



**BRIGHTSPHERE**  
Investment Group

**BRIGHTSPHERE INVESTMENT MANAGEMENT LLC**

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This brochure provides information about the qualifications and business practices of BrightSphere Investment Management LLC ("BSIM" or "We"). If you have any questions about the contents of this brochure, please contact us at (617) 369-7300. 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.

We are a registered investment adviser with the SEC. Registration as an investment adviser does not imply any level of skill or training. Additional information about BSIM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## MATERIAL CHANGES

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This Brochure dated July 5, 2019 is our initial filing.

You may request a current copy of our Brochure free of charge at (617) 369-7300 or [bsigcompliance@bsig.com](mailto:bsigcompliance@bsig.com).

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## ADVISORY BUSINESS

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BSIM is a registered investment adviser with the SEC. BrightSphere Inc., an indirect subsidiary of BrightSphere Investment Group (“BSIG”), a NYSE listed company, is the sole member of BSIM. Personnel of BSIG Inc. support the operations of BSIM.

BSIM engages investment advisers, certain of whom are affiliates, to serve as Sub-advisers (“Sub-advisers”) on a Total Solutions platform. Information regarding the investment activities of Sub-advisers is contained in each Sub-adviser’s Form ADV. BSIM is responsible for the oversight of the Total Solutions platform and the participating Sub-adviser’s investment portfolios in accordance with the portfolio’s investment objective(s), policies and restrictions. BSIM also refers prospective clients to affiliates for the provision of investment advice by the affiliate with no oversight or engagement by BSIM.

BSIM also offers seed capital opportunities, in which institutional investors partner with BSIG to invest in new strategies offered by BSIG affiliates. BSIM oversees the provision of such strategies to external investors. Seed capital opportunities with non-affiliated advisers will also be considered.

BSIM generally provides investment advice to institutional and high net worth clients. Typically, BSIM manages advisory accounts on a discretionary basis; however, in some instances, clients impose reasonable restrictions on investing, such as restrictions on investing in certain securities, types of securities, or industry sectors.

## FEES AND COMPENSATION

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Advisory fees for clients are typically calculated as a percentage of assets under management. Fees are charged according to the specific fee schedule identified in the client’s investment advisory agreement and billed either quarterly in arrears or advance as directed by the client. Clients have a choice of receiving an invoice for investment advisory fees or having the fees deducted from their custodial account. In the event a client chooses to have the fee deducted from their custodial account, a duplicate invoice is sent to the client. Clients are encouraged to review the duplicate invoice to ensure the proper fee calculation has been made. Clients should receive statements from their custodians at least quarterly and should review the information provided by BSIM against those statements.

BSIM retains the discretion to negotiate fees and account minimums on a client-by-client basis. BSIM’s minimum account sizes vary by strategy. BSIM retains the right to accept and maintain accounts below the established minimums. Client relationships, service requirements and other circumstances are considered in determining the fee schedule. Depending upon the range of services provided, the mandate requested, the amount of assets under management, and other factors as determined in BSIM’s sole discretion, fees may be reduced or a “most favored nation” fee schedule may be granted. Clients pay higher investment management fees than other clients in the same strategy. Similar advisory services may be available from other registered (or unregistered) investment advisers for lower fees.

### Additional Fees and Expenses

BSIM's advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients will generally incur administrative and operating expenses charged by mutual funds, collective investment trusts and real estate investment trusts. These fees are exclusive of and in addition to BSIM's fee. BSIM shall not receive any portion of these commissions, fees, and costs described above other than when services and products are paid for with client brokerage commissions (soft dollars) and other than indirect receipt of mutual fund advisory fees. Please refer to the *Brokerage Practices* section of this Form ADV for additional information.

BSIM accepts performance-based fee structures. Please refer to the *Performance-Based Fees and Side-by-Side Management* sections of this Form ADV for further details.

### Termination of Investment Advisory Agreement

A client may terminate their investment advisory agreement at any time upon written notice. If a client's investment advisory agreement is terminated, any fees paid in advance will be pro-rated as of the termination date and refunded to the client. Similarly, any fees paid in arrears will be billed the pro rata portion for the period the assets were under management. BSIM reserves the right to make exceptions to this policy on a case-by-case basis.

### PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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BSIM accepts performance-based fee arrangements with qualified clients. BSIM's investment team manages accounts side-by-side that are charged fees based on assets under management and a performance-based fee. Under this performance-based fee arrangement, the base fee is the minimum fee which BSIM receives for managing this account. The performance bonus depends on the degree of outperformance by the account.

The side-by-side management of client accounts that pay performance-based fees with client accounts that pay only an asset-based fee creates a conflict of interest; BSIM has an incentive to favor client accounts that have the potential to generate higher fees.

BSIM employees may invest in pooled investment vehicles advised by BSIM. This type of investing has the effect of aligning the financial interests of BSIM employees with those of other investors. This could create an incentive for BSIM to favor that account over other accounts in which BSIM employees have no direct interest.

BSIM and its Sub-advisers manage multiple strategies, funds and or accounts, and could devote unequal time and attention to each strategy, fund, or account. To mitigate potential conflicts of interest, BSIM and its Sub-advisers have established policies and procedures specifically designed to ensure that all accounts are treated equitably, regardless of fee arrangement, with respect to aggregation and

allocation of trades. Typically, trades in the investment strategies are aggregated and allocated pro-rata across the appropriate accounts, subject to client guidelines, directed brokerage, and restrictions.

BSIM and its Sub-advisers regularly review the performance of each account to verify that an account is neither advantaged nor disadvantaged over time due to allocation policies. See the *Brokerage Practices* section of this Form ADV for more details on this policy and the participating Sub-advisers' Form ADV for additional information.

## **TYPES OF CLIENTS**

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BSIM offers advisory services to the following types of clients:

- ◆ Pension and profit-sharing plans
- ◆ State or municipal government entities
- ◆ Taft-Hartley Plans
- ◆ Multi-employer plans
- ◆ Foundations
- ◆ Endowments
- ◆ Charitable organizations
- ◆ Corporations or other businesses not listed above
- ◆ High net worth individuals
- ◆ Investment companies (including mutual funds)
- ◆ Collective Investment Trusts

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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### **Methods of Analysis**

BSIM's Investment Committee is ultimately responsible for the investment decisions implemented on behalf of clients, most notably the strategic allocation, investment category allocations, and manager selection. The Investment Committee conducts independent analysis to monitor overall performance, both relative and absolute. In addition to performing periodic analysis of each existing sub-advisory relationship, the Investment Committee regularly reviews the effectiveness of the overall sub-advisory line-up in meeting the investment needs of the allocation process.

### **Investment Strategies**

Various investment strategies are considered on the Total Solution platform and in the seed capital opportunity, with consideration given as to whether the strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations.

Specific information on each investment strategy and the associated risks is contained in each Sub-adviser's Form ADV.

### **Risk of Loss**

Investing in securities involves risk of loss of all or a portion of an investment that clients should be prepared to bear. The following risks are inherent to BSIM's investment style and method of analysis. Please note that the below risks are not a complete explanation of all risks involved in investing.

**Equity and General Market Risk:** Since our investment strategies purchase equity securities, our clients' assets are subject to the risk that stock prices may fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of our equity securities may fluctuate drastically from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is a significant risk of investing in our investment strategies.

**Investment Management Risk:** Our strategies are actively managed. A strategy may not meet its investment objective and could underperform other similar strategies with comparable investment objectives managed by other advisers.

**Analysis Risk:** Our Sub-advisers' securities analysis methods rely on the assumption that portfolio company securities, the research firms that provide data and analysis on these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While our Sub-advisers are alert to indications that data may be incorrect, there is always a risk that their analysis may be compromised by inaccurate or misleading information, or that our Sub-advisers may come to an incorrect conclusion based on our analysis.

**Value Company Risk:** Value investing carries the risk that the intrinsic value of a stock may not be fully recognized by the market for a long time, or our Sub-advisers' assessment of a company may be inaccurate, and that company may be appropriately priced at a low level.

**Small and Medium Company Risk:** The small and medium capitalization companies in which certain of our Sub-advisers will invest may be more vulnerable to adverse business or economic events than larger, more established companies. These small and mid-sized companies may pose additional risks, including liquidity risk, because these companies tend to have limited product lines, markets and financial resources, and may depend upon a relatively small management group. Therefore, small and mid-cap stocks may be more volatile than those of larger companies.

