

# Disclosure Brochure

March 11, 2024

## HORACE MANN INVESTORS, INC.

One Horace Mann Plaza  
Springfield, IL 62715  
[www.horacemann.com](http://www.horacemann.com)  
(866) 488-0345

IARD#: 11643

SEC#: 801-80964

### **NOTICE: PLEASE READ THIS DISCLOSURE BROCHURE IN ITS ENTIRETY**

This brochure provides information about the qualifications and business practices of Horace Mann Investors, Inc. If you have any questions regarding the contents of this brochure or would like to request a copy, please contact Horace Mann Investors, Inc., at (866) 488-0345 or via e-mail at [HMWMS@horacemann.com](mailto:HMWMS@horacemann.com).

At any time, a person may view the current brochure on-line at the United States Securities and Exchange Commission's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Select "Investment Adviser Search" in the left navigation menu. Select "Firm" and enter 11643 (CRD number for Horace Mann Investors, Inc.) in the field labeled "Firm Name or CRD# or SEC#". This will provide access to Form ADV Part 1 and Part 2A.

Registration of an investment adviser does not imply any level of skill or training. The oral and written communications distributed by Horace Mann Investors, Inc. provide you with information to assist you in determining whether to hire Horace Mann Investors, Inc. as your investment adviser.

The information in this brochure has not been approved or verified by the Securities and Exchange Commission or by any state securities authority.



## Item 2- Summary of Material Changes

The Securities and Exchange Commission (“SEC”) defines “material information” as, “any information pertaining to a particular business that might be relevant to an investor’s decision to purchase, sell or hold a security.” As a fiduciary, Horace Mann Investors, Inc. (“HMI”) will notify you of any change to information that meets the definition of being material in this section of our ADV Part 2A, also known as the “Disclosure Brochure.”

This brochure dated March 11, 2024 is amended and prepared pursuant to the SEC’s requirements and rules effective July 28, 2010. This brochure contains changes in content from our previous disclosure document dated March 21, 2023 and provides the following new, updated information in plain simple English.

At any time, HMI may update this Disclosure Brochure. In lieu of providing clients with an updated Disclosure Brochure each year, we may provide our existing advisory clients with this summary describing any material changes occurring since the last annual update. We will deliver the Disclosure Brochure or summary each year to existing clients within 120 days of the close of our fiscal year. Clients wishing to receive a complete copy of our current Disclosure Brochure may request a copy at no charge by contacting HMI at (866) 488-0345 or via e-mail at [HMWMS@horacemann.com](mailto:HMWMS@horacemann.com).

**SUMMARY: The following information has been updated or added.**

### Item 4 – Advisory Business

- The amount of assets in which HMI Clients have invested in the managed account program mentioned in this section has decreased from \$70,320,406 to 62,122,049.

### Item 5 – Fees and Compensation

- Added the fees charges at stated breakpoints for the BNY Wealth Start Model Portfolio and the BNY Asset Allocation Portfolio.

## Item 3 – Table of Contents

<b>Disclosure Brochure</b>	<b>1</b>
<b>Item 2- Summary of Material Changes</b>	<b>2</b>
<b>Item 3 – Table of Contents</b>	<b>3</b>
<b>Item 4 – Advisory Business</b>	<b>5</b>
Company History	5
Investment Management Services	5
Model Portfolio Programs	6
Independent Registered Investment Adviser Marketing Services	7
Assets Under Management	7
<b>Item 5 – Fees and Compensation</b>	<b>7</b>
Investment Management Services	7
Account Services Fees	10
Independent Registered Investment Adviser Marketing Services	10
<b>Item 6 – Performance-Based Fees and Side-By-Side Management</b>	<b>11</b>
<b>Item 7 – Types of Clients</b>	<b>11</b>
<b>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss</b>	<b>11</b>
Investment Management Accounts	11
Independent Registered Investment Adviser Marketing Services	12
<b>RISK OF LOSS &amp; GENERAL INVESTMENT RISK</b>	12
Risks associated with investing in investment management accounts recommended by HMII and its IARs	13
Tax Planning Disclosure	14
<b>Item 9 – Disciplinary Information</b>	<b>15</b>
<b>Item 10 - Other Financial Industry Activities and Affiliations</b>	<b>15</b>
Investment Management Services	16
<b>Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b>	<b>16</b>
<b>Item 12 - Brokerage Practices</b>	<b>17</b>
Investment Management Account Client Directed Brokerage & Best Execution Practices	17
Brokerage For Client Referrals	18
Trade Aggregation	18
Trade Errors	18
<b>Item 13 – Review of Accounts</b>	<b>19</b>
Investment Management Services - Account Reviews	19
REGULAR REPORTS	19

<b>Item 14 - Client Referrals and Other Compensation</b>	<b>19</b>
Annuity Production Incentive	20
<b>Donors Choose</b>	21
<b>Marketing Campaigns</b>	21
Research and Other Soft Dollar Benefits	21
<b>Item 15 - Custody</b>	<b>21</b>
<b>Item 16 - Investment Discretion</b>	<b>22</b>
<b>Item 17 - Voting Client Securities</b>	<b>22</b>
<b>Item 18 - Financial Information</b>	<b>23</b>
<b>Item 19 – Business Continuity and Transition Plans Disclosure</b>	<b>23</b>
<b>Item 20 – HMII Privacy Disclosure</b>	<b>24</b>

## Item 4 – Advisory Business

### Company History

HMII is a corporation organized in the State of Maryland. HMII serves the teachers, administrators, school business officials and support personnel who make up the educational community. HMII was approved for registration as a broker dealer by the SEC on September 9, 1957 and was registered with the National Association of Securities Dealers (“NASD”) on April 8, 1983. HMII registered with the SEC as an investment adviser on February 23, 2015. HMII is dedicated to helping provide lifelong financial well-being for educators and their families through personalized service and a full range of tailored financial products. With the addition of investment advisory services, HMII offers a full spectrum of amenities to help educators make the most of their future.

HMII is a wholly-owned subsidiary of Horace Mann Educators Corporation (NYSE: HMN), (“HMEC”), a publicly held company. The terms “Client,” “you,” and “your” are used throughout this document to refer to person(s) or organizations who contract with us for the services described within this Disclosure Brochure. “HMII,” “we,” “our,” and “us” refer to Horace Mann Investors, Inc.

Our philosophy can be summarized by a series of beliefs every HMII registered representative (“RR”), investment advisor representative (“IAR”) and associate shares:

- We believe educators are taking care of our children’s future, and we need to take care of their future.
- We believe peace of mind should be available to every educator.
- We believe in respect; we treat others as we would like to be treated.
- We believe we can help advise and educate the educator.
- We believe in helping educators through a lifetime of changing needs.
- We believe we are uniquely qualified to do all of this because we were *Founded by Educators for Educators®*.

HMII offers investment management and financial planning services to their Clients. HMII also offers marketing services to independent, non-affiliated registered investment advisers.

