



**FIRM BROCHURE**  
(Part 2A of Form ADV)

**U.S. Bancorp Asset Management, Inc.**  
**800 Nicollet Mall**  
**Minneapolis, Minnesota 55402**  
**Email: [USBAM.Compliance@usbank.com](mailto:USBAM.Compliance@usbank.com)**

**[usbancorpassetmanagement.com](http://usbancorpassetmanagement.com)**

**October 1, 2024**

This brochure provides information about the qualifications and business practices of U.S. Bancorp Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us by email at [USBAM.Compliance@usbank.com](mailto:USBAM.Compliance@usbank.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about U.S. Bancorp Asset Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

U.S. Bancorp Asset Management, Inc. is an SEC-registered investment adviser. Registration does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

The following summarizes material changes from the previous brochure dated March 29, 2024.

On October 1, 2024, U.S. Bancorp Asset Management, Inc.'s wholly-owned subsidiary PFM Asset Management LLC consolidated its Client Accounts (as defined below) under U.S. Bancorp Asset Management, Inc. To affect this change, PFM Asset Management LLC was merged into U.S. Bancorp Asset Management, Inc. and de-registered as an investment adviser with the SEC. PFM Asset Management continues to operate as a division and brand of U.S. Bancorp Asset Management, Inc.

Changes made to this brochure from the version dated March 29, 2024 primarily relate to the consolidation of PFM Asset Management LLC and U.S. Bancorp Asset Management, Inc. and are included throughout the brochure.

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## Item 4 - Advisory Business

### Firm Description

Established in March 2001, U.S. Bancorp Asset Management, Inc. (formerly known as FAF Advisors, Inc.; and together with its operating division, PFM Asset Management, hereinafter, “USBAM,” “we,” “our,” or “us”) is a direct wholly-owned subsidiary of U.S. Bank National Association (“U.S. Bank”). In May 2001, First American Asset Management, a division of U.S. Bank, together with Firststar Investment Research & Management Co., LLC, a wholly-owned subsidiary of U.S. Bancorp, consolidated much of their advisory activities into USBAM pursuant to an internal corporate reorganization. USBAM and U.S. Bank, among other entities, are direct or indirect wholly-owned subsidiaries of U.S. Bancorp, a diversified financial holding company.

On December 7, 2021, USBAM acquired PFM Asset Management LLC (“PFMAM”) as a wholly-owned subsidiary, with PFMAM operating as a separate SEC-registered investment adviser. On October 1, 2024, PFMAM consolidated its Client Accounts (as defined below) under USBAM. PFM Asset Management continues to operate as a division and brand of USBAM.

### Types of Advisory Services

We currently provide investment advisory or management services to a variety of institutional client accounts (collectively, “Client Accounts”), including:

- Pooled investment vehicles,
- Separately managed accounts of fixed income and money market securities,
- Outsourced Chief Investment Officer (“OCIO”) services, and
- Structured products, such as guaranteed investment contracts, forward delivery agreements and escrow portfolio structuring and procurement.

#### Pooled Investment Vehicles

We manage the pooled investment vehicles described below.

- First American Funds Trust, a registered open-end investment company comprised of six money market mutual funds (the “Money Market Funds”). Each Money Market Fund has specific investment objectives policies and restrictions. We are responsible for all investment advisory and administrative services.
- First American Multi-Manager Series funds (the “Multi-Manager Funds”), which are series of PFM Multi-Manager Series Trust, a registered open-end investment company. The three Multi-Manager Funds predominantly utilize a manager-of-managers structure, with each Multi-Manager Fund having specific investment objectives, policies, and restrictions. We are responsible for, among other things overall management services, determining investment strategies, selecting and monitoring unaffiliated investment sub-advisers or mutual funds for each Multi-Manager Fund and for allocating and reallocating assets among the adviser, sub-advisers or mutual funds consistent with each Multi-Manager Fund’s investment objective and strategies. We can also purchase securities directly for the Multi-Manager Funds.
- A privately offered investment fund (the “Private Fund”), which is offered to participants in U.S. Bank’s securities lending program as a vehicle for the investment of cash received as collateral for securities loans under the program.
- Local government investment pools (each an “LGIP”) in various states, for which we generally provide investment advisory and administration services. LGIP investment guidelines, permitted investments, and strategies are designed to comply with state-specific investment requirements for local governments.

Where we are the investment adviser to a pooled investment vehicle, investment objectives, guidelines and any investment restrictions are described in the relevant offering documents for the vehicle.

#### Separately Managed Accounts of Fixed Income and Money Market Securities

We manage assets for Client Accounts that invest in investment-grade fixed income or money market securities, such as U.S. Treasury securities, Federal Agency and instrumentality securities (including callable, variable-rate and mortgage-backed), investment-grade corporate and bank obligations, mortgage and asset backed securities, supranationals and foreign government securities, municipal securities (including variable rate demand notes and tender option bonds), commercial paper (including asset-backed commercial paper), bank certificates of deposit (including U.S. dollar-denominated obligations of foreign banks and domestic branches of foreign banks), and repurchase agreements. Investments may be taxable or tax-exempt, depending on client circumstances. We may also invest in money market funds or mutual funds (including exchange-traded funds (“ETFs”)) that have an investment-grade focus.

Investment services and strategies are tailored to individual client needs and are subject to investment policies, guidelines and restrictions determined by the client, although we may provide advice on such matters. Individual client policies and guidelines may, among other things, restrict investments to certain security types, establish minimum credit quality parameters, set maximum maturity or duration for individual securities and the portfolio overall, and/or specify other restrictions, such as maximum exposure limits by sector, industry or issuer. Most Client Accounts are fully discretionary, but some clients may require pre-approval of trades or restrict trading to limit realization of gains or losses.

Mandates range from very short-term liquidity-oriented portfolios to portfolios benchmarked to the Bloomberg US Aggregate Bond Index, which measures the investment grade, U.S. dollar-denominated fixed rate taxable bond market. We manage certain portfolios on a total return basis, typically with a specified performance benchmark, such as a market index consistent with the client’s mandate. We also implement liability-driven strategies that seek to generate cash flows from a portfolio of fixed income securities to match specific liabilities such as bond-funded defeasance accounts, construction accounts, insurance liabilities or pension liabilities. Many of our clients have investment objectives that prioritize safety, liquidity, diversification and/or yield. Some clients prioritize cash flow, earnings, absolute return, return versus the benchmark, or return versus a set target.

#### Outsourced Chief Investment Officer Services

For some of our OCIO clients we serve as a discretionary manager to invest a client’s assets in multiple types of investments. Generally, these accounts include a variety of asset classes, which may include domestic equity, international equity, fixed income and alternative asset classes, including shares of the Multi-Manager Funds.

We provide discretionary multi-asset class investment services for multi-asset class mandates, implemented consulting and a variety of other generic terms. We work with the client to determine a target asset allocation based on client objectives and various asset class risk and return characteristics. We then implement the asset allocation, either by buying shares of mutual funds (including ETFs and shares of the Multi-Manager Funds) and/or pooled funds or other investment vehicles (collectively, OCIO Funds), or by selecting separate investment managers (sub-advisers) who will manage separate accounts of specific asset classes and/or strategies, or by investing directly in fixed income securities. Under this approach, we have discretion to make the initial selection of and allocation to the OCIO Funds, investment sub-advisers or directly managed assets. We also provide ongoing periodic monitoring by evaluating the OCIO Fund’s or the investment sub-adviser’s portfolio management philosophy, policies, processes, controls, personnel and investment performance. Clients who hire us give us authority to change, drop or add funds or investment sub-advisers. The client generally gives the investment sub-advisers both investment and brokerage discretion in managing its portion of the portfolio. We prepare periodic client reports on the investment performance of the various funds, investment sub-advisers and the portfolio as a whole.

### *Non-discretionary Advice and Consulting Services*

We also may provide advice on a non-discretionary basis where we offer clients investment recommendations, subject to their specific approval and further execution instructions. In this case our client makes trades directly or specifically approves our purchase or sale of specific securities, which may include non-negotiable certificates of deposit.

As a consultant we may provide advice to the client in developing or revising its investment or spending policy, evaluating investment options, establishing and implementing a target asset allocation, determining performance benchmarks, conducting cash flow analysis, and selecting money managers, pooled funds or mutual funds to carry out the client's investment strategy. Subject to the client's specific approval, we may also purchase or sell pooled funds or mutual funds, hire or drop managers, or reallocate assets between managers or funds.

We typically begin these services by assessing the client's investment objectives, time horizon and risk tolerance and liquidity needs, if any. As part of our consulting service, we may provide reporting that may include an inventory of holdings, portfolio analytics, credit analysis and investment performance, and whether the client's portfolio complies with its investment policy.

Our consulting services to Other Post-Employment Benefit ("OPEB") plans and pension plans may involve financial reporting, analyzing cash flow implications of different funding strategies, and other matters relating to the OPEB benefits or pension benefits and funding arrangements. Often, we perform these services by working with our client's other professional advisors, such as the client's auditor or actuary.