**Concentrated Investing Risk:** Certain strategies are concentrated which means that larger positions in a smaller number of securities are held than other, more diversified strategies. This means that an increase or decrease in the value of a single security likely will have a greater impact on the strategy's investment performance than in a more diversified strategy.

**Real Estate Investment Trust (“REIT”) Risk:** REITs are pooled investment vehicles that own, and usually operate, income-producing real estate. REITs are susceptible to the risks associated with direct ownership of real estate, such as the following: declines in property values; increases in property taxes, operating expenses, rising interest rates or competition overbuilding; zoning changes; and losses from casualty or condemnation. REITs typically incur fees that are separate from those of the portfolio. Accordingly, clients will indirectly bear a proportionate share of the REITs’ operating expenses, in addition to paying advisory fees.

**Information Security Risk:** BSIM, our Sub-advisers and our service providers, may be susceptible to operational and security risks resulting from cyber-attacks. Cyber-attacks include stealing or corrupting data, denial of service attacks on websites, the unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential information and operational disruptions. Any significant limitation on the use of our facilities or the failure or security breach of our software applications or operating systems and networks, including the potential risk of cyber-attacks, could result in the disclosure of confidential information and financial losses. Similar types of cyber security risk are also present for issuers of securities in which our Sub-advisers may invest, which could result in material adverse consequences for such issuers and may cause your investments to lose value.

See the participating Sub-advisers’ Form ADV for additional information.

## **DISCIPLINARY INFORMATION**

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Registered investment advisers are required to disclose any legal or disciplinary events that would be material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Neither BSIM nor our Sub-advisers and our management personnel are currently the subject of any material litigation, formal investigations, administrative proceedings or disciplinary events.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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BSIG and its Sub-advisers provide certain services to BSIM including but not limited to distribution assistance. Please refer to the *Advisory Business* section of this Form ADV for more information. BSIM has a relationship with a non-related FINRA registered broker-dealer holding broker-dealer licenses for certain BSIM employee(s), where necessary. BSIG Inc. maintains an Office of Supervisory Jurisdiction (“OSJ”) of this broker-dealer on our premises.

See participating Sub-advisers’ Form ADV for additional information.

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

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### **Overview of the Code**

We are dedicated to promoting the highest levels of ethical standards and professional conduct among



our employees. BSIM has adopted a Code of Ethics (the “Code”) that is based on the principle that all employees have a fiduciary obligation to our clients to act with honesty, integrity and loyalty. The Code sets forth expectations that we have for our employees, including the expectation that they put the interest of clients above their own personal interests, and that they never abuse their position of trust and responsibility. Our Code and policies and procedures establish rules governing personal trading, gifts and entertainment, political contributions, and outside activities. Employees are required to report any violations of the Code to the Chief Compliance Officer (“CCO”) or his/her designate. Violations of the Code are taken seriously and may result in disciplinary action. Employees receive training on the Code and are required to acknowledge initially, annually, and when amended, in writing that they have read, understand, and comply with the Code. Compliance with the Code is monitored by the CCO.

### Personal Trading

The Code does not prohibit personal trading by our employees. As a result, our employees purchase or sell securities for their own accounts that our Sub-advisers purchase or sell for client accounts and at times trade in an opposite direction than client accounts subject to Code restrictions. This creates a potential conflict of interest. Our Code includes policies and procedures that are designed to address potential conflicts of interest and ensure that we maintain our fiduciary obligations to our clients. Our policies include, but are not limited to, the following provisions:

- ◆ Employees may not knowingly purchase or sell a security simultaneous to purchases and sales of that security for clients, except when an employee is invested in a pooled vehicle.
- ◆ Employees are prohibited from purchasing or selling a security, or recommending the purchase or sale of a security, for any account while they are in possession of material nonpublic information.
- ◆ If an employee comes into possession of material nonpublic information, they must report to the CCO or designated officer. It is a violation of our Code to communicate material nonpublic information with anyone other than the CCO or designated officer.
- ◆ The CCO has discretion to allow exceptions to these rules if there are reasonable grounds to believe that the exception will not result in harm to a client or a violation of the law.

