accounts and the private funds in a manner consistent with applicable agreements and relevant regulatory requirements. Conflicts of interest may arise in allocating time, services or functions of individuals associated with NIS between clients, including the private funds.
- NIS and its principals participated in structuring and organizing the private funds. Thus, the selection, as well as the setting, of NIS’s compensation with respect to the private funds was not the result of arm’s-length negotiations.
- Please also refer to Item 5: Fees and Compensation for information regarding NIS’s ability to negotiate varying terms between clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Code of Ethics

We maintain a Code of Ethics and Personal Trading Policy (the “Code”), which applies to all of our employees. As a fiduciary, we have a duty of utmost good faith to act in the best interests of each of our clients. We strive to foster a healthy culture of compliance within all aspects of our business. Further, we expect our employees and supervised persons to avoid potential conflicts of interest or even the appearance of such conflicts. These principles represent the expected basis of all dealings with clients.

Our Code outlines the standards of conduct expected of our employees and includes limitations on personal trading, giving and accepting gifts, serving as a director or trustee for an external organization, participating in external investment organizations and engaging in outside business activities. In addition, employees are prohibited from using material nonpublic information to trade in personal accounts or on behalf of our clients.

We require all employees to obtain prior written approval before acquiring any securities in an initial public offering or private placement. In addition, employees may not execute personal securities transactions on the same day that NIS: (1) has a pending buy or sell order in that same security for a client; (2) has purchased or sold that same security for a client; or (3) is considering purchasing or selling that same security for a client.

Employees through NIS’s retirement plan and our firm owners may invest in the private funds and/or have separate accounts managed by us. Certain employees invest in an investment club managed by us which could invest in similar securities as other strategies we manage. This may create an incentive for employees to place their own interests or the firm’s interests ahead of our clients’ interests. To mitigate this risk, our Code requires preclearance of all securities transactions (with the exception of certain exempt security types) and places restrictions on when employees may trade in securities. Within the private funds, employees participate in the entire investment portfolio of the private fund along with all other investors. Employees are required to routinely report personal transactions and holdings.

Over the course of getting to know prospective clients and servicing our existing clients, we may, from time to time, engage with trustees of certain public and private pension funds, socially, including by providing such persons with meals.

A copy of our Code is available by submitting a written request to National Investment Services, Inc., Attn. Compliance Department, Suite 2350, 777 East Wisconsin Avenue, Milwaukee, WI 53202.

B. Financial Interest in Certain Securities

Since we receive advisory fees for the services we provide to the private funds, we have an indirect financial interest in the performance of the private funds and a conflict of interest in

recommending that our clients invest in the private funds.

Potential investors will be provided with a complete set of offering documents prior to making an investment in any of the funds which explains all fees and expenses charged to investors, which we urge all potential investors to review thoroughly before investing. See also Item 5 for additional information regarding private fund fees.

Item 12 Brokerage Practices

A. Selection of Brokers for Client Transactions

Broker Selection and Best Execution

Unless a client has directed us to conduct the client's securities transactions through a specific broker-dealer, we determine the broker-dealer through which to trade a client's securities. We consider the following items, among others, when selecting a broker for our clients: (1) ability to locate liquidity; (2) quality of execution; (3) financial condition of the firm; (4) knowledge of specific markets, securities and industries; (5) trade cost structure; (6) research provided; and (7) reputation and integrity.

It is our policy to seek the best execution in security transactions for each client. We define best execution as placing trades in such a manner that the client's total proceeds or cost for each transaction is the most favorable under the circumstances in which the trades are placed. The determinative factor is not the lowest possible commission or trade cost, but whether the transaction represents the best qualitative execution for the client.

Research and Other Soft Dollar Benefits

Our policy is to seek the best execution available for each transaction. Best execution is not limited to obtaining the lowest commissions but also involves seeking the most favorable terms for a transaction under the circumstances. Receipt of products or services other than brokerage or research is generally not a factor in determining which brokers we trade with.

We consider the amount and nature of research services provided by brokers, as well as the extent to which we rely on such services, and attempt to allocate a portion of our trades on the basis of that consideration. In no case will we make binding commitments as to the level of trades we will allocate to a broker, nor will we commit to pay cash if an informal target is not met.

Subject to the criteria of Section 28(e) of the Securities and Exchange Act of 1934, we may pay a broker a higher commission than another broker might have charged for the same trade, in recognition of the value of the brokerage and research services provided by or through the broker. We believe it is important to our investment decision-making processes to have access

to independent research.