### Structured Products

We also provide analytical services for structuring and procuring portfolios in connection with the current issuance or advance refunding of municipal bonds and the investment of bond proceeds. For these engagements we arrange for purchases of specific securities that are generally government obligations or structured investments such as forward delivery agreements or guaranteed investment contracts by obtaining bids on a competitive basis or by negotiating on behalf of our client. We also advise clients on termination of existing investment agreements.

### Tailored Relationships

We can, and generally do, tailor our advisory services to the individual asset management needs of our clients. In consultation with the individual client, we will tailor the strategy to the investment objectives of the client both at the establishment of and throughout the advisory relationship. Clients may impose restrictions on investing in certain types of securities, issuers, sectors or industries at any time by notifying us or by adopting such restrictions as a primary investment strategy.

We also offer clients the option to integrate non-pecuniary investment guidelines such as ESG (Environmental, Social and Governance), or DEI (Diversity, Equity and Inclusion) factors into the investment approach employed for their separately managed strategies. Through this approach, our clients define objective investment parameters related to the investment guidelines they wish to adopt that would be applied to select permitted issuers for their separately managed fixed income portfolio and permitted funds, strategies and/or managers for their OCIO strategies. For example, a client may choose to exclude investments in certain companies or industries, or only invest in issuers with a certain ESG score. In addition, our OCIO ESG capability provides clients with the option to implement ESG into a dedicated sleeve of the portfolio or in funds or managers that incorporate ESG themes or considerations.

We utilize third-party ESG data and analytics to evaluate issuer level and equity fund level ESG risks. For OCIO strategies, eligible domestic equity funds are required to meet certain screening criteria on a best-efforts basis. We monitor those funds' ESG risk scores to help ensure they continue to exhibit the appropriate ESG risk characteristics.

## Assets under Management

As of December 31, 2023 we managed \$176,091,949,959 in client assets on a discretionary basis and no assets on a non-discretionary basis.<sup>1</sup>

## Item 5 - Fees and Compensation

### Description

Our advisory fees are generally based on a percentage of the market value of the assets managed by us ("managed assets") and vary based upon several factors including, but not limited to, the type of Client Account, permitted investments, the investment style chosen, service requirements associated with the account and the size of the account. We may voluntarily waive or reimburse certain fees and expenses of a Client Account to the extent necessary to avoid a negative yield, or a yield below a specified level, which may vary from time to time in our sole discretion. We may terminate these waivers and reimbursements at any time. Fees may also differ based on account type (e.g., a pooled investment vehicle or a separately managed account).

#### Pooled Investment Vehicles

We provide investment advisory services to each pooled investment vehicle for which we receive a fee based on the net assets of each fund. Such fees are outlined in each pooled investment vehicle's governing disclosure document.

#### Separately Managed Accounts

Advisory fees for our separately managed account clients are generally based on a percentage of the managed assets as described in the investment advisory agreement. Managed assets are only those assets managed by us, and include assets held in cash sweep vehicles unless otherwise agreed to in writing by clients. Client-directed investments are excluded from the fee calculation, unless otherwise agreed to in writing by clients. Investments in the Money Market Funds are excluded from the fee calculation or our management fee on the portion of the Client's assets in the Money Market Funds is deducted from the account's management fee, as agreed in writing with the client. Fees may be negotiated, based on a number of factors including, but not limited to, the size of the Client Account, complexity of the client's mandate, and the overall relationship with us and other U.S. Bancorp affiliates and therefore some clients fee schedules will differ from those shown below. As part of a negotiated fee, clients may also pay for non-advisory services provided by us, our affiliates or unaffiliated service providers.

For separately managed accounts for fixed income, we use the following advisory fee schedule as a general guideline.

Fixed Income and Money Market Strategies		
	<u>Basis Points</u>	<u>Assets (Millions)</u>
<b>Minimum Annual Account Fee: \$40,000 (may be waived)</b>	5 - 30 on first	\$100
	4.5 - 15 on next	\$100
	3 - 8 on next	\$200
	3 - 7 on next	\$600
	Negotiated over	\$1,000

<sup>1</sup> As of December 31, 2023, the amount of client assets PFM Asset Management LLC managed on a discretionary basis was \$176,338,510,327 and the amount managed on a non-discretionary basis was \$544,843,438. In addition, as of December 31, 2023, PFM Asset Management LLC provided investment consulting services with respect to assets in the amount of \$53,428,084,398.

As a general guideline for OCIO discretionary management, where the client desires a portfolio management strategy utilizing public securities and pooled vehicles, which may include hybrid and alternative investments, we charge the following range of fees for investment advisory services:

OCIO Discretionary		
	<u>Basis Points</u>	<u>Assets (Millions)</u>
<b>Minimum Annual Account Fee: \$40,000 (may be waived or modified)</b>	16 - 65	Under \$100
	13 - 22	\$100- \$250
	5 - 17	\$250-1,000
	Negotiated	Over \$1,000

As a general guideline for OCIO discretionary management, where the client desires a low cost implementation for portfolio management across all asset classes, we charge the following range of fees for investment advisory services:

OCIO Discretionary (Index Funds Only)		
	<u>Basis Points</u>	<u>Assets (Millions)</u>
<b>Minimum Annual Account Fee: \$25,000 (may be waived or modified)</b>	8 - 20	Under \$100
	6 - 14	\$100- \$250
	4 - 10	\$250-1,000
	Negotiated	Over \$1,000

#### Non-discretionary Advice

We generally charge fixed fees for non-discretionary advice services, depending upon the services that the client requests, and the complexity of the services.

We also offer non-discretionary advice on certificate of deposit investment programs for LGIP investors, which are designed to provide clients with a fixed rate to a fixed maturity date. Fees typically range up to 0.25% per annum of the cost of the investment purchased by our clients and are payable upon settlement of the investment.

#### Consulting Services

For investment consulting services we generally charge clients either a fixed fee or a fee that is based on a percentage of assets. The fixed fee is based on the size of the portfolio, complexity, and scope of services which we perform. As a general guideline, we charge asset-based fees in a range from 0.05% to 0.30% annually, based on the characteristics listed above. From time to time, we charge hourly fees for these types of services.

#### Structured Products

For structured product engagements, we usually charge a fixed fee. We and our clients agree upon a fee at the outset of each of these engagements and the fee is a function of the size and complexity of the engagement. The client may pay the fee or may instruct the investment contract counterparty or underwriter in writing to pay our fee on the client's behalf. As a general guideline, the typical fee for investment of municipal bond proceeds in a structured investment, or in a refunding bond escrow structuring and procurement engagement, is less than or equal to 0.20% of the cost of the portfolio or the sum of the total deposits under the agreement.



## Fee Billing

Advisory fees are generally billed directly to each separately managed account client in accordance with the terms of the investment advisory agreement. Fees for services rendered are typically based on the daily average market values (as determined in good faith by USBAM in accordance with our valuation methods and procedures based on trade date) or on daily average assets defined as amortized cost plus accrued interest of the managed assets in the Client Account during the billing period, as stated in the investment advisory agreement. OCIO accounts are billed on net market value of all cash and investments assets as of the end of the most recent month.

Related Client Accounts are aggregated for purposes of applying fee breakpoints if agreed upon in the investment advisory agreement. Fees are billed in arrears on a monthly or quarterly basis or at such other times as may be agreed upon by the parties involved. The method of payment of our fees is subject to negotiation, and clients have the ability to choose the method of payment, depending on the type of service. For some services, we bill the client on a one-time basis only when we complete the service.

Advisory fees for the pooled vehicles are deducted from each pooled vehicle's account and are payable as described in each pooled vehicle's governing disclosure document.

## Other Fees

### Separately Managed Accounts

As described above, we serve as investment adviser to the Money Market Funds for which we receive an advisory fee. For separately managed accounts, we do not charge a separate advisory fee with respect to account assets invested in the Money Market Funds (or rebate our portion of the management fee on the respective Money Market Fund). With respect to any account assets invested in an exchange-traded, closed-end, or other mutual funds unaffiliated with us, and in certain certificate of deposit products, clients will typically be subject to any fees or expenses associated with such investments.

Clients will incur brokerage and other transaction costs as further described under "Brokerage Practices" below.

### Money Market Funds and Multi-Manager Funds

We or our affiliates provide administrative, custodial, transfer agency, accounting, shareholder servicing and other services to the Money Market Funds and Multi-Manager Funds for which we or our affiliates receive additional fees from the Funds (or from us, with respect to our affiliates).

### Private Fund

Our affiliates provide administrative, accounting, membership administration, and other services to the Private Fund for which our affiliates receive fees from us.

## Fees on Terminated Accounts

If an account is opened or closed during a billing period, the advisory fees are pro-rated for that portion of the billing period during which the account was open.

## Other Information About Our Compensation

Because we tailor our services to the individual needs of a client, we may offer clients more than one of the services described above. In addition, we may also provide services not mentioned above, such as assisting our clients with a one-time purchase or sale of securities. The fees we charge are negotiable and vary depending upon the particular

services we perform and the complexity and extent of the work we provide. Fees are negotiable so one client may pay a higher fee than another client with similar investment objectives or goals.