### Investment Management Services

HMII IARs offer investment management services to Clients that include access to the model portfolios of third-party investment advisory firms (“TPIA”), with whom HMII has contracted in a Co-Advisor or Sub-advisory relationship. These third party investment firms include:

- BNY Mellon (“BNY” formerly Lockwood Advisory) a wholly-owned subsidiary of The Bank of New York Mellon Corporation (NYSE:BK) and an affiliate of Pershing LLC;
- Envestnet Asset Management, a subsidiary of Envestnet, Inc. (NYSE:ENV)

Through a personal discussion with the Client, the HMII IAR will obtain personal information that will be entered into a computer program. This program will analyze the information provided by the client in an effort to determine the most appropriate product to assist in meeting the client’s individual investment needs (the “Client Profile”). If the program selects an investment management brokerage account (“Account, Accounts”), the Client will work with the HMII IAR to select the best model portfolio to meet that client’s individual goals, risk tolerance and investment guidelines.

The Client, with assistance from the IAR, will review and select a series of model portfolios offered by our TPIAs that covers an appropriate spectrum of asset allocations. Using the Client Profile, the Client’s IAR will make a recommendation regarding an appropriate model portfolio in line with the

Client's risk tolerance and goals. Ultimately, it is the responsibility of the Client to choose the most appropriate strategy to meet their objectives, needs, and risk tolerance.

In the Investment Management Agreement between HMII and a Client, the Client will grant authorization to HMII to delegate discretionary authority on the Client's behalf to the TPIA. The TPIA will have discretionary authority to select securities, allocate assets, and determine the timing and amounts of securities transactions. This does not provide HMII or the TPIA the ability to withdraw monies or securities unless otherwise agreed to by the Client. All Client Accounts will be maintained with a Custodian, who is not affiliated with HMII.

The TPIA will provide financial advisory and related support services to HMII on the Client's behalf, including model portfolio management and monitoring, client fee billing, and access to additional software to assist with the client's and IAR's monitoring of the account. HMII, as fiduciary, maintains sole responsibility for determining the appropriateness of any model portfolio allocation selected by the Client.

There generally is a minimum of \$10,000 for certain model strategies managed by BNY. These minimums are determined by BNY. HMII may negotiate with the TPIA a lower minimum initial investment for all Clients. Clients should understand that for such accounts, only certain model portfolios may be available, and a higher asset-based management fee may be imposed. Clients most appropriate for the investment management services are those willing to pay more (via higher fund management fee and operating expenses) for ongoing account monitoring services and the potential to outperform the market or benchmark indices over the long term, but should also be aware the potential to underperform is just as great.

### **Model Portfolio Programs**

Model Portfolio Programs are fee-based diversified investment portfolios with models constructed by the BNY. These diversified investment portfolios can include dozens of carefully examined investment options and multiple investment vehicles, including mutual funds, exchange-traded funds ("ETFs"), or a combination of mutual funds and ETFs. A variety of Model Portfolio Programs are available to be selected by HMII Clients and IARs:

- **BNY AdvisorFlex Portfolios** a flexible mutual fund and ETF wrap account product available in the BNY Program with a \$50,000 minimum investment. BNY is both the sponsor of the Program and the Portfolio Manager.
- **BNY/American Funds Core Portfolios** a discretionary mutual fund and ETF wrap account product with a \$10,000 minimum investment. Serving as the Portfolio Manager, BNY allocates investor assets systematically across multiple asset classes and styles using American Funds mutual funds and other select ETFs in a single account. BNY determines the asset allocation strategy and selects investment vehicles for each investment style in the portfolio, based upon proprietary modeling strategies, economic outlook and investment research discipline. BNY is solely responsible for the fund selection and construction of BNY/American Funds Core Portfolios.
- **BNY Third Party Model Portfolios** BNY performs due diligence on various Third Party Model Providers and contracts with those Third Party Model Providers to provide the Models for the Third Party Model Providers product. BNY continues to monitor contracted Third Party Model Providers and the Models on an ongoing basis.
- **BNY Wealth Start Portfolios** a multi-manager, multi-asset class ETF/mutual fund portfolios managed by BNY. Twelve portfolios, six tax-aware and six traditional, span the risk spectrum targeting emerging to mass-affluent investors. The portfolios are designed

for investors seeking BNY's investment vehicle research and portfolio management using predominantly ETF portfolios. As of the date of this report, portfolios consist solely of ETFs. However, these portfolios may consist of open and closed-discretion.

- **BNY Asset Allocation Portfolios** a multi-manager ETF/mutual fund wrap accounts managed by BNY. Five traditional, risk-based portfolios span the risk spectrum targeting mass-affluent to high-net-worth investors. The portfolios provide investors with investments researched by BNY and asset allocations based on BNY's capital market views
- **Investnet Fund Strategist Programs** offers portfolios that may consist solely of mutual funds, ETFs or may combine both types of funds to pursue different investment strategies and asset class exposures. These portfolios are closed to new investors.

For more specific information on these portfolios offered through our TPIAs, please refer to the TPIA's respective ADV Part 2A brochure.

### **Independent Registered Investment Adviser Marketing Services**

HMII has entered into agreements with the following independent registered investment advisers whereby HMII solicits prospective Clients to enroll in the investment advisory services of those independent registered investment advisers:

- AssetMark, Inc.,
- ARIS Retirement Services, a division of AssetMark, Inc.,
- ProNvest, Inc.

HMII provides general information about the services of the independent registered investment adviser to certain, current and prospective retirement plan Clients including a contact form, which allows prospective Clients to engage the independent registered investment adviser directly for managed account services.

Marketing services for the ProNvest, Inc. program is conducted solely by HMII. HMII IARs perform the marketing activities with respect to the marketing of AssetMark's and ARIS Retirement Services' investment advisory services.

### **Assets Under Management**

In its business as a registered investment adviser, HMII does not directly manage the assets of any Client and as such reports \$0 regulatory assets under management. HMII provides continuous and regular supervisory or management services to its Clients; however, the assets are directly managed by our TPIAs through our Co-advisory or Sub-advisory agreements.

As of December 31, 2023, HMII Clients had \$62,122,049 managed in the model portfolio programs mentioned in this section. For the total amount of assets under management for each of the TPIAs, please refer to their respective disclosure brochure.