### Participation or Interest in Client Transactions

BSIM recommends to clients that they buy or sell securities in which employees, affiliates or other related persons have a financial interest.

Our Code includes the following policies and procedures to address potential conflicts of interest:

- ◆ Requires employees to put the interest of our clients above their own interests.
- ◆ Forbids employees from abusing their position of trust.
- ◆ Requires employees to report any known conflicts of interest to the CCO or designated officer.

Our trading policies and procedures are designed to address the inherent conflicts of trading client accounts with proprietary accounts. Please see the *Brokerage Practices* section of this Form ADV for

more details on this policy.

We will provide a complete copy of our Code of Ethics to any client or prospective client upon request. To request a copy, please contact us at (617) 369-7300.

## **BROKERAGE PRACTICES**

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BSIM Sub-advisers generally have full discretion to determine the broker-dealer to use and the commissions to pay on transactions, except in cases where a client directs us to use a specific broker or brokers for all or a portion of its trades.

### **Broker-Dealer Selection & Compensation**

BSIM Sub-advisers select brokers or dealers that they believe will provide the most favorable results to our clients over time. When choosing a broker or dealer, our Sub-advisers take into consideration the price obtained, commissions charged, ability to find liquidity, promptness and reliability of execution, access to secondary markets, and confidentiality and placement of orders. Our policy prohibits the use of affiliated broker-dealers.

Although BSIM Sub-advisers may not always pay the lowest commission rates available, our Sub-advisers strive to pay reasonably competitive commission rates. Our Sub-advisers generally consider the following when determining the reasonableness of commission rates: the broker's stability, reputation, ability to minimize total trading costs, level of trading expertise, research, trading platform, the liquidity of the security, the difficulty of the order and other services which will help BSIM in providing investment management services to clients. BSIM Sub-advisers therefore use brokers who provide useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance.

BSIM's Sub-advisers have trading policies and procedures in place which govern their trading practice. The policies and procedures generally include a requirement to select brokers based primarily on their ability to add value to the client's portfolio over time.

### **Trade Errors**

BSIM's Sub-advisers have an obligation to place trades correctly and will ensure clients are not harmed as a result of an error. Our Sub-advisers' Trade Error policies seek to identify and correct the error as promptly as possible, without disadvantaging clients or benefiting the Sub-adviser or BSIM.

### **Third-Party Soft Dollar Benefits**

Certain of our Sub-advisers receive research-related services that provide assistance in the performance of their investment decision making process and trading enhancement services using our clients' brokerage commissions rather than using BSIM's profits to pay for these services. This practice is known as "soft dollar benefits". The Sub-advisers generally use soft dollars in accordance with Section

28(e) of the Securities Exchange Act of 1934, which requires them to determine in good faith that the commissions paid by our clients are reasonable in relation to the research or brokerage services received. Our Sub-advisers' use of these research-related services will not be limited to the accounts that paid commissions to the broker or dealer for such services. Some clients restrict the ability to use their commissions for soft dollars. We do not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that client accounts generate.

These arrangements present certain risks and potential conflicts of interest. Our Sub-advisers have an incentive to select a broker-dealer based on their desire to receive research instead of our obligation to seek best execution for our clients. There is a risk that our clients pay commissions that are not reasonable in relation to the research or brokerage services received.

Our Sub-advisers' trading policies and procedures are designed to manage these conflicts and risks. Trades made to satisfy these obligations are made consistent with policies and procedures covering best execution. Their policies and procedures require that when entering into a soft dollar arrangement, they determine that services provided are fair and reasonable. In determining whether the fees are fair and reasonable, they will consider their ability to replicate the services and the value that these products and services provide to the management of our clients' assets. All third-party soft dollar arrangements are reviewed at least annually to make sure the service is still relevant and to understand how the service is used and that it is appropriately categorized as a soft dollar expense.

### **Commission Sharing Arrangements**

Certain of our Sub-advisers have entered into Commission Sharing Arrangements with certain brokers. These arrangements allow for the generation of commission credits in an account maintained by the introducing broker. From time-to-time, the introducing broker