Our affiliate, U.S. Bancorp Investments, Inc. (“USBII”) is an SEC-registered broker-dealer under the Securities Exchange Act of 1934 and typically serves as exclusive distributor of shares of the Multi-Manager Funds and the LGIPs, as more fully described in Item 10 below.

No supervised person of our affiliated broker-dealer is compensated for the sale of securities in connection with the Money Market Funds, Multi-Manager Funds or LGIPs.

Our employees are paid a base salary and may also receive year end incentive compensation. The incentive compensation is dependent upon the profitability of the firm, each group’s contribution to the overall profitability of the firm, and each individual’s contribution to the group’s success. Our compensation plan is intended to recognize and reward excellent performance on the part of individuals; however, no USBAM employee is compensated on a commission-related basis.

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

In rare instances we enter into investment advisory agreements under which the client pays us a fee, all or part of which is performance based. For example, we may enter into agreements where the client pays us all or part of our fee to the extent that the performance of the portfolio we manage exceeds a predetermined benchmark, measured over a designated period of time. We may manage both accounts that are charged a performance-based fee and accounts which are charged other fees, typically a percentage of the value of assets managed. To address any concern that we may have an incentive to favor certain investment opportunities for a performance-based account we follow written procedures designed to allocate trades on an equitable basis considering the investment objectives of the account and without regard to whether an account has a performance-based fee. Accounts with the same objectives and permitted investments should receive a fair allocation over time of similar securities purchased.

## **Item 7 - Types of Clients**

We generally provide investment advisory services to institutional clients, such as corporations, registered investment companies, pooled investment funds, state and local governments and their agencies, pension and OPEB funds, banks, healthcare organizations, colleges & universities, insurance companies, self-insurance pools, non-profit organizations (such as foundations, endowments) and other entities.

### **Account Minimums**

The minimum account size that is required, if any, will depend upon the services to be performed and is negotiated with each client and documented in the investment advisory agreement. Client Accounts are typically subject to a negotiated minimum annual fee documented in the investment advisory agreement.

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

### **Fixed Income (including Money Market) Methods of Analysis**

Our fixed income investment approach is a blend of top-down and bottom-up analysis. Top-down analysis seeks to capitalize on market trends by focusing on factors such as macro-economic conditions in the U.S. and globally, monetary and fiscal policy, inflation, interest rates, current and historical yield spreads between sectors, consumer and business activity, and trade. We believe identifying macro-level trends in these areas is important for adding value, controlling risk, and lowering volatility. We source this information from government economic data releases and bulletins, various news and information sources and databases, and research and publications prepared by others (such as rating agencies, unaffiliated broker-dealers, and third-party research providers), in addition to our

internal models and analysis. We use top-down analysis as a key input to determine preferred sector allocations and duration positioning.

Bottom-up analysis focuses on evaluation of individual issuer and security fundamental characteristics and risks and is used to identify those industries and issuers with characteristics and financial strength that enhances their potential to perform well. We use bottom-up analysis for individual security selection. Security selection is supported by the credit analysis process described below. We also have access to real-time security pricing from Bloomberg, MarketAxess and TradeWeb. We seek to combine fundamentally sound investments into a portfolio that optimizes return potential in consideration of each client's objectives, constraints and risk tolerance and may differ between clients.

Our fixed income investment philosophy is based on the premise that seeking superior returns over time requires active management. Active management means we may adjust the composition of portfolios over time as interest rates, yield spreads, or other market conditions change. We may also prefer or avoid certain securities based on our fundamental view of the issuer or risk characteristics of the security. We may also swap from one security type, issuer or maturity to another as we seek to enhance return, adjust duration, improve liquidity or manage risk. In addition, we may rebalance portfolios to keep them aligned with the strategy, mandate, or benchmark.

For many Client Accounts, our investment process strives to preserve principal, maintain liquidity, manage risk to client parameters, and produce returns commensurate with client goals. For some clients, our process may prioritize absolute return, return versus the benchmark, or return versus a set target and may take greater risks to achieve those objectives.

Our credit research effort is conducted internally by utilizing standard internal and external sources (including affiliates) for basic information and overlaying our fundamental research process to gain a better understanding of each issuer or security. Credit research analysts follow issuers within their assigned sectors. The research analysts monitor approved issuers on an ongoing basis with the objective of detecting credit deterioration at an early stage and communicating with the portfolio managers so that portfolio risk can be mitigated. We use several tools to support our monitoring efforts. For example, we use Bloomberg terminals as a key source for issuers' periodic financial reports, regulatory filings and news flow; industry research; and market-based indicators such as bond yield spreads, credit default swaps and stock prices. The internal credit research team manages various lists of approved issuers, counterparties, and funds.

To support our research efforts, we subscribe to Moody's, Standard & Poor's and Fitch rating agencies. Credit rating agency actions, including upgrades and downgrades, outlook changes and watch-listings, are closely monitored. While our credit research is done internally and independently, we do follow rating agency actions, as such ratings may be investment guideline constraints for clients and can impact security valuations.

We also support our research effort through other service providers that provide research and financial data on banks, insurance companies, and other issuers. In addition, on a selective basis, broker-dealers provide us with economic, industry and company specific research and we may hold in-person meetings with issuers.

## Fixed Income (including Money Market) Investment Strategies

For fixed income pooled vehicles, such as the Money Market Funds, Private Fund and LGIPs, the strategy objectives are principal preservation, liquidity and yield. We seek to achieve principal preservation by investing only in securities that represent minimal credit risk, as determined by the credit research group, broadly diversifying the portfolio, and carefully managing the weighted average maturity and weighted average life characteristics of the funds. We conduct regular stress testing to evaluate the funds' ability to meet a stable net asset value objective. We seek to ensure adequate liquidity by maintaining minimum daily and weekly liquidity buffers, laddering maturities, investing primarily in securities with active secondary markets, by analyzing shareholder concentration and understanding historical flows into and out of each fund.

For separately managed fixed income portfolios, we seek to meet client objectives as specified in their investment

policy or as determined by the nature of the mandate. Portfolio strategies can typically range from as short as 30 days to as long as 30 years. Separately managed portfolios are managed to conform to each client's unique investment objectives, liquidity needs, risk constraints, and tax-efficiency requirements. Depending on a client's investment policy and strategy, the Client Account may invest in a variety of investment-grade fixed income securities described above. Accounts may invest in taxable securities, tax-exempt securities, or a combination of both.

In our investment process, we generally utilize four key fixed income strategies – security selection, sector diversification, duration management, and yield curve positioning. We maintain an unbiased approach to fixed income investing as we believe that certain strategies will benefit portfolios more than others at different points in the economic or credit cycle. As circumstances and market conditions warrant, we will focus on the strategy or strategies which we believe have the best risk-adjusted return opportunities.

- Security selection – Securities are selected to seek to maximize risk-adjusted returns through our research-driven analysis, as described above, and to ensure issuer diversification.
- Sector diversification – Sectors are overweighted or underweighted based on our outlook for the economy, interest rates, credit spreads, and industry trends. Sectors are selected which we believe offer the best relative value based on our sector outlook and analysis of historical yield spreads. Investments such as corporates are purchased or overweighted when spreads are wide and avoided or sold when spreads are narrow. Sector allocation is also used to properly diversify portfolios. For liquidity and to respond to unusual market conditions, a Client Account may hold all or a significant portion of its assets in cash for temporary defensive purposes. This may result in a lower yield and prevent the account from meeting its investment objective.
- Duration management – Duration is managed to client objectives and is driven by our interest rate and Federal Reserve policy outlook. Portfolio managers may be longer or shorter than the duration of the portfolio's benchmark depending on our current outlook and what we perceive to be the balance of risks. Portfolios will be positioned with a shorter bias when we expect rates to rise and a longer bias when we expect rates to fall. For risk management purposes, portfolio duration is typically managed within a range around the client's benchmark, usually no more than +/- 25% of the designated benchmark.
- Yield curve positioning – Strategies for positioning portfolios along the yield curve are driven off our view of the future direction of interest rates, expectations for Federal Reserve monetary policy, relative supply on different points on the curve, and historical shapes of the curve in similar easing or tightening cycles, among other considerations. Based on our outlook for any prospective re-shaping of the curve, we may position portfolios to have more or less exposure in different points on the curve compared to the benchmark, utilizing structures such as a ladder, bullet, or barbell.

Investment strategies are developed by consensus through various internal committees and strategy discussions. The key strategy parameters described above provide guidance for portfolio managers with regard to broad sector, duration and yield curve targets. Portfolio positioning and individual security selection is at the discretion of the portfolio manager assigned to each account.

For portfolios managed versus a longer-term benchmark like the Bloomberg US Aggregate Bond Index, portfolios are invested in a wider range of securities and issuers that we believe will help the portfolio outperform the benchmark. For liability-driven investment portfolios, such as those funded with bond proceeds and used to pay project costs or to meet insurance or pension liabilities, we identify securities whose cash flows are expected to meet a draw schedule or defined liability stream.