## **Item 5 – Fees and Compensation**

### **Investment Management Services**

HMII, through its IARs, will provide initial consulting, investment management services, and portfolio monitoring for its Client Accounts as outlined by the individual investment management agreement with the Client. The TPIA will provide ongoing investment advisory and support services for HMII Clients' Accounts. The asset-based investment advisory fee ("Advisory Fee") structure is

based upon an annual percentage of assets under management (“AUM”). The Advisory Fee structure assessed on AUM is as follows:

#### BNY ADVISORFLEX PORTFOLIOS

<b>Aggregate AUM</b>	<b>Maximum Annualized Fee</b>
First \$500,000	1.60%
\$500,001 - \$1,000,001	1.40%
Over \$1,000,001	1.20%

#### BNY/AMERICAN FUNDS CORE PORTFOLIOS

<b>Aggregate AUM</b>	<b>Maximum Annualized Fee</b>
First \$250,000	1.30%
\$250,001 - \$500,000	1.20%
\$500,001 - \$1,000,000	1.00%
\$1,000,001 - \$5,000,000	0.95%
Over \$5,000,000	0.90%

#### BNY MANAGED360 THIRD-PARTY STRATEGISTS PROGRAM

<b>Aggregate AUM</b>	<b>Maximum Annualized Fee</b>
First \$250,000	1.60%
\$250,001 - \$500,000	1.40%
\$500,001 - \$1,000,000	1.20%
\$1,000,001 - \$5,000,000	1.15%
Over \$5,000,000	1.10%

#### BNY WEALTH START PORTFOLIOS

<b>Aggregate AUM</b>	<b>Maximum Annualized Fee</b>
First \$250,000	1.30%
\$250,001 - \$500,000	1.20%
\$500,001 - \$1,000,000	1.00%
\$1,000,001 - \$5,000,000	0.95%
Over \$5,000,000	0.90%

#### BNY ASSET ALLOCATION PORTFOLIOS

<b>Aggregate AUM</b>	<b>Maximum Annualized Fee</b>
First \$250,000	1.60%
\$250,001 - \$500,000	1.40%
\$500,001 - \$1,000,000	1.30%
\$1,000,001 - \$5,000,000	1.20%
Over \$5,000,000	1.00%



Unless otherwise indicated, Advisory Fees are calculated on a linear pricing schedule. As a Client's assets grow or deposits are made in the Client Account, certain asset levels are achieved, and fees are decreased.

For the Envestnet strategies, once an asset level is achieved, all of the assets back to dollar one are charged at the next percentage rate. For example, an account invested in the Envestnet Strategist Portfolios valued at \$450,000 would be charged under the standard asset level Advisory Fee of 1.45% annually. If a deposit of \$200,000 is received in the Account, all assets would be charged at the asset level Advisory Fee rate of 1.35%. Envestnet is closed to new investors.

The BNY Portfolios and Programs fees are assessed on a marginal basis. Once an aggregated AUM level is crossed, only the assets exceeding the prior level are billed at the lower rate. Using the previous example, an account invested in the BNY AdvisorFlex Portfolios valued at \$450,000 would be charged under the standard asset level Advisory Fee of 1.60% annually. If a deposit of \$200,000 is received in the Account, the first \$500,000 in assets would be charged at the standard asset level of 1.60%. The remaining \$150,000 in assets would be charged at the next standard asset level Advisory Fee rate of 1.40%.

The specific manner in which fees are charged and how much is charged by HMII is established in a Client's written Investment Management Agreement. The Advisory Fee is billed quarterly in advance. When an Account is opened, the Advisory Fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly Advisory Fee is based on the Account value as of the last business day of the previous calendar quarter and becomes due the business day following the last business day of the previous calendar quarter.

The following applies only to accounts utilizing Envestnet portfolio strategies: If cash, securities, or a combination thereof amounting to at least \$100,000 are deposited to or withdrawn from the Account on an individual business day in the first two months of the quarter, the Client authorizes the Custodian to (i) assess Advisory Fees to the deposited assets based on the value of the assets on the date of deposit for the pro rata number of days remaining in the quarter, or (ii) refund prepaid Advisory Fees based on the value of the assets on the date of withdrawal for the pro rata number of days remaining in the quarter.

The following applies only to accounts utilizing BNY Portfolios and Programs: BNY may charge a termination fee ranging from \$95.00 to \$175.00 for a termination occurring in the first year after and account is opened. After the first year, BNY may rebate a prorated (unused) portion of quarterly Advisory Fees if an account is terminated prior to the end of the previously-billed quarter.

No additional Advisory Fees or adjustment to previously assessed Advisory Fees will be made in connection with deposits or withdrawals that occur during the last month of the quarter unless requested by the Client.

*For Example: If an account had a balance of \$50,000 on March 31, the last business day of the first quarter:*

$$\$50,000 \times 1.6\% \text{ (annual Advisory Fee)} \times 91 \text{ (total number of days in April, May, and June)} / 365$$
  
$$\text{(total number days in the year)} = \$199.45 \text{ Quarterly Advance Fee}$$

HMII may grant an exception to accept accounts with a lower annual fee, which may be based on the level of service provided by the IAR, family-related accounts that would benefit from advisory management, or other facts and circumstances proven to be in the best interest of the client.

The Client will authorize the Custodian to debit Advisory Fees directly from the Client's Accounts held by the qualified Custodian. Further, the qualified Custodian agrees to deliver an account statement at least quarterly directly to the Client indicating all the amounts deducted from the Account, including all Advisory Fees and custodial fees. Clients are encouraged to review their account statements for accuracy. HMII will receive a duplicate copy of the Custodian's statement that is delivered to Clients.

All Advisory Fees are inclusive of all execution charges except certain dealer-markups and odd lot differentials, taxes, exchange fees and any other charges imposed by law with regard to any transactions in the Client's Accounts. Mutual funds and exchange traded funds all charge internal management fees and other expenses, which are disclosed in the prospectus or equivalent disclosure document and are directly deducted from the value of the investment vehicles. The risks associated with using exchange traded products are stated in Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss -- later in this brochure.

The following applies only to accounts utilizing Envestnet or BNY portfolio strategies: To the extent that the Custodian may receive 12b-1 fees or other sales charges and commissions from mutual funds or exchange traded funds, Clients will receive a credit to their Account in an amount equal to such fees received from the funds held in a Client's Account.

HMII retains up to a maximum of 120 basis points (1.20%) of the Client's asset-based management fee as compensation for providing administrative, monitoring, and support services. The HMII IAR will receive a portion of the annualized asset-based management fee as compensation by a predetermined payout schedule. Account bundling may result in a reduction of the annualized advisory fee. However, the bundling of accounts does not reduce the TPIA's administrative fee; each account is priced separately for purposes of the TPIA's administrative fee.

### **Account Services Fees**

The Client's asset-based investment management fee does not include other Account services fees including asset transfer fees, certified or cashier's check requests, funds transfer requests, and overnight and Saturday mailing options. These account services fees are charged directly by the Custodian and debited from the Client's Account at the time of the request. Neither HMII nor its IARs receive a portion of these Account services fees.

### **Independent Registered Investment Adviser Marketing Services**

HMII has entered into agreements with other independent registered investment advisers whereby HMII markets the investment advisory services of those independent registered investment advisers. If HMII's activities result in the initiation of a new client relationship with the independent registered investment adviser, HMII may receive a portion of the asset-based fee charged to the client as a result of its marketing of the independent registered investment adviser's investment advisory services. The asset-based fee received for HMII's marketing activities is disclosed at the initiation of a new client relationship ensuring that all federal and/or state specific requirements governing these activities are met and comply with the Investment Advisers Act of 1940.

HMII IARs do not receive a percentage of any compensation for HMII's marketing of investment management services provided by ProNvest, Inc.