Research furnished by brokers may be used to service any or all of our clients and may be used in connection with accounts other than those making the payment to the broker providing the research, as permitted by Section 28(e). Trading volume generated by equity clients may result in services that are of benefit only to fixed income clients and vice versa.

Consistent with Section 28(e), we may utilize third-party research arrangements. In such an arrangement, a broker-dealer contracts with a third-party research provider to provide research services directly to an adviser. We have implemented two commission-sharing arrangements (“CSA”) with two broker-dealers, whereby we have requested that each of our executing brokers with whom we generate soft dollar eligible commissions to remit the soft dollar credit balances to one of the effecting brokers with whom we have established a CSA. The balances at the effecting brokers are used only for the payment of research services described above.

From time to time, we may utilize a research product or service that also provides non-research functionality to us (such as bookkeeping, administrative, marketing or client reporting elements). We will not pay for such a service or product solely with soft dollars; rather, the Compliance Committee shall make a reasonable and good faith allocation of the cost of the research and non-research components in relation to the anticipated use of the product or service. All elements of a product or service deemed by the Compliance Committee to be non-research in nature will be paid from firm resources (“hard dollars”), not with client commissions. The Compliance Committee will document the basis for the reasonable and good faith division of the cost of the service and review the appropriateness of the allocation from time to time.

Brokerage for Client Referrals

We do not take client referrals into account when determining which brokers to use for trade execution.

Directed Brokerage

You may instruct us as to which brokers to be utilized for trades in your account. In following your direction to use a particular broker to execute either all or some of your trades, you must be aware that, in so doing, our ability to follow our standard trade allocation policies, obtain volume discounts on bunched orders, and/or achieve best execution may be compromised. Further, clients who direct us (through affirmative direction or other constraint) to use particular brokers may pay higher commissions, obtain greater spreads, or obtain less favorable net prices than might be the case for those of our clients who do not because we will not be able to negotiate commissions, aggregate clients’ orders and seek execution of transactions as efficiently as possible and at the best price. NIS may, at times, place orders for clients who direct us to execute trades with a particular broker behind orders for non-directed brokerage clients.

B. Allocation of Investment Opportunities

Fixed Income and Preferred Stock

In general, investment opportunities shall be made available to all clients that are: 1) eligible to participate; and 2) where such investment opportunities are deemed to be appropriate for the specific client. The Portfolio Managers/Traders shall be responsible for making these determinations. The following guidelines shall be considered in allocating investment opportunities:

1. Investment opportunities shall be allocated based primarily upon the merits of the investment opportunity and the investment objectives, restrictions or styles of the client accounts.
2. Investment opportunities shall be allocated without regard to factors that primarily benefit NIS, including but not limited to client-specific financial arrangements (such as performance-based incentives inherent within an NIS-managed private fund).
3. Investment allocations among client accounts shall be determined by Portfolio Managers prior to purchasing the security.
4. Investments in new issues shall:
 - i. With respect to preferred stock accounts, generally be treated in the same manner as any other security, as addressed within this policy; and
 - ii. With respect to fixed income accounts, generally be allocated across all eligible accounts.

Equities

We manage client equity accounts through model portfolios. As the securities in a model are adjusted, as weights are adjusted in a model or when contributions or withdrawals occur in an account(s), actions are taken to bring the related accounts in-line with the model. In general, investment opportunities shall be made available to all clients: 1) that are eligible to participate; and 2) where such investment opportunities are deemed to be appropriate for the specific client. The Portfolio Manager shall be responsible for making these determinations. The following guidelines shall be considered in allocating investment opportunities:

1. Investment opportunities shall be allocated based primarily upon the merits of the investment opportunity and the investment objectives, restrictions or styles of the client accounts; and
2. Investment opportunities shall be allocated without regard to factors that solely benefit NIS, including but not limited to, client-specific fee arrangements.

C. Trade Aggregation and Allocation

Trade Aggregation

It is our policy to trade in such a manner that our clients are not competing against one another in the marketplace. When possible and in our clients' best interest, we may bunch in a single order ("a block") in an effort to obtain best execution at the best security price available. With respect to wrap account equity trades, client trades are blocked by wrap sponsor in an effort to obtain best execution at the best security price available.

With respect to equity and preferred stock trades, if a block order is filled (full or partial fill) at several prices through multiple trades, an average price and commission will be calculated for all trades executed, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price.