## Outsourced Chief Investment Officer – Methods of Analysis and Investment Strategies

The OCIO Investment Committee: 1) oversees OCIO portfolio strategies by establishing asset allocation targets and

approving investment sub-advisers (investment managers) and funds for all discretionary OCIO accounts; 2) provides investment and portfolio risk oversight for investment decisions; and 3) determines capital market assumptions that are utilized to develop our OCIO portfolio strategies. Capital market assumptions are generally determined annually for intermediate- and long-term time periods and include expected returns and volatility measures for a wide range of asset classes. Intermediate-term (five years) assumptions are derived from our assessment of current economic conditions, including interest rates, yield spreads, corporate profits, balance sheets, and current valuations for various asset classes. Long-term assumptions (thirty years) are derived using an economic building block approach that projects economic and corporate profit growth; and that takes into consideration the fundamental factors driving long-term real economic growth, and our expectation for inflation, productivity and labor force growth. We may use a variety of analyses as well as internal (including affiliates) and external data sources and market research.

We use a consistent approach to OCIO accounts that involves:

- Portfolio planning – We use a survey to facilitate a discussion with clients on all the asset classes to help decide which should be permitted in the final overall allocation. The survey also provides information about goals, objectives, cash flow projections, risk tolerance, ability to withstand losses, as well as the view of the economy and the markets. The survey is revisited periodically throughout the life of the engagement as client circumstances change.
- Determining asset allocation structure – We believe that the asset allocation decision is the most important factor in determining the expected investment return of a portfolio. The use of the portfolio planning survey and capital market assumptions allow us to determine an asset allocation plan for the client. We use a modeling program from FactSet Research Systems Inc., along with a proprietary modeling program which allow us to conduct a detailed asset/allocation study. Each model uses the latest historical data on asset class investment returns, volatility, and correlation with other asset classes. Our goal is to determine an “optimal” portfolio. We do this by running a series of tests on each model to determine the probability of achieving the desired investment objective under different market scenarios. Existing funding requirements may override the more subjective “tolerance for loss.” This process helps inform our clients of the range of outcome possibilities associated with each asset allocation plan, and to identify a plan that best meets the expectations set forth in the portfolio planning survey.
- Investment manager selection – Our research team screens and evaluates managers and funds across a wide range of asset classes, sectors and styles. Managers and funds are selected based on objective criteria that includes evaluation of investment process, personnel and performance history. Once selected, the research team monitors the investment products included in our client portfolios. The research team corresponds with investment managers on a regular basis and meets with them routinely to maintain an understanding of each manager’s investment process and strategy. As part of ongoing manager due diligence, research analysts run a series of risk/return statistics, peer universe analysis, portfolio attribution and style analysis on all investment strategies employed in our clients’ portfolios to help ensure they continue to be an appropriate component of the overall portfolio.
- Rebalancing – We evaluate a client’s portfolio regularly to determine the need for rebalancing based on factors including current positioning, allocation targets, perceived assessment of relative value, and changes in capital market assumptions. For OCIO portfolios where we have discretion, we may establish target levels for each asset class in the planning stages along with a minimum /maximum range and may update these as our capital markets assumptions and market conditions change. These parameters are recommended for inclusion in the client’s investment policy statement.
- Ongoing Monitoring – We monitor a client’s asset allocation, as well as the portfolio’s money managers and funds on an ongoing basis through detailed analysis and our manager ranking system. For our discretionary accounts, we may place a manager or fund on the watch list as a result of lagging performance, poor risk metrics, style drift, and/or qualitative issues, among other things. Removal from the watch list is typically based on several quarters of improved performance against peers and an

appropriate benchmark or remediation of other issues. If problems endure, probation is a subsequent step in the process of reviewing managers. Ultimately, if the problem persists, our OCIO Investment Committee may terminate the manager.

The strategies are implemented in OCIO accounts through mutual funds or ETFs and/or separately managed accounts, and some OCIO accounts, for clients who qualify, invest in private investment vehicles managed by advisers that are not affiliated with us. In the Multi-Manager Funds, the strategies are implemented either by allocating assets to investment managers or by investing in mutual funds or ETFs managed by advisers that are not affiliated with us. Shares of the Multi-Manager Funds may make up a portion or all of the assets of a client's OCIO account.

For OCIO consulting engagements where we do not have discretion, the methods and analysis generally are similar to those for discretionary accounts as described above. However, determining asset allocation, setting an appropriate asset mix and manager selection are the responsibilities of the client, and not us. We generally make recommendations and report the results at periodic client meetings and follow client direction with regard to selecting managers and re-balancing accounts. As directed by the client, portfolios may include managers that are not approved for our discretionary accounts.

## ESG Investing – Methods of Analysis and Investment Strategies

We have developed an investment approach to help our clients integrate ESG factors into their investment process and strategy if they specifically choose to do so. Our fixed income ESG service provides our clients with the tools and methodology to develop and implement a customized ESG approach based on their defined ESG criteria. We employ third parties, such as Sustainalytics, who provide ESG data and ratings of companies that issue securities that we may recommend. We may also use third-party sub-advisers to manage funds with specific ESG or impact investing goals, such as geographically-targeted mortgage-backed securities or municipals.

For clients who choose to do so, we offer the potential for further customization through a range of screening tools, which can allow our clients to exclude specific issuers, industries, and funds based on certain defined criteria. Once objective ESG criteria are defined, we work with the client to evaluate investment strategies based on ESG investment parameters. Investment parameters are applied using an ESG risk rating system and other evaluation tools. The risk rating system is designed to objectively quantify an issuer's or fund's ESG risk from both an industry/sub-industry and issuer/fund-specific standpoint. Much like traditional credit ratings, the risk rating system provides a basis to evaluate issuers on a consistent basis and facilitates comparisons across industries and issuers.

Our OCIO ESG investment capability enables clients who wish to include ESG principles into their strategy to select approved funds that meet certain ESG risk rating thresholds as determined by third-party providers. In addition, our OCIO ESG capability provides clients with the option to implement ESG into a dedicated sleeve of the portfolio or into a customized ESG product that addresses a specific theme.

The following provides some additional detail related to our ESG capability:

- ESG integration strategies include systematic and explicit consideration of ESG factors in the investment decision-making process.
- Values-based strategies, including screening for or avoiding certain companies or industries as specified by the client.
- Best in class strategies include making investments in companies based on positive ESG performance relative to industry peers.
- Theme-based strategies, including making investments based on specific environmental themes or assets related to sustainability.
- Hybrid strategy, including a combination of two or more of the above approaches.

We work through this process with our clients to help them develop and implement ESG investment approaches that are customized to their sustainable investment objectives. This dynamic approach also provides our clients with the

flexibility to modify their ESG investment parameters as their sustainable investment objectives evolve.

## Risks Associated with Investment Strategies

There is no guarantee that the strategies on which we focus at any particular point in time will either positively affect performance or contribute more to performance than another strategy may have contributed.

Fixed income portfolios are subject to a variety of risks. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the fundamental economic and financial factors considered in evaluating the securities.

Our analytical methods rely on the assumption that the issuers whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

It is important to understand that investing in securities involves risk of loss that a client should be prepared to bear. In addition to the risk of loss of principal, there are a number of risks that may apply to a particular investment strategy. There is no assurance that client objectives will be met. Past performance is not a guarantee of future returns. Risks include, but are not limited to:

- Banking industry risk — An adverse development in the banking industry (domestic or foreign) may affect the value of investments in the securities of bank issuers. Banks may be particularly susceptible to certain economic factors such as interest rate changes, adverse developments in the real estate market, fiscal and monetary policy and general economic cycles. For example, deteriorating economic and business conditions can disproportionately impact companies in the banking industry due to increased defaults on payments by borrowers. Moreover, political and regulatory changes can affect the operations and financial results of companies in the banking industry, potentially imposing additional costs and expenses or restricting the types of business activities of these companies.
- Credit risk — The value of an investment might decline if the issuer of an obligation held in your account defaults on the obligation or has its credit rating downgraded.
- Cybersecurity risk — With the increased use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, we may be subject to operational and informational security risks resulting from breaches in cybersecurity at our firm, our affiliates or our service providers (“cyber-attacks”). A cyber-attack refers to both intentional and unintentional events that may cause us to lose proprietary information, suffer data corruption, or lose operational capacity. Cyber-attacks include, but are not limited to, infection by computer viruses or other malicious software code and gaining unauthorized access to systems, networks or devices that are used to service our operations through “hacking” or other means or the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. While we have risk management systems designed to prevent or reduce the impact of such cyber-attacks, there are inherent limitations in such controls, systems and protocols, including the possibility that certain risks have not been identified, as well as the rapid development of new threats. These cybersecurity risks are also present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers and may cause such securities to lose value and may result in financial loss for clients.
- Environmental, social and governance (ESG) investing risk — Client Accounts utilizing a strategy to consider ESG criteria, as directed by a client, could underperform compared to strategies that do not utilize ESG criteria. By using ESG criteria to exclude certain investments for non-financial reasons, a client’s ESG strategy may exclude certain issuers, sectors or industries from a client’s

account, potentially negatively affecting the account's investment performance if the excluded issuers, sectors or industries outperform. There is a risk that the issuers selected for a client's ESG strategy may not perform as expected in addressing ESG considerations or such performance may change over time, which could cause the Client Account to temporarily hold securities that are not in alignment with the account's ESG strategy. Further, there is a risk that information used to evaluate ESG criteria may not be readily available, complete or accurate, which could negatively impact an account's ability to apply its ESG standards. In managing a client's ESG strategy, we rely on analysis and ratings provided by third parties in determining whether an issuer meets an account's ESG standards. USBAM does not independently verify the information provided by third parties nor guarantee its accuracy. A client's perception may differ from ours or a third party's on how to judge an issuer's adherence to ESG principles.