HMII IARs receive a percentage of any compensation from HMII's marketing of investment management services provided by AssetMark or ARIS Retirement Services.

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

HMII will not charge performance-based fees based on a share of capital gains or capital appreciation of the Client assets. As such, there are no conflicts of interest to disclose at this time.

## **Item 7 – Types of Clients**

HMII offers investment management services for all individuals, high net worth individuals, families, trusts, and small businesses. Our typical Clients are teachers, administrators, school business officials and support personnel who make up the educational community as well as their spouses. It is our expectation that our Clients are experienced and comfortable with saving and investing for their retirement and their family's future. They may also be trustees acting on behalf of the trust for an organization they represent, or business owners looking for an advisory group to assist them in making prudent investment decisions.

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

### **Investment Management Accounts**

HMII will rely on the portfolio management services provided by the TPIA regarding the due diligence and selection of the underlying investments utilized in its recommended model portfolios. When considering a TPIA and the investment strategies offered, HMII will review the TPIA's ownership, regulatory profile, assets, people, investment process, returns, risk characteristics and behavior, historical ability to produce skill-based alpha, and cost-effectiveness.

TPIAs engaged by HMII are either sub-advisers or co-advisers to HMII Clients. All TPIAs to which HMII refers Clients will be registered as investment advisers by their state regulator or the SEC. The model portfolios offered have account minimum requirements, negotiated by the HMII and the TPIA. HMII will provide Clients with a complete description of each of the TPIA's model portfolios to assist in the selection process. Ultimately, the Client decides the most appropriate portfolio to meet his /her individual objectives.

The IAR will use the information provided by the Client Profile to assist the client in selecting the model portfolio.

Then, based on the information provided by the IAR, the selected TPIA will invest and/or reinvest the assets of the Account in the best interest of the Client to attempt to achieve the designated investment goals and risk tolerance; and, annually, or periodically as needed, rebalance the portfolio to keep the Client's Accounts on target.

Once the portfolio has been selected, and the Account established, the IAR will perform ongoing monitoring of the portfolio, including updating the Client Profile, and review the investment strategy during consultation with the Client.

Clients may impose investment restrictions on their Accounts by providing HMII with written or otherwise documented instructions at any time. Any such instruction will be shared with the TPIA.

However, the TPIA has trading discretion over the Client's Accounts and may trade at will if deemed appropriate to meet the Client's goals or risk tolerance. Always keep in mind, that every Client has the right to direct the Client's own Account(s) to achieve the Client's desired goals.

For more information on how our TPIAs determine the investment strategy for the portfolio, or their methods of investment analysis, please refer to their respective ADV Part 2A brochures.

### **Independent Registered Investment Adviser Marketing Services**

Third-party independent registered investment advisers for which HMII solicits are registered investment advisers by their state regulator or the SEC. HMII will provide Clients with a complete description of each of the registered investment advisers' model portfolios to assist in the selection process.

Ultimately, the Client decides the most appropriate portfolio to meet his /her individual objectives. For more information on the determination of investment strategies or the risks associated with these portfolios, please refer to AssetMark's, ARIS Retirement Services' or ProNvest's ADV Part 2A Brochure.

### **RISK OF LOSS & GENERAL INVESTMENT RISK**

SECURITIES INVESTMENTS ARE NOT GUARANTEED AND YOU MAY LOSE MONEY ON YOUR INVESTMENTS. YOU SHOULD WORK WITH YOUR IAR TO HELP THE IAR UNDERSTAND YOUR TOLERANCE FOR RISK.

All investment strategies inherently expose Clients to various types and varying degrees of risk. Below are some of the more common types of risk associated with investing:

- **Political Risks.** Most investments have a global component, including domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down depending on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without apparent reason, and there are no guarantees as to when or if any lost value could be recovered. Investing in additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Derivatives Risk.** Investments in futures and options are considered "derivative" investments. A small investment in derivatives could have a potentially large impact on performance. The use of derivatives involves risks different from or possibly greater than the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value. There is also the risk that the hedging technique will fail if changes in the value of a derivative held do not correlate with the portfolio securities being hedged.
- **Regulatory Risk.** Changes in laws and regulations within any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.

- **Risks Related to Investment Term.** If a Client requires a liquidation of the Client's portfolio during a period in which the price of the security is low, the Client may not realize as much value as they might have, had the investment had the opportunity to regain its value (as investments frequently do), or had it been able to be reinvested in another security.
- **Purchasing Power Risk.** Purchasing power risk is the possibility that the value of assets or income will decrease as inflation shrinks the purchasing power of a currency. Inflation causes money to decrease in value at some rate, and your investment may not have the same purchasing power as when you made your original investment. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** Many investments, including many index funds and target-date funds, contain interests in operating businesses. Business risks are risks associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk.** Liquidity is the ability to readily convert an investment into cash. For example, Treasury Bills are highly liquid, while real estate properties are not. Some securities are highly liquid while others are not. Illiquid investments carry more risk because it can be difficult to sell them.
- **Financial Risk.** Many investments, including many index funds and target-date funds, contain interests in operating businesses. Excessive borrowing to finance a business' operations decreases the potential opportunity for profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Default Risk.** This risk pertains to the ability of a company to service its debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk, but the principal and accumulated interest of corporate and other types of debt obligations are subject to default risk.

#### **Risks associated with investing in investment management accounts recommended by HMII and its IARs**

Investing in fixed income securities involves interest rate risk, credit risk, and inflation risk. Interest rate risk is the possibility that bond prices will decrease because of an interest rate increase. When interest rates rise, bond prices and the values of fixed income securities fall. When interest rates fall, bond prices and the values of fixed income securities rise. Credit risk is the risk that a company will not be able to pay its debts, including the interest on its bonds. This risk is higher with non-investment grade fixed income securities. Inflation risk is the possibility that the interest paid on an investment in bonds will be lower than the inflation rate, decreasing purchasing power.

Cash alternatives typically include money market securities and U.S. treasury bills. Investing in such cash alternatives involves inflation risk. In addition, investments in money market securities may involve credit risk and a risk of principal loss. Because money market securities are neither insured

nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency, there is no guarantee the value of your investment will be maintained at \$1.00 per share. U.S. Treasury bills are subject to market risk if sold prior to maturity.

Investing in mutual funds that contain stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of most stocks fluctuate. Volatility risk is the chance that the value of a stock will fall. Market risk is chance that the prices of all stocks will fall due to conditions in the economic environment, and the possibility that the value, when sold, might be less than the purchase price. Business risk is the chance that a specific company's stock will fall because of issues affecting it. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

International investing involves additional risks including, but not limited to, changes in currency exchange rates, differences in accounting and taxation policies, and political or economic instabilities that can increase or decrease returns.

Some mutual funds in the investment management portfolios include commodities, which are generally considered speculative because of the significant potential for investment loss. Commodities are volatile investments and should only form a small part of a diversified portfolio. There may be sharp price fluctuations even during periods when prices overall are rising.