Trade Allocation

Although determined prior to trading, trades shall be allocated to underlying client accounts after completion of each trade, but no later than by day-end.

Fixed Income

Partial allotments of purchases or sales shall be allocated to accounts either: 1) within the mandate on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs; or 2) by determining for which accounts the bonds are most appropriate based on several factors including, but not limited to, existing holdings in the account(s). An important factor considered when selecting the method to utilize to allocate partial is the size of the partial allotment relative to the original trade in an effort to minimize trading costs and odd lots and consider overall portfolio composition.

Preferred Stock Trades

Purchases and sales of preferred stock are generally made based on individual client needs and investment objectives. Preferred stock allocation percentages are determined periodically by the preferred stock portfolio managers.

Equity Trades

We maintain a trade rotation of groups of accounts based on trading characteristics or trading requirements of the group and randomly rotate the order in which the groups of clients trade. UMA's are included in the rotation. Partial fills are allocated on a pro rata basis, subject to rounding.

Trade Errors

All trade errors will be corrected within a reasonable period of time after becoming aware of a trade error in an effort to make the impacted client(s) whole and so as not to harm any client.

With respect to fixed income separate accounts, when we cause a trade error to occur in a client account that results in a loss, we will reimburse the client. If the trade error results in a gain, the client will keep that gain.

With respect to equity separate accounts, when we cause a trade error to occur in a client account that results in a loss, we will reimburse the clients, unless the executing broker's policy is to absorb *de minimis* losses (e.g., under \$100). If the trade error results in a gain, the client will keep that gain, unless the executing broker's policy is to retain or donate to charity *de minimis* gains (e.g., under \$100).

Courtesy Trades

We may, on a very infrequent basis, execute trades within the client's custodial account upon receipt of written or verbal direction from a client as a courtesy. While we discourage the extensive use of such "courtesy trades" we do not actively manage or include these assets within our client's fee calculation.

Item 13 Review of Accounts

A. Account Reviews

Under the direct supervision of the Co-Chief Investment Officers, our portfolio management team oversees each of our clients' accounts on a daily basis. Each account is reviewed in an effort to ensure that the requirements of the client's investment objectives and investment guidelines are being incorporated into the daily management of the client's account. In addition, the private funds are reviewed in an effort to ensure they are managed in accordance with the respective private fund's offering documents.

B. Client Reporting

NIS provides written quarterly reports to clients and private fund investors regarding their accounts. These reports generally contain performance, holdings, portfolio appraisals and sales and purchase reports. More frequent reports may be provided upon request.

Private fund investors receive audited financial statements on an annual basis within 120 days of the private fund's fiscal year end.

Item 14 Client Referrals and Other Compensation

A. Compensation from Third Parties

Notwithstanding any soft dollar arrangements that may exist, we do not receive compensation or other economic benefits from third parties in connection with the services we provide to our clients.

B. Payments for Client Referrals

We may enter into agreements with third parties which provide that we will pay a cash fee to the third parties in return for client (separate account) referrals in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Prior to signing the contract, clients referred by third parties are provided with information describing the nature of these payments. Payments to third parties are generally in the form of a percentage of the investment management fee that we receive. A client referred to us by a third party will not pay a higher investment management fee as a result of the referral, unless specifically stated otherwise in the separate disclosure document. Currently, we have one such arrangement with a third-party solicitor.

We may pay employees cash compensation in exchange for their role in securing new client (separate account) relationships. No additional amount is added to the client’s investment advisory fee as a result of these employee cash referral fees paid.

Item 15 Custody

We are deemed to have custody over assets of the private funds since we serve as their Managing Member. Each private fund has an established custodial account with a non-affiliated, qualified custodian. Each private fund is subject to an annual audit by an independent accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board. Audited financial statements for each private fund are distributed to investors within 120 days of each private fund’s fiscal year end.

We are also deemed to have custody due to our ability to deduct advisory fees directly from client accounts that have provided us the authority to do so.

All client accounts are held at non-affiliated, qualified custodians. You should receive account statements directly from your custodian at least quarterly. You are urged to review your account statements carefully and compare them against any similar reports you may receive from us.

In February 2017, the SEC issued a no-action letter (“Letter”) with respect to the Rule 206(4)-2 (“Custody Rule”) under the Advisers Act. The Letter provided guidance on the Custody Rule, as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction is deemed to have custody. Under the Letter, the SEC indicated that

although an adviser in such instances is deemed to have custody, if the adviser meets the conditions set forth in the Letter, the SEC would not recommend enforcement action against any adviser that does not undertake a surprise custody examination. In this regard, NIS is taking action in an effort to meet the conditions of the Letter.