- Foreign security risk — Securities of foreign issuers, even when dollar denominated and publicly traded in the United States, may involve risks not associated with the securities of domestic issuers. Political or social instability or diplomatic developments could adversely affect the securities. There is also the risk of possible withholding taxes, seizure of foreign deposits, currency controls, interest limitations, or other governmental restrictions which might affect the payment of principal or interest on securities owned by the account. In addition, there may be less public information available about foreign corporations and foreign banks and their branches. Uncertainty surrounding the sovereign debt of several European Union countries, as well as the continued existence of the European Union itself, has disrupted and may continue to disrupt markets in the United States and around the world. If a country changes its currency or leaves the European Union or if the European Union dissolves, the world's securities markets may be significantly disrupted.
- Income risk — The level of income received from an investment will be affected by movements in short-term interest rates.
- Interest rate risk — The value of investments might decline because of a sharp rise in interest rates that causes the value of securities in your account to fall. Negative or very low interest rates could magnify the risks associated with changes in interest rates. In general, changing interest rates, including rates that fall below zero, could have unpredictable effects on markets and may expose fixed income and related markets to heightened volatility. During periods when interest rates are low or there are negative interest rates, account yields (and total return) may also be low or the account may be unable to maintain positive returns.
- Liquidity risk — An account may not be able to sell a security in a timely manner or at a price consistent with its value, or may be unable to sell the security at all, because of a lack of demand in the market for the security, a liquidity provider defaults on its obligation to purchase the security when properly tendered by the account, or general market disruption or illiquidity.
- Market risk — Financial markets around the world may experience extreme volatility, depressed valuations, decreased liquidity and heightened uncertainty and turmoil measures to address budget deficits, downgrading of sovereign debt, and public sentiment, among other events. Market volatility, dramatic changes to interest rates and otherwise unfavorable economic conditions resulting from major cybersecurity events, geopolitical events (including wars, such as Russia's invasion of Ukraine, tensions in the Middle East, terror attacks and disruptions to foreign economic and trade relationships), public health emergencies, among other events, may negatively impact an account's performance or impair an account's ability to achieve its investment objective.
- Municipal security risk — The value of municipal securities owned by an account may be adversely affected by future changes in federal income tax laws, including rate reductions or the imposition of a flat tax, and adverse changes in the financial conditions of municipal securities issuers.



- Regulatory risk — Changes to monetary policy by the Federal Reserve or other regulatory actions could expose fixed income and related markets to heightened volatility, interest rate sensitivity and reduced liquidity, which may impact the universe of potential investment options and return potential.
- Repurchase agreement risk — If the seller of a repurchase agreement defaults on its obligation to repurchase securities from an account, the account may incur costs in disposing of the collateral and may experience losses if there is any delay in its ability to do so.
- Tax risk — In order to be tax-exempt, municipal securities generally must meet certain regulatory requirements. If a municipal security fails to meet these requirements, the interest received on the investment in the security may be taxable.
- Use of Co- and Sub-Advisers for Certain Strategy Implementations — When third-party managers are engaged to carry out a fixed income strategy or OCIO strategy, they are chosen based upon their skill in specific investment styles or sectors and there is risk involved. We employ a due diligence process to review the capabilities of any proposed third-party manager and monitor third parties on an ongoing basis. Specifically, we examine their experience, background, expertise, investment philosophies, applicable operational capabilities, and past performance to assess how the manager has invested over a period of time and in different economic conditions. We monitor managers, with such monitoring typically including evaluating the underlying holdings, strategies, concentrations, terms and performing reference checks as part of our initial and/or periodic risk assessment. A risk of investing with a third-party manager who has been successful in the past is that the third-party manager will not be able to replicate that success in the future. In addition, because we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager will deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment. Where multiple third-party managers are employed to manage a single account there is risk that the managers will have offsetting strategies or overlapping investment holdings. We do not control a third-party manager's daily business, regulatory compliance or operations, and seek to mitigate the investment, business, regulatory and reputational risks by undertaking due diligence and ongoing monitoring of the managers including monitoring of their adherence to the investment policy and guidelines they are employed to implement. From time to time a client may direct us to hire a specific third-party manager to manage a portion of the portfolio. In cases where a client directs assets to a manager that is not approved, the level of ongoing diligence we perform may be limited and clients acknowledge this in writing.
- Variable rate demand note (VRDN) and tender option bond (TOB) risk — Investments in VRDNs and TOBs involve credit risk with respect to the issuer or financial institution providing the credit and liquidity support for the put or tender option. An issuer or financial institution could default on its obligations.

In addition to the risks described above, the following risks apply to OCIO services:

- OCIO Risk, Generally — Investing in OCIO strategies involves a risk of loss that an investor should be prepared to bear. The investment strategies we employ do not involve significant or unusual risk beyond that of the general markets for international and domestic equities, fixed income, publicly traded real estate, and other investments we recommend. In order to manage the risks inherent in these markets we seek to diversify portfolios by blending equity, fixed income, alternatives, and cash-based securities, in a manner that is designed to meet the client's risk tolerance, with the objective of reducing the risk of long-term losses. Investing in cash, fixed income, and equity funds through separate account managers, mutual funds, ETFs or private investment vehicles involves risk. Each asset class has its own idiosyncratic risk and return characteristics. In modeling portfolios for our clients, we assess the individual characteristics of

asset classes from a historic and forward-looking point of view, to optimize the best blend given the client's investment objectives and tolerance for risk. There is risk that our macro view of the economy and assumptions about asset class characteristics is wrong and we position a portfolio's asset allocation in a manner that is not optimal.

- Consulting Engagements (OCIO) — In cases where a client directs assets to a manager that is not approved, the level of ongoing diligence we perform may be limited and clients acknowledge this in writing. Risk for these accounts is similar to risk for discretionary OCIO accounts.
- ETF Risk (OCIO) — ETFs are subject to various risks, including the ability of the ETF managers to meet the investment objective, and to manage appropriately the ETF's portfolio when the underlying securities are redeemed or sold, particularly during periods of market turmoil and as investors' perceptions regarding ETFs or their underlying investments change. There is also no guarantee that an ETF will achieve a high degree of correlation to its targeted index and therefore achieve its investment objective.

## Item 9 - Disciplinary Information

Our firm and our management personnel have no reportable disciplinary events to disclose.

## Item 10 - Other Financial Industry Activities and Affiliations

We and other entities under the common control of U.S. Bancorp, including U.S. Bank, U.S. Bank Global Fund Services ("USBGFS") and USBII, are related persons. The Money Market Funds, the Multi-Manager Funds the LGIPs and the Private Fund (collectively, "Pooled Funds") are also related persons. USBAM and the Pooled Funds have certain relationships with related persons, as described below, which may conflict with clients' interests. At a minimum, conflicts are addressed by disclosing the conflicts to affected clients or prospective clients.

### U.S. Bancorp Asset Management

In addition to our principal business of providing investment advisory services, we provide account administration services to certain clients, including the Pooled Funds, and from time to time produce analyses or reports for clients concerning securities or issuers of securities. We may promote the Pooled Funds to our separately managed account clients. If our client invests in the Pooled Funds, we disclose this relationship to the client, through the Form ADV Part 2A and the applicable disclosure document for the Pooled Fund. In addition, where Pooled Funds are employed as part of our investment strategy, our investment advisory agreement with the client provides that if we invest client assets in a Pooled Fund, either we will not take these assets into account for purposes of calculating our fees under the client's investment advisory agreement, or we will credit the investment advisory fee we earn on the client's Pooled Fund investment against investment advisory fees due us related to the client's separately managed account that holds assets in the Pooled Fund.

For the Money Market Funds, in addition to the sales charge payments and the distribution, service and transfer agency fees that may be paid to U.S. Bank and its affiliates, we make additional payments out of our own assets to U.S. Bank and other affiliates for the purposes of promoting the sale of the Money Market Funds' shares, maintaining share balances and/or for sub-accounting, administrative or shareholder processing services. Other compensation or revenue may be provided to U.S. Bank and other affiliates to the extent not prohibited by law. The amounts of these payments could be significant and may create an incentive for U.S. Bank or another affiliate to recommend or offer shares of the Money Market Funds to its customers. Similar payments may also be made by us to financial intermediaries not affiliated with U.S. Bank and other affiliates. These payments may create a conflict of interest by influencing the financial intermediary to recommend the Money Market Funds over other investments.

We serve as investment adviser to the Multi-Manager Funds. We may enter arrangements with a third party to compensate for services provided. Such compensation payable to the third party is paid out of the fee we receive from the Pooled Fund. Our affiliates USBGFS and USBII provide services to the Multi-Manager Funds and receive a fee.