Exchange Traded Products ("ETPs") are types of securities that derive their value from a basket of securities such as stocks, bonds, or commodities; or will mirror specific indices. These securities trade intra-day on a national securities exchange. Generally, ETPs take the form of ETFs or Exchange Traded Notes ("ETNs"). ETFs are generally open-end investment companies or unit investment trusts ("UITs") whose shares represent an interest in a portfolio of securities. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs trade like a stock. ETFs may trade for less than their net asset value. Investors should consider an ETF's investment objective, risks, charges, and expenses carefully before investing. ETNs are senior unsecured debt obligations of an issuer, typically a bank or another financial institution; however, ETNs are not categorized as typical fixed income products. This type of debt security differs from typical fixed income products because ETN returns are based upon the performance of a market index minus applicable fees, and no period coupon payments are distributed. ETNs typically are non-interest-bearing and have long maturities. ETNs are subject to market risk, including the possible loss of principal.

The specific risks associated with a particular ETP are detailed in the ETP's prospectus. Additional risks may include adverse market condition risks, investment strategy risk, aggressive investment techniques risk, concentration risk, correlation risk, counterparty risk, credit risk, lower-quality debt securities risk, energy securities risk, equity securities risk, financial services companies risks, interest rate risk, inverse correlation risk, leverage risk, market risk, non-diversification risk, shorting risk, small and mid-cap company risk, tracking error risk, and special risks of ETPs, among others.

The prospectuses mutual funds and ETPs, which contains this and other important information, is available from your IAR and should be read carefully before investing.

### **Tax Planning Disclosure**

Neither HMII nor your HMII IAR provide legal, tax, or accounting advice. Before making decisions with legal, tax, or accounting ramifications, you should consult appropriate professionals for advice that is specific to your situation.

## Item 9 – Disciplinary Information

HMII, as a registered investment adviser, does not have any legal, financial or other “disciplinary” item to report.

However, HMII, as a broker/dealer and member of the Financial Industry Regulatory Authority (“FINRA”) has one regulatory matter that occurred in the last ten years. In 2016, the State of Delaware transitioned its deferred compensation plans from numerous independent 403(b) service providers to a sole provider. Related to this transition, over 150 teachers with 403(b) accounts with Horace Mann opened IRAs in 2016 and 2017 with HMII, through one of its registered representatives. The Attorney General’s Investor Protection Unit (IPU) investigated the facts and circumstances relating to the opening of these accounts. IPU alleged that the registered representative engaged in dishonest and unethical practices in violation of the Delaware Securities Act, taking unfair advantage of customers with 403(b) accounts who were confused about the transition to the sole provider by providing them with inadequate or inaccurate information which was misleading. IPU concluded that there was a failure to supervise the registered representative. Neither the registered representative nor HMII admitted any wrongdoing in this matter, however, they agreed to resolve this matter via Administrative Consent Orders. Further details can be found on the Financial Regulatory Authority’s (FINRA) BrokerCheck system. For more information, please go to [brokercheck.finra.org](https://brokercheck.finra.org). Click on the “Firm” tab and type “Horace Mann Investors, Inc.” or type “11643” at the firm name or CRD# prompt. Then click on the button marked “Search”. From the results, click “More Details” to display the firm’s summary. From the firm summary, click the “Detailed Report” link to review the information.

HMII is obligated to disclose any disciplinary event that would be material to a Client or prospective Client when evaluating whether to initiate a client/adviser relationship, or to continue a client/adviser relationship with HMII. This applies to all individuals registered with HMII.

For disciplinary information regarding our TPIAs, please refer to their disclosure brochure for more information.

## Item 10 - Other Financial Industry Activities and Affiliations

HMII has been registered as a broker/dealer with the SEC since 1957, and with the NASD (now FINRA) since 1983. HMII has been registered as an investment adviser with the SEC since 2015. As a broker/dealer, HMII provides four types of business services: mutual fund retailer, municipals security dealer, the sale of variable life insurance products including variable annuities and as an introducing broker dealer for mutual fund and brokerage services.

HMII is a wholly-owned subsidiary of HMEC (NYSE: HMN), a publicly held company. Subsidiaries of HMEC include:

- ABM Service Corporation
- BCG Securities, Inc.
- Benefit Consultants Group, Inc.
- Educators Life Insurance Company of America
- Horace Mann General Agency Corporation
- Horace Mann Employer Services Corporation
- Horace Mann Insurance Company
- Horace Mann Life Insurance Company

- Horace Mann Lloyds
- Horace Mann Lloyds Management Corporation
- Horace Mann MGA and Brokerage of Florida, Inc.
- Horace Mann Property & Casualty Insurance Company
- Horace Mann Service Corporation
- Madison National Life Insurance Company, Inc.
- National Teacher Associates Life Insurance Company
- National Teachers Associates of New York, Inc.
- NTA Life Enterprises, LLC
- NTA Life Holdings, Inc.
- NTA Life Insurance Company of New York
- NTA Life Management, Inc.
- NTA Life Marketing, Inc.
- NTA Life Micronix, Inc.
- Teachers Insurance Company
- The Abacus Group, LLC

Most of HMII's management personnel, IARs and associated persons (except for clerical personnel) are also:

- Life insurance agents appointed with Horace Mann Life Insurance Company.
- Property and casualty agents appointed with the various companies, and/or
- Registered representatives of HMII's broker/dealer.

### **Investment Management Services**

When offering the INVESTMENT MANAGEMENT SERVICES listed in Item 4 – Advisory Business in this brochure, these individuals are acting in their capacity as an investment advisory representative.

If you have any questions about the capacity in which an IAR is acting, any compensation he or she may receive, or any issues relating to conflicts of interest, please contact HMII at 866-488-0345.

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

The IARs of HMII have committed to a Code of Ethics that establishes a high standard of integrity and professional ethics in conducting business with HMII's Clients and business vendors. All HMII IARs and its associated persons are required to review and sign a formal Code of Ethics adopted to comply with SEC Rule 204(a)-1 under the Investment Advisers Act of 1940, no less than annually. Failure to complete the annual Attestation Statement may result in disciplinary action up to and including termination.

HMII's Code of Ethics requires that all IARs and associated persons 1) conduct all dealings with customers, employees, shareholders and suppliers with honesty and fairness; 2) foster an environment of fair treatment and equal opportunity; 3) comply with applicable laws, regulations, Code of Ethics, and other HMII policies; 4) handle and record transactions accurately, completely and on a timely basis; 5) safeguard the reputation, assets and information of HMII; 6) never



intentionally misuse the assets or information of HMII or its customers; and 7) avoid the appearance of misconduct or impropriety.

**All IARs are responsible for ensuring compliance with HMII's Code of Ethics.**

HMII does not have proprietary trading accounts. However, it is possible that an IAR could hold a security also held in a recommended model portfolio. In addition, it should be noted that some IARs may be considered clients of HMII and will have the ability to participate in many of the same model portfolios that are available to Clients. HMII does not feel this presents a conflict of interest, as IAR accounts managed by HMII and subsequently, the TPIA, will typically be rebalanced under the TPIA's discretion.