Item 16 Investment Discretion

We offer investment management services on a discretionary basis. All separate accounts are subject to a written investment advisory agreement which describes investment authority, investment objectives, investment restrictions, fees and other matters. Our investment authority related to the private funds we manage is described within each private fund's operating agreement including our authority to engage and terminate sub-adviser(s) to manage all or a portion of a private fund.

Item 17 Voting Client Securities

When a client grants us proxy voting authority, we strive to vote such proxies in the client's best economic interest. We have adopted and maintain a written Proxy Voting Policy that describes the approach to voting proxy proposals. In summary, we have retained the services of Broadridge Financial Solutions, Inc. ("Broadridge"), who contracts with Glass, Lewis & Co., ("Glass Lewis") an independent third-party proxy voting agent, to research proxy proposals, provide vote recommendations and vote proxies on behalf of NIS. To the extent the client has directed us to utilize another system to record proxy votes on their behalf, we will follow such client's direction using the same proxy voting guidelines used for all clients. We have adopted the Glass Lewis Investment Manager Guidelines. These guidelines outline the rationale for determining how particular issues are voted and we have instructed Broadridge to vote in accordance with them unless the following conditions apply: (1) we determine the Glass Lewis vote recommendation is not in the best interests of clients; or (2) Glass Lewis does not provide a vote recommendation, our portfolio managers will review the proxy proposal and provide instruction on Glass Lewis on how to vote.

We do not address material conflicts of interest that could arise between us and our clients related to proxy voting matters. Since we rely on Broadridge to cast proxy votes independently, as described above, we have determined that any potential conflict of interest between us and our clients is adequately mitigated. However, when we are involved in making the determination as to how a particular proxy proposal will be voted, our portfolio managers will determine if any potential material conflicts of interest exist or may exist that require consideration before casting a vote. Material conflicts of interest are defined as those conflicts that a reasonable investor would view as important in making a decision regarding how to vote a proxy. Our portfolio managers will determine whether the proxy may be voted by us, whether to seek legal advice, or whether to refer the proxy to the client(s) (or another fiduciary of the client(s)) for voting purposes.

If clients subject to ERISA request NIS to vote proxies on their behalf, we will vote proxies consistent with applicable requirements.

In certain situations, a client or its representative may provide us with a statement of proxy voting policy. In these situations, we will seek to comply with your policy to the extent it would not be inconsistent with our fiduciary responsibility.

To obtain information on how we have voted your proxies or to request a copy of our proxy voting policy and procedures, you may submit a written request to National Investment Services, Inc., ATTN: Compliance Department, 777 E. Wisconsin Ave., Suite 2350, Milwaukee, WI 53202.

As a matter of standard procedure, we normally do not take any action on behalf of clients in any legal proceedings, including bankruptcies or class actions, involving securities held in or formerly held in clients' accounts or of the issuers of those securities.

Item 18 Financial Information

We are not experiencing any financial difficulties that would impair our ability to meet our contractual or fiduciary commitments to our clients nor are we presently the subject of a bankruptcy proceeding.

Other Information

Privacy Notice

Our Promise to You

As a client of NIS, you share both personal and financial information with us. Your privacy is important to us, and we are dedicated to safeguarding your personal and financial information.

Information Provided by Clients

In the normal course of doing business, we typically obtain the following non-public personal information about our clients:

- Personal information regarding our clients' identity such as name, address and Tax ID Number;
- Information regarding securities transactions effected by us; and
- Client financial information such as net-worth, assets, income, bank account information and account balances.

How We Manage and Protect Your Personal Information

We do not sell information about current or former clients to third parties, nor is it our practice to disclose such information to third parties unless requested to do so or permitted by a client or client representative or, if necessary, in order to process a transaction, service an account or as permitted by law. We may, however, share information about you with our affiliated companies. Additionally, we may share information with outside companies that perform administrative services for us. However, our arrangements with these service providers require them to treat your information as confidential.

In order to protect your personal information, we maintain physical, electronic and procedural safeguards to protect your personal information. Our Privacy Policy restricts the use of client information and requires that it be held in strict confidence.

Client Notifications

If we change our Privacy Policy with regard to disclosing your confidential information, we are required by law to notify you and provide you a revised notice. Please do not hesitate to contact us with questions about this notice.