USBAM's Chief Compliance Officer is also the Chief Compliance Officer of the Multi-Manager Funds and the Money Market fund. This presents a potential conflict of interest between the funds and USBAM, which is mitigated by each fund entity having an annual audit performed by independent auditors and a board comprised of a majority of independent trustees with the authority to hire or fire such fund's Chief Compliance Officer.

We administer the securities lending program of U.S. Bank, who acts as agent lender on behalf of certain custodial clients of U.S. Bank, including mutual funds and other clients who may also receive services from USBGFS. Cash collateral received from borrowers in connection with securities lending transactions may be invested in certain series of Money Market Funds, the Private Fund or other cash management vehicles advised by USBAM. When providing securities lending services, we have a potential financial incentive to increase securities lending revenue and maximize the amount of collateral we manage by lending out as many of an account's securities as possible. To address this conflict of interest, the securities lending program and the risks associated with it are governed by contract and clients receive regular reporting on the status of the lending activities occurring on their accounts. In addition, we have a separate and distinct staff dedicated solely to securities lending.

USBAM provides credit research and analysis to U.S. Bank's Asset Management Group. USBAM's parent, U.S. Bank, provides compliance, human resources, legal, risk, technology, and other corporate, finance or administrative support services to USBAM.

We also serve as investment adviser and in some cases administrator to the following LGIPs:

- California Asset Management Trust (CAMP),
- Colorado Statewide Investment Pool (CSIP),
- Florida Public Assets for Liquidity Management (FL PALM),
- Illinois Trust (IL Trust),
- Massachusetts Development Finance Agency Short-Term Asset Reserve Fund (Mass STAR),
- Michigan Liquid Asset Fund Plus (MILAF+),
- Minnesota Association of Governments Investing for Counties (MAGIC),
- Minnesota School District Liquid Asset Fund Plus (MSDLAF+),
- Missouri Securities Investment Program (MOSIP),
- Nebraska Liquid Asset Fund (NLAF),
- New Hampshire Public Deposit Investment Pool (NH PDIP),
- New Jersey Asset & Rebate Management Program (NJ/ARM),
- North Carolina Investment Pool (NCIP),
- Pennsylvania Local Government Investment Trust (PLGIT),
- Pennsylvania OPEB Trust,
- TexasTERM Local Government Investment Pool d/b/a Texas Range Investment Program (Texas Range)
- Virginia State Non-Arbitrage Program (SNAP), and
- Wyoming Government Investment Fund (WGIF).

We may receive referral business from our related persons and may pay referral fees to them, as described further under "Client Referrals and Other Compensation" below.

We have no arrangements with other investment advisers for direct or indirect compensation for recommending those advisers to our clients. As a matter of policy and practice, we do not accept any fees, commissions or other forms of compensation from any underlying investment managers or others affiliated with our clients' accounts. We may invest client assets in the publicly traded securities of other USBAM clients or prospective clients. In such circumstances, we do not and will not receive any compensation from the issuers specifically for investing client assets in such issuers' securities. We may also invest the assets of the clients in securities issued by companies that

are customers of our affiliates. For example, an issuer may be an investment advisory or commercial banking customer of one of our affiliates, or one of our affiliates may be involved in the underwriting or distribution of debt securities purchased by us on behalf of our clients. In such circumstances, the potential for a conflict of interest exists between our obligation to seek the most suitable investments for our clients and the perception that we have an incentive to assist in the success of our affiliate. In certain cases, we may also manage an issuer's proceeds from an underwriting in which an affiliate has been involved, and may receive an advisory fee for doing so, including where we have used our discretionary authority to purchase a portion of that issue for other clients.

USBAM has arrangements with certain of its affiliates under which USBAM provides or receives supplemental account administration, operations, client service, sales and marketing, product development and management, risk management, information technology, legal and compliance services, human resources and other corporate, finance or administrative services to or for such affiliates or its clients, or USBAM or its clients receive such services from such affiliates. Certain personnel perform services for both USBAM and one or more of its affiliates. The scope of certain such services and arrangements varies depending on the particular strategy, distribution channel, program, and client size and type.

## U.S. Bank

U.S. Bank serves as custodian and/or depository for a significant number of our separately managed accounts. U.S. Bank is custodian for a majority of the Pooled Funds. Additionally, USBAM administers the securities lending program for U.S. Bank, who acts as agent lender on behalf of certain custody clients. U.S. Bank may also participate as a member of underwriting syndicates in securities offerings, for which it may receive a fee.

We provide various investment advisory services to U.S. Bank for compensation, including managing accounts of certain U.S. Bank clients as a sub-adviser under authority delegated by U.S. Bank, for which we earn a negotiated fee.

## U.S. Bank Global Fund Services

We may invest client assets in mutual funds (in addition to the Money Market Funds and Multi-Manager Funds) or other pooled investment vehicles to whom USBGFS provides services and receives a fee. USBAM has delegated certain of its administrative duties to certain LGIPs to USBGFS for which USBAM pays USBGFS a fee.

## U.S. Bancorp Investments

USBII is an SEC-registered broker-dealer and SEC-registered investment adviser. USBII is a dealer for the Money Market Funds and receives 12b-1 fees from the Money Market Funds and/or other payments from us. USBII is also a licensed insurance agency. USBII serves as distributor to the LGIPs and the Multi-Manager Funds. Certain USBAM employees are registered representatives of USBII.

USBII may participate as a member of underwriting syndicates in securities offerings, for which it may receive underwriting discounts or commissions. In certain circumstances and in compliance with applicable laws, regulations and regulatory guidance, including Rule 10f-3 under the Investment Company Act of 1940, as amended (the "Investment Company Act"), we may recommend or purchase such securities for a Client Account from a member of an underwriting syndicate of which USBII is also a member. For separately managed accounts only, we may recommend or purchase such securities in which USBII participates in the underwriting syndicate if client investment guidelines, restrictions, or other directives do not specifically prohibit the account from purchasing during such securities offering and purchases are made from unaffiliated broker-dealers, unless client consent is obtained to allow for purchases from USBII.

## U.S. Bancorp

If USBAM has investment discretion, it will not purchase or recommend securities issued by U.S. Bancorp for Client Accounts. Publicly traded securities issued by U.S. Bancorp are held by certain ETFs purchased and recommended by

USBAM for Client Accounts.

## Other Relationships

Certain USBAM employees are registered representatives of Quasar Distributors, LLC, the distributor for the Money Market Funds. Quasar Distributors, Inc. is not affiliated with U.S. Bancorp Asset Management, Inc. or its affiliates.

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

### Code of Ethics and Personal Trading

Under Rule 204A-1 of the Advisers Act, USBAM has established a Code of Ethics that sets forth the standards of business conduct expected of all persons to whom the Code of Ethics applies. The Code of Ethics addresses compliance with applicable federal securities laws, personal securities trading, required reporting provisions, how violations are reported to our Chief Compliance Officer, and any potential sanctions for violations of the Code of Ethics. As an investment adviser, client trust is our most valuable asset. Our success largely depends on the degree of trust our clients bestow upon us. To that end, we have adopted our Code of Ethics to help guide our conduct.

Our directors, officers, employees and certain associated persons may purchase or sell securities in accordance with our Code of Ethics. Our Code of Ethics and its related procedures are reasonably designed to set forth the standards of business conduct expected of certain persons who obtain certain information regarding purchases or sales of securities by the Client Accounts ("Access Persons").

We believe that the ability for our employees to execute personal trading is a privilege and, as such, employees must put the interests of our clients ahead of their own. To control this activity, Access Persons must pre-clear and obtain approval from the USBAM Compliance Department prior to executing most personal securities transactions. Transactions in certain exempt securities do not require reporting or pre-clearance.

In addition to requiring approval for personal trading, Access Persons are required to make initial and annual holdings reports and quarterly transaction reports. Our Compliance Department is responsible for reviewing these reports as well as the administration and reporting of violations of the Code of Ethics. Also, Access Persons must quarterly certify as to their understanding of, and compliance with, the Code of Ethics. Our Chief Compliance Officer (or qualified delegate) reports violations and any related sanctions or other enforcement of the Code of Ethics to the USBAM Internal Compliance Control Committee, the Money Market Funds' board of trustees and the Multi-Manager Fund's board of trustees.

We will provide any client or prospective client a complete copy of our Code of Ethics upon request. Please contact your Relationship Manager or email [usbam.code.of.ethics@usbank.com](mailto:usbam.code.of.ethics@usbank.com).

We have no obligation to buy, sell or recommend for purchase or sale any security that we or our employees may purchase or sell for themselves or for any other advisory clients. We have no obligation to seek to obtain any material nonpublic information about any issuer of securities, nor to effect transactions for our advisory clients based on any material nonpublic information as may come into our possession.

From time to time the third-party brokers, third-party money managers or other vendors may provide gifts or entertainment to our employees, including trading personnel. This presents a potential conflict of interest because it may create an incentive for employees to favor a particular broker, money manager or vendor. We mitigate this conflict of interest by prohibiting employees from allowing themselves to be solicited, accept gifts, entertainment or other gratuities intended to or appearing to influence decisions or favors toward USBAM's business to or from any client, potential client, USBAM vendor or potential vendor. USBAM sets a dollar limit on gift value and requires reporting for all gifts other than those of a de minimis value.