Advisory Clients or prospective Clients may request a copy of HMII's Code of Ethics by sending a request by e-mail to [HMII@horacemann.com](mailto:HMII@horacemann.com) or dialing (866) 488-0345.

For details on any conflicts of interest or the Code of Ethics for any of our TPIAs, please refer to their respective disclosure brochure.

## **Item 12 - Brokerage Practices**

### **Investment Management Account Client Directed Brokerage & Best Execution Practices**

If a Client selects to open an Account, the TPIA is granted the authority to manage the accounts on a discretionary basis. As such, neither HMII nor its IARs currently place any orders for the purchase and sale of securities. Orders for securities are placed by the TPIAs who are not affiliated with HMII. Orders for the purchase and sale of securities by the TPIA are directed to a broker, dealer, or bank who may or may not be affiliated with the TPIA. Orders for the purchase and sale of securities by the TPIA are not directed to HMII's broker-dealer for execution.

In general, Clients should be aware that the broker, dealer, or bank selected by the TPIA will direct brokerage transactions to a particular custodian to complete transactions. By directing brokerage, Clients may not receive the benefit of the lowest trade price then available for any particular transaction and Client account trade orders may not be able to be aggregated to reduce transactional costs. In all investment management accounts, the TPIA will have the authority to effect transactions for Client accounts with or through a broker, dealer or bank other than that directed by Client, if the TPIA believes that "best execution" of transactions may be obtained through such other broker, dealer or bank, including any broker-dealer that is affiliated with the TPIA. In such cases, commissions or other compensation to the brokers in such transactions will be in addition to the Annual Asset Based Fee.

In placing orders for purchase and sale of securities and directing brokerage to effect these transactions, the TPIA's primary objective is to obtain prompt execution of orders at the most favorable prices reasonably obtainable. In doing so, the TPIA considers a number of factors, including, without limitation, the overall direct net economic result to the Client, the financial strength, reputation and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future and other matters involved in the receipt of brokerage services. In general, the TPIA routes trades directly to the custodian(s) of record. Occasionally, in order to obtain best execution and minimize market impact, ETF trades, for example, can be 'stepped-out' in order to gain best execution and minimize market impact. In some instances, stepped-out trades are executed by the other firm without any additional commission or markup or markdown, but in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If

trades are placed with a firm that imposes a commission or equivalent fee on the trade, including a commission that may be imbedded in the price of the security, the client will incur trading costs in addition to the asset based fee the client pays annually.

HMII has procedures in place to monitor transactions and orders placed by the TPIA. Best Execution for transactions are reviewed on a quarterly basis by obtaining documentation from the TPIA.

A Client is not obligated to use any recommended Custodian. In circumstances where a Client wants to remain with the Client's current Custodian who is not a preferred Custodian of HMII, neither HMII nor the TPIA will provide advisory services to the Client.

In addition, HMII does not anticipate pursuing Client relationships in which the Client holds the Client's Accounts with a custodian other than a HMII preferred Custodian. All advisory Clients of HMII should understand that any Custodian recommendation made by HMII is a conflict of interest, as HMII anticipates continual operational relationships with the Custodian that we recommend.

For more information on the TPIA's brokerage and best execution practices, please refer to their respective disclosure brochure.

### **Brokerage For Client Referrals**

Generally speaking, HMII does not receive Client referrals from a preferred Custodian in exchange for placing Client assets with the Custodian. However, should we receive such a referral, HMII would not necessarily recommend that a Client leave or remain with a certain Custodian.

### **Trade Aggregation**

Transactions for each Client Account generally will be executed independently unless the TPIA decides to purchase or sell the same securities for several Clients at approximately the same time. The TPIA may, but is not obligated to, combine or "batch" such orders in an effort to obtain best execution or to allocate equitably among Clients differences in prices and prices that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price, and will be allocated among Clients in proportion to the purchase and sale orders placed for each Client Account on any given day. If execution of all the combined orders cannot be obtained at prices that are believed to be desirable, the TPIA will allocate the securities that it does buy or sell as part of the combined orders by following the TPIA's order allocation procedures.

### **Trade Errors**

Occasionally, errors occur in the execution of transactions for client accounts. When an error occurs, the Custodian will place the affected account(s) in the same position it would have been had the error not occurred. Client accounts will not bear any losses or costs associated with corrections. If a trade error results in a net gain, the Custodian will retain such gains in a Custodian trade error account to offset any losses that could result from future trade errors made by the Custodian.

### **Independent Registered Investment Adviser Marketing Services**

For more information on the brokerage practices of the third party independent registered investment advisers for whom HMII makes recommendations concerning, please refer to AssetMark's, ARIS Retirement Services' or ProNvest's ADV Part 2A Brochure.

## Item 13 – Review of Accounts

### Investment Management Services - Account Reviews

Client Account reviews are conducted by IARs of HMII on a regular basis, but no less frequently than annually. A written report on the review will be maintained in HMII's books and records. Changes in a Client's situation, such as investment goals, employment status, financial position, unusual economic events, individual developments such as marriage, divorce or death or any material change in the Client's Profile may trigger an additional review.

When reviewing the Account's performance, IARs are guided by the investment objective and risk tolerance of the Client. Based on the analysis, Client Accounts will typically be allocated to a single portfolio asset allocation classified under one of the following investment objectives:

**Income** – An investment approach by which an investor generally seeks current income over time.

**Long-Term Growth** – An investment approach by which an investor generally seeks capital appreciation through buying and holding securities over an extended period of time.

**Short-Term Growth** – An investment approach by which an investor generally seeks short-term capital gains through buying and selling securities over a short period of time.

For Clients receiving investment management services, each Client's IAR will initiate a review and update the Client's financial goals on at least an annual basis, to determine any changes in the Client's financial situation and objectives. Additional reviews may be initiated for several reasons, including 1) due to changes in a Client's priorities, 2) upon request by the Client, 3) whenever the IAR considers an update and review is in the Client's best interest, 4) a material change in circumstances for the Client or 5) should the Client's portfolio fall materially in its confidence level. Although the IAR will, at least annually, contact the Client to determine whether there have been any changes to the Client's financial situation, investment objectives or any changes that would otherwise affect the Client's Accounts, the Client is solely responsible for informing their IAR in writing of any change in the information provided in the Client's Profile.

### REGULAR REPORTS

Clients, at a minimum, will receive quarterly statements from the Custodian for each Account held by the Custodian. In addition to brokerage statements, Clients will be provided quarterly performance reports summarizing market activity, contributions and withdrawals, asset allocation and the time-weighted portfolio performance. The quarterly performance report, compiled by the TPIA, is prepared solely for information purposes and is not an official record of Clients' Accounts.

If you purchase an investment management account based on the recommendation from your investment adviser representative, you will receive an annual review on your investment management account.