## Participation or Interest in Client Transactions

"Cross transactions" are generally defined as transactions where an adviser effects transactions between and among Client Accounts. We do not engage in cross transactions.

As discussed above under "Other Financial Industry Activities and Affiliations," we also receive fees for securities lending services provided to certain clients.

A client's assets may be invested in investment companies for which we provide investment advisory services. However, in such circumstances, we do not charge a separate advisory fee with respect to the portion of the assets in a client's account that are invested in such fund(s) unless otherwise agreed to by clients.

We and/or an affiliate may make a seed money investment into a series of the Multi-Manager Fund or the Money Market Fund before its registration statement under the Securities Act of 1933, as amended, and the Investment Company Act becomes effective. Upon the effectiveness of the registration statement, we and/or an affiliate may acquire shares of such fund and own substantially all, or a significant portion, of the Multi-Manager Fund's or the Money Market Fund's outstanding shares for an indeterminable period thereafter.

## Item 12 - Brokerage Practices

For fixed income securities, portfolio transactions are made directly with the issuer of the securities or with broker-dealers acting for their own account or as agents. An account does not usually pay brokerage commissions on purchases and sales of fixed income securities, although the price of the securities generally includes compensation, in the form of a spread or mark-up or mark-down, which is not disclosed separately.

### Selection of Broker-Dealers

In general, we determine the broker-dealers with or through which securities transactions are executed. An exception to this practice would be if a client notifies us that it may not place trades through certain broker-dealers.

Transactions are only executed through broker-dealers that have been approved by the applicable committee. We confirm that no member of the investment team involved with a trade has a family or other relationship with anyone employed at the broker-dealer that may create a conflict of interest.

We verify that the proposed broker-dealer is an active, qualified member of the Financial Industry Regulatory Authority ("FINRA") or other applicable regulatory organization prior to recommending applicable committee approval. The applicable committee reviews and reapproves the list of approved broker-dealers at least annually.

In addition to the procedures noted above, the factors that we consider in selecting or recommending a particular broker or dealer may include: the execution, clearance and settlement capabilities of the firm; our knowledge of negotiated commission rates currently available and other current transaction costs; the nature of the portfolio transaction; the size of the transaction; the timing of the trade; the activity existing and expected in the market for the particular transaction; confidentiality; the availability of research and research related services provided through such firms (as discussed below); our knowledge of the financial stability of the firm; and our knowledge of actual or apparent operational problems of the firm. Given these factors, our clients may pay transaction costs in excess of those which another firm might have charged for effecting the same transaction.

### Best Execution

We primarily consider efficiency in executing orders and obtaining the most favorable net prices for the client under the circumstances of each particular transaction. The determination to place a trade with a particular broker dealer is based on a number of considerations, including but not limited to, competitiveness of price; access to desirable

securities; willingness and ability to execute difficult or large transactions; value, nature, and quality of any brokerage and research products and services provided; financial condition (including willingness to commit capital) of the broker-dealer; ability to minimize market impact; maintenance of the confidentiality of orders; responsiveness of the broker-dealer to us; and ability to settle trades. For transactions where competitiveness of price is the determining factor, all other factors being equal, portfolio management will seek to obtain more than one offer or bid on purchases and sales of securities to the extent they are available. We may, however, select a dealer to effect a particular transaction without communicating with every available dealer who might be able to effect such transaction because of the volatility of the market and our desire to accept a particular price for a security because the price offered by the dealer meets expectations for profit, yield, or additional considerations. While it is our policy to seek the most advantageous price on each transaction, there is no assurance we will be successful in doing so on every transaction.

## Brokerage and Research Products and Services

When consistent with the best execution objectives described above, business may be placed with broker-dealers who furnish brokerage and research products and services to us. Such brokerage and research products and services would include advice, both directly and in writing, as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or purchasers or sellers of securities, as well as analyses and reports concerning issues, industries, securities, economic factors and trends and portfolio strategy.

The research products and services would allow us to supplement our own investment research activities and enable us to obtain the views and information of individuals and research staffs of many different securities firms prior to making investment decisions for the Client Accounts. To the extent portfolio transactions are effected with broker-dealers who furnish research services, we would receive a benefit, which is not capable of evaluation in dollar amounts, without providing any direct monetary benefit to the Client Accounts from these transactions.

As a general matter, the brokerage and research products and services that we receive from broker-dealers are used to service all our accounts. However, any particular brokerage and research product or service may not be used to service each and every Client Account and may not benefit the particular accounts that generated the transactions that may have resulted in the receipt of the product or service.

We have not entered into any formal or informal agreements with any broker-dealers, and do not maintain any "formula" that must be followed in connection with the placement of Client Account portfolio transactions in exchange for brokerage and research products and services provided to us. We may, from time to time, maintain an informal list of broker-dealers that will be used as a general guide in the placement of Client Account business to encourage certain broker-dealers to provide us with brokerage and research products and services, which we anticipate will be useful to us. Any list, if maintained, would be merely a general guide, which would be used only after the primary criteria for the selection of broker-dealers (discussed above) has been met, and, accordingly, substantial deviations from the list could occur.

While it is not expected that any Client Account will pay brokerage commissions, if it does, we would authorize the Client Account to pay an amount of commission for effecting a securities transaction in excess of the amount of commission another broker-dealer would have charged only if we determined in good faith that such amount of commission was reasonable in relation to the value of the brokerage and research services provided by such broker-dealer, viewed in terms of either that particular transaction or our overall responsibilities with respect to the Client Account.

## Trade Aggregation and Allocation

In certain circumstances we aggregate orders in the same fixed income securities for multiple clients within the applicable division, provided that no client is favored over any other participating client to obtain best execution at the best price available. In some cases, this system could have a detrimental effect on the price or volume of the security as far as each client is concerned. In other cases, however, the ability of the clients to participate in volume

transactions will produce better executions for each client.

It is our policy to allocate investment opportunities among all Client Accounts within the applicable division in a fair and equitable manner that does not systematically favor one Client Account over any other, by providing buy and sell opportunities to all Client Accounts.

## Affiliated Brokerage

As it relates solely to the Pooled Funds, no such fund effects brokerage transactions in its portfolio securities with any broker-dealer affiliated directly or indirectly with us, unless such transactions, including the frequency thereof, the receipt of commissions payable in connection therewith, and the selection of the affiliated broker-dealer effecting such transactions are not unfair or unreasonable to the shareholders of the fund, as determined by the funds' board of trustees. Any transactions with an affiliated broker-dealer must be on terms that are both at least as favorable to the fund as such fund can obtain elsewhere and at least as favorable as such affiliated broker-dealer normally gives to others. For all other Client Accounts, we do not currently anticipate effecting brokerage transactions with any broker-dealer affiliated with us, except for potential transactions with USBII, as described above under "Other Financial Industry Activities and Affiliations—U.S. Bancorp Investments."

## Directed Brokerage

We are prohibited from entering into any agreements or understandings under which brokerage with respect to portfolio securities transactions for Pooled Funds, or other compensation, is directed to a broker-dealer as consideration for the promotion or distribution of the funds' shares, also referred to as "directed brokerage arrangements." Portfolio management and management involved in the process of selecting broker-dealers for portfolio securities transactions for the funds are prohibited from considering the level of the funds' sales or promotional efforts of any broker-dealer in connection with such selection process.

## Client Directed Brokerage

We generally exercise brokerage discretion as follows: typically, our clients allow us to choose the broker or dealer to execute the trades. In these situations, we deal with brokers and dealers whom we determine to be major market makers for the types of securities purchased or sold. As a matter of policy, we do not recommend, request or require a client to direct us to execute transactions through a specified broker-dealer. If a client provides us with an approved list of brokers and dealers, we place all orders for the purchase or sale of securities for the client's account with those brokers or dealers and this may limit our ability to achieve the most favorable price or execution. Under these circumstances, the client and the broker or dealer determine the commission rates.

## Additional Information

We may invest the assets of the Client Accounts in the publicly traded securities of other USBAM clients or prospective clients. In such circumstances, we do not and will not receive any compensation from the issuers specifically for investing Client Account assets in such issuers' securities. We may also invest the assets of the Client Accounts in securities issued by companies that are customers of our affiliates. For example, an issuer may be a commercial banking customer of one of our affiliates, or one of our affiliates may be involved in the underwriting or distribution of debt securities purchased by us on behalf of the Client Accounts. In such circumstances, the potential for a conflict of interest exists between our obligation to seek the most suitable investments for our clients and the perception that we have an incentive to assist in the success of our affiliate. In certain cases, we may also manage an issuer's proceeds from an underwriting in which an affiliate has been involved, and may receive an advisory fee for doing so, including where we have used our discretionary authority to purchase a portion of that issue for other Client Accounts.