## Item 14 - Client Referrals and Other Compensation

HMII and its IARs do not receive any sales awards or prizes as compensation from non-Clients for providing investment advice or other advisory services to its Clients. The receipt of such compensation would be a violation of HMII's Code of Ethics.

As a matter of policy and practice, HMII does not compensate any third party persons, either individuals or entities, for the referral of advisory Clients to HMII unless a formal solicitor's agreement has been entered into with the third party. If required by the solicitor's state of residence, the solicitor will be a registered investment adviser or representative of one. The solicitor receives either a portion

of the Advisory Fee collected by HMII or a flat fee for each solicitation. In either case, a solicitor's arrangement does not cause an increase in Advisory Fees in order to compensate a solicitor.

HMII may be compensated by independent registered investment adviser(s) for the marketing of the investment management services provided by the independent registered investment adviser only if HMII's activities result in the initiation of a new client relationship with the independent registered investment adviser. It is possible that a Client may have an account with both HMII and the independent registered investment adviser. If a Client has an account with HMII and an account with the independent registered investment adviser, HMII may receive a portion of the asset-based fee charged to the Client by the independent registered investment adviser, and a portion of the asset-based fee charged to the Client by our TPIA.

All HMII IARs also registered representatives of HMII's affiliated broker-dealer and licensed insurance agents with Horace Mann Life Insurance Company or affiliated companies. In their capacity as registered representatives or licensed insurance agents, IARs may suggest or recommend accounts, services and products offered by HMLIC or HMII to meet client investing and planning needs. HMII IARs do not exercise investment discretion over client assets.

### **Annuity Production Incentive**

IARs are either employees of Horace Mann Service Corporation or independent contractors. Some IARs are offered an annuity production incentive as compensation in their capacities as registered representatives of HMII's affiliated broker-dealer and licensed insurance agent representatives with Horace Mann Life Insurance Company or affiliated companies. The annuity production incentive is based on the individual performance and production of the registered representative or licensed insurance agent. In assessing individual performance, HMII primarily considers quantitative metrics such as the individual's success in gathering, retaining and consolidating client assets on HMII and HMLIC products.

The annuity production incentive gives IARs a financial incentive to gather and retain client assets. For more experienced IARs, the percentage of compensation represented by the incentive can be significant, as compared to an average registered representative or life insurance agent's portion of compensation. The bonus also incentivizes IARs to engage as registered representatives or life insurance agents to enroll and retain clients in HMII or HMLIC accounts, products and services.

The compensation payable under the annuity production incentive creates a conflict of interest by incentivizing persons qualified to offer recommendations as IARs to recommend products of HMII, HMLIC, and its affiliated companies.

### **Conference Awards**

When a customer deposits funds or securities to a Horace Mann Investors, Inc. managed account, the IAR assigned to the account earns points toward qualifying for certain incentive trips paid for by HMSC or an affiliate. The IAR also earns points toward qualifying for these incentive trips for brokerage and insurance products sold in his or her capacity as a registered representative or an insurance agent. The value of the incentive trip, though not tied directly to services provided by an IAR under a managed account agreement, is a form of non-cash compensation. As such, receipt of such non-cash compensation could be considered a conflict of interest with respect to the recommendation of (and deposits to) a managed account. The value of the incentive trip depends on the hotel, travel, dining and entertainment expenses associated with the applicable trip.

### **Donors Choose**

HMEC is a national sponsor of [DonorsChoose.org](https://DonorsChoose.org), nonprofit organization that allows individuals to supply students in need of resources that public schools lack. Teachers submit classroom proposals for materials or activities to enhance the learning of their students. HMEC and HMII IARs may make direct donations to specific projects, including but not limited to classroom assistance, materials, school field trips, and other proposals as listed. These donations typically occur in a specific geographic area where the HMII IAR is located. The individual who is the recipient of the donation is notified of the amount of the gift and the name of the IAR in which the gift was made. Any donation made by an IAR is independent of their affiliation with HMII or HMEC. Neither HMII nor its IARs receive any direct monetary benefit from the donation paid.

### **Marketing Campaigns**

HMEC initiates and coordinates marketing campaigns designed to generate clients for investment adviser representatives in their capacity as licensed insurance agents of Horace Mann Property and Casualty Company and affiliates. HMEC or HMII IARs may offer donations, gifts or monetary prizes, which are nominal in value, to a recipient who requests a quote, which may result in the purchase an insurance policy covering their property. If an IAR does directly pay for a donation, gift, or monetary prize, the payment is strictly for the quote generated on behalf of the client in their capacity as a licensed insurance agent of Horace Mann Property and Casualty Company and affiliates. HMII does not receive any direct monetary benefit from the donation, gifts or monetary prizes paid by HMEC or its IARs.

### **Research and Other Soft Dollar Benefits**

HMII's advisory business does not have any formal or informal arrangements or commitments to obtain any research or research-related products or services on a soft-dollar basis. However, due to the institutional relationships HMII has with its preferred Custodian, we do receive services that assist HMII in managing and administering Clients' Accounts. These services may include software and other technology that (i) provide access to Client data; (ii) facilitate trade execution and allocate aggregated trade orders for multiple Client Accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its Client Accounts; (v) provide goal-based financial planning software and other investment management tools; and (vi) assist with back-office functions, recordkeeping and Client reporting. Additionally, a preferred Custodian may provide third party research, publications, access to educational conferences, roundtables and webinars or practice management resources.

## **Item 15 - Custody**

HMII will recommend to its Clients a preferred Custodian who has been selected by the TPIA to hold all client assets. The Custodian selected is a member of FINRA and the Securities Investor Protection Corporation ("SIPC"). A Custodian will be selected based upon its quality of execution services, competitive prices and reputation in the industry. The primary factors that determine HMII's recommending a Custodian to a Client are, in no specific order; 1) commission cost; 2) automation and technology; 3) services provided for independent RIAs; 4) proper registration with FINRA; and 5) execution capabilities. HMII will be not affiliated with any TPIA preferred Custodian.

HMII will not maintain custody of Clients' funds or securities. The calculation and withdrawal of the Advisory Fees will be performed by the Custodian. HMII is not responsible for any errors made by the Custodian.

Clients will receive monthly statements for each Account held by a Custodian. If the Client's Account has no activity, the Custodian will, at a minimum, provide a quarterly statement. The Custodian's statement will include information about the assets held in the Account, the current value of each asset as well as reflect the deduction of any fees from the Client's Account. Clients are encouraged to review their statements for discrepancies. HMII will receive duplicate copies of the Custodian's statements.

## **Item 16 - Investment Discretion**

HMII will assist the Client in selecting the TPIA for their managed account. As a result, the Client, through the Investment Management Agreement, will authorize HMII to delegate discretionary authority to the selected TPIA. In turn, the TPIA assumes all investment duties with respect to assets held in the Client's Account and all investment powers, including sole investment authority with respect to such assets. The TPIA will invest and reinvest the assets of the Client's Account in such mutual funds or ETPs as it deems is in the best interest of Client in order to achieve the Client's stated goals.