## **Item 13 - Review of Accounts**

### **Periodic Reviews**

Each of our investment professionals is responsible for reviewing their accounts. Our investment professionals generally review the accounts they manage on a continuous basis to assess the appropriateness of each portfolio's holdings relative to the portfolio's investment objective, investment guidelines, and the general economic environment.

All clients are eligible to receive an annual review of their Client Account. In addition, the Pooled Funds are subject to a formal review on at least a quarterly basis by members of our senior management. For fixed income accounts our Fixed Income Investment Committee generally meets monthly, or more frequently as necessary, to review the overall strategic direction and relative value and market risks. Tactical opportunities are presented routinely through reports and analysis prepared by sector specialists and may be discussed at a meeting. These reports highlight interest rate trends and the relative value of different sectors and maturity structures in the market. This investment committee consists of portfolio managers, senior research staff and the chief investment officers. OCIO accounts are overseen by the OCIO Investment Committee, comprised of members of the investment team and meets monthly to review the overall strategic direction of markets. This account review process may utilize data regarding absolute investment performance, performance attribution, performance versus applicable benchmarks and peer groups, and an assessment of the appropriateness of the composition of each account in connection with its investment objective and the general economic environment.

### **Regular Reports**

We furnish written reports to our separately managed account clients at such frequencies as may be agreed upon between us and the client. The reports typically include total return, cost and market value of all assets. Periodic meetings with clients may also be arranged to review the portfolio and set investment strategy, and to keep us apprised of clients' changing needs and objectives.

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

Certain affiliates and employees of ours receive cash compensation from us and/or an affiliate in connection with establishing new client relationships with us, the Money Market Funds, or the Private Fund. Total compensation of certain employees with marketing and/or sales responsibilities is based in part on their generation of new client relationships.

We maintain relationships with affiliated and unaffiliated third parties pursuant to which we pay a percentage of the advisory fee to our affiliates U.S. Bank and such unaffiliated third parties if they are responsible for new client relationships. The percentage paid to the third-party will vary and the amount is disclosed to the client at the time of the referral if required by applicable law. Such arrangements are intended to satisfy all applicable state and federal regulations, including under the Advisers Act.

## **Item 15 – Custody**

We do not maintain custody of client assets directly, except that certain clients have selected U.S. Bank to serve as custodian. The custody function is performed by other providers such as brokers, banks, or other qualified custodians with whom our clients contract. However, there are certain cases in which we have authority to initiate a withdrawal from a client account to pay our management fees; we are deemed to have custody for regulatory purposes solely as a consequence of this. For example, certain of our clients have authorized us to charge our fee against the account we manage after they have received our invoice. The client also has instructed the custodian to disburse funds from the managed account to pay our advisory fees. At all times, the custodial bank maintains actual custody of those

assets. Clients should receive regular statements from their custodians which list their assets, including information such as cost and market value, and transaction activity for the period. We urge clients to review these statements carefully and to contact their custodians if they have any concerns.

As noted under “Review of Accounts” above, we typically provide our clients with regular account reports. The information provided in these account reports may differ from the information contained in the custodian’s statements. A common difference involves the market value of certain securities. Since custodians may use a different pricing vendor to price securities than we do, the prices for certain securities may vary. In addition, the accounting system used by a client’s custodian may differ from our accounting system and may employ a different reporting method. Our reports are based upon trade date accounting with accruals, whereas some custodians report activity on a settlement date basis with or without accruals. While both reporting methods are accurate and acceptable, clients should be aware of the potential differences that could appear. We urge clients to compare our reports with those received from their custodian and to contact us with any questions they may have.

## **Item 16 - Investment Discretion**

We manage certain accounts on a discretionary basis, as described above under “Advisory Business.” With respect to a discretionary account, clients have authorized us to manage the account without the need for the client to pre-approve the transactions. This client authorization is typically provided in a written agreement with the client. In making the decision as to which securities are to be bought or sold, and in what quantity, we manage the client’s account in accordance with guidelines established by the client. These guidelines include the desired investment style and, typically, performance benchmarks, and the degree of risk that the client wishes to assume. In the unlikely event there are no specific written guidelines, we would rely on communications with the client or their authorized representative.

## **Item 17 - Voting Client Securities**

Because many of our clients will be invested primarily in fixed income securities, the receipt of proxy requests on behalf of such clients are infrequent. In these situations, while we expect such client accounts will rarely hold voting securities, clients may confer upon us complete discretion to vote proxies. We occasionally receive consent requests related to fixed income securities. We also offer certain of our clients discretionary investment advice on securities which are mutual funds (including ETFs). These mutual funds send us proxies, which we vote on behalf of these discretionary clients if they have given us the authorization to vote them. Generally a member of the applicable investment or trading team will be responsible for making proxy-voting or consent decisions. We seek to vote proxy proposals, consents or resolutions in a manner that serves the best interests of our clients because it is our fiduciary duty to do so. When reviewing whether a proposed action would be in our client’s best interests, we take into account the following factors:

- The impact on the valuation of securities,
- The anticipated costs and benefits associated with the proposal,
- An increase or decrease in costs, particularly management fees, of investment in the securities,
- The effect on liquidity, and
- Customary industry and business practices.

In reviewing proxy issues of the type described below, we will apply the following general principles:

- With respect to an election of directors, we will typically vote in favor of the management-proposed slate of directors unless there is a proxy contest for seats on the board of a portfolio fund or other important reasons for withholding votes for directors. We may abstain if there is insufficient information about the nominees disclosed in the proxy statement.
- Similarly, we will also generally support management’s recommendation for the appointment of auditors unless there are reasons for us to question the independence or performance of the nominees.

- We will vote in accordance with management’s recommendations on issues that are technical and administrative in nature, such as changes to increase the number of directors or to adopt term limits. However, we review and vote on a case-by-case basis any non-routine proposals which are likely to affect the structure and operation of the portfolio company. Examples of these types of proposals include any limitations on shareholder rights, or those which have a material economic effect on the company.
- We will generally vote in favor of proposals that give shareholders a greater vote in the affairs of the company and oppose any measure that seeks to limit those rights.
- We also generally support proposals promoting transparency and accountability within a company to ensure that the directors fulfill their obligations to shareholders.
- We review proposals that result in an increase of compensation to investment advisers and other service providers of portfolio mutual funds on a case-by-case basis, with particular emphasis on the relative performance of the fund.
- We also review proposals relating to executive compensation plans to ensure that the long-term interests of management and shareholders are properly aligned.
- We generally oppose proposals to give shareholders the right to vote on executive compensation.

These policies are not exhaustive due to the variety of proxy voting issues that we may be required to consider. If we contract with another investment adviser to act as a sub-adviser, we may delegate proxy voting responsibility to the sub-adviser. Where we have delegated proxy voting responsibility, the sub-adviser will be responsible for developing and adhering to its own proxy voting policies, subject to our oversight. The Investment Practices Committee (“IPC”) is charged with oversight of the proxy voting policies and procedures. The IPC is responsible for (1) approving the proxy voting policies and procedures, and (2) oversight of the proxy voting activities of the USBAM Operations Department.

## Conflicts of Interest

As an affiliate of U.S. Bancorp, a large, multi-service financial institution, we recognize that there are circumstances where we have a perceived or real conflict of interest in voting the proxies of issuers or proxy proponents (e.g., a special interest group) who are clients or potential clients of some part of the U.S. Bancorp enterprise. Directors and officers of such companies may have personal or familial relationships with the U.S. Bancorp enterprise and/or its employees that could give rise to potential conflicts of interest. We will vote proxies in the best interest of our clients regardless of such real or perceived conflicts of interest. In the event a conflict of interest arises for shares held by a client, it is escalated for review and resolution by the Chief Investment and Chief Compliance Officers. To minimize this risk, the IPC will discuss conflict avoidance at least annually to ensure that appropriate parties understand the actual and perceived conflicts of interest we face in voting proxies on behalf of our clients.

If any member of IPC becomes aware of a material conflict regarding a proxy vote, the matter will be brought to the attention of the IPC and the IPC will determine a course of action designed to address the conflict. Such actions could include, but are not limited to: (1) obtaining instructions from the affected clients on how to vote the proxy; (2) disclosing the conflict to the affected clients and seeking their consent to permit us to vote the proxy; (3) abstaining from voting; (4) voting in proportion to the other shareholders to the extent this can be determined; or (5) recusing an employee from all discussion or consideration of the matter, if the material conflict is due to such person’s actual or potential conflict of interest.

In addition to the above, our employees must notify USBAM’s Chief Compliance Officer of any direct, indirect or perceived improper influence exerted by any employee, officer or director within the U.S. Bancorp enterprise or any pooled investment vehicle about how we should vote proxies. The Chief Compliance Officer will investigate any such allegations and report the findings to USBAM’s Chief Executive Officer and its Chief Counsel. If it is determined that improper influence was attempted, appropriate action will be taken, which may include disciplinary action,

notification of the appropriate senior managers within the U.S. Bancorp enterprise, or notification of the appropriate regulatory authorities. In all cases, USBAM will not consider any improper influence in determining how to vote proxies and will vote in the best interests of clients.

Clients may contact their Relationship Manager for more information on our policies and the proxy voting record for their account.

## **Item 18 - Financial Information**

We are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.