In addition, the TPIA may take any action or non-action as it deems appropriate, with or without further consent or authority from the Client and may exercise its discretion and deal in and with such assets exactly as fully and freely as the Client might do as owner. Furthermore, the TPIA is free to sell securities in the Account without regard for the length of time they have been held or the gain or loss that may be realized.

The TPIA is free to make investment changes without regard for the resulting rate of portfolio turn-over, when it, in its sole discretion, determines that such changes will promote the investment objective of the Client. Clients should further understand that any securities used to fund an Account, or that are later deposited into an Account, may be sold, thus creating a capital gain or loss depending on the Client's costs basis in the securities. Clients should consult with their tax advisor for advice on the tax implications of such transactions.

Clients are the only party authorized to withdraw any money, securities or other property, either in the name of the Client or otherwise. The Client may authorize the withdrawal of funds by written instruction to the Custodian. If written instruction is received by the Client's IAR, the request will be forwarded to the Custodian for processing. HMII and the TPIA have no authority to disburse funds from Client Accounts. The Client will authorize the Custodian to deduct and pay Advisory Fees from the Account as per the Investment Management Agreement.

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

If the security or property held in a Client's Account is accompanied by voting rights, the Client has the right to retain the authority to exercise such voting rights or delegate such voting rights to a third party, as the Client may choose. Unless otherwise indicated by the Client, the TPIA of record shall exercise such voting rights in the manner it deems appropriate.

HMII and the TPIA have no responsibility to exercise voting rights for securities for which the proxy materials are not available and have no responsibility to exercise investment duties with respect to assets that have not been deposited in the Client's Account. The TPIA will not be obligated to render any advice or take any action on the Client's behalf with respect to securities held in the Client's Account, or the issuers thereof, which become the subject of any legal proceedings including bankruptcies and shareholder litigation. The right to take any actions with respect to legal proceedings, including without limitation bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings with respect to securities held in the Client's Account shall

be expressly reserved to the Client. The Client will not be obligated to join other parties as a condition precedent to initiating such a proceeding.

A complete copy of this proxy voting policy is found in the Investment Management Agreement. For a Client who has retained voting rights, if the Client has a question regarding a proxy notice that the Client has received, the Client should consult with the Client's IAR or with HMII Compliance to review the content of the proxy. However, the decision as to how to vote a proxy will remain with the Client.

## **Item 18 - Financial Information**

Under certain circumstances, registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition. HMII does not serve as a custodian for Client funds or securities and does not require prepayment of fees greater than \$1,200 per Client more than six months in advance. As such, no information is provided in response to Item 18.

## **Item 19 – Business Continuity and Transition Plans**

### **Disclosure**

HMII is concerned with the safety and welfare of our employees and wants to ensure consistent quality service for our Clients. As a result, we have developed a Business Continuity Plan to allow us to recover from a business disruption with limited impact to our Clients. To provide this limited impact, we back-up our computer systems on a daily basis and store the information in a facility outside of Springfield, Illinois. It is our plan to continue business during all types of business disruptions.

In the event of a business disruption, we plan to have our systems back as quickly as possible. This could mean as quickly as a matter of a few hours if the business disruption is minimal. A minimal business disruption could be a small fire in the building housing the computer systems but not affecting the computer systems.

If the business disruption is significant, this may mean as long as four days. A significant business disruption could be a situation where the building housing our computer systems is damaged beyond occupancy. During this time, Clients may be directed to contact their IAR or the company providing your investment Account directly. In such event, Clients may contact:

- Pershing LLC at (201) 413-3635
- Charles Schwab at (800) 435-4000

In the event HMII has to wind-down or cease operations and cannot continue serving our clients, HMII has created a Transition Plan to allow HMII to take steps to protect our Client interests from being placed at risk as a result of our inability to provide advisory services. A transition event may occur if HMII experiences a rapid decrease in assets under management, which can occur for a variety of reasons, including poor performance or an event which causes reputational harm to HMII. If a transition event occurs, HMII will take appropriate action to ensure the transition of your assets in an orderly manner with minimal or no impact to the Client. Actions that HMII may take include transferring a Client's assets to an unaffiliated registered investment adviser or distributing a Client's assets back to the Client.

Our Business Continuity and Transition Plan may be updated from time to time. Any updated plan will be posted on our Web site at [horacemann.com](http://horacemann.com). If you would like an updated document, you could check our Web site, or call 800-999-1030 and we will send you a copy.



For more information on how our TPIAs determine the investment strategy for the portfolio, or their methods of investment analysis, please refer to their respective ADV Part 2A brochure, or please call them directly.

## **Item 20 – HMII Privacy Disclosure**

At HMII, we respect the trust you place in us when you provide us with personal information, and we are committed to protecting your privacy.

We collect personal information about you. This includes, but is not limited to:

- Information we receive from you or your IAR, such as your name, address, and beneficiary information;
- Information we receive from your transactions with us, our affiliates, which are set forth in Item 10 – Other Financial Industry Activities and Affiliations (collectively HMII and its affiliates are referred to as the “Horace Mann Companies”), or others, such as your policy coverage and payment history;
- Information we receive from non-Horace Mann Companies such as consumer reporting agencies that provide us with information such as your credit standing; and
- Information we collect through your use of our websites, social media sites and mobile applications.

We use your personal information to do things such as determine whether we can open a new account; to provide ongoing service to your account; to offer you other financial products and services; to provide you with email alerts, event registrations and other notices concerning our products or services, or events or news, that may be of interest to you; to carry out our obligations and enforce our rights arising from any policies or other contracts entered into between you and us, including for billing and collections; to improve our website and present its contents to you; for testing, research, analysis and product development; as necessary or appropriate to protect the rights, property or safety of us, our clients or others; to respond to regulatory and/or law enforcement requests and as required by applicable law, court order, or governmental regulations; to prevent or investigate fraud; and as otherwise required or permitted by law.

We share personal information we collect within and outside of the Horace Mann Companies for everyday business purposes as permitted by law; as needed to handle a claim or request; with consumer reporting agencies in accordance with law; and with governmental and quasi-governmental entities. We also share personal information with non-affiliated third parties that perform marketing or other services or functions on our behalf, that have joint marketing arrangements with us, or as otherwise permitted by law. We require these non-affiliated third parties to enter into a contract with us that requires them to keep personal information confidential and use it only for the purposes for which it was disclosed.

In order to protect personal information from unauthorized access, use or disclosure, we maintain physical, electronic, and procedural safeguards in accordance with federal and state laws.

At HMII, we understand the importance of privacy and therefore, we follow these privacy practices with regard to prospective, current and former customers.

If you have questions about Horace Mann’s privacy policy, please contact our Customer Service Department at 800-999-1030 or The Office of Consumer Affairs, PO Box 3603, Springfield, Illinois 62715 or by e-mail at [ConsumerAffairs@horacemann.com](mailto:ConsumerAffairs@horacemann.com).

Customers in the states of California and Vermont will receive a separate privacy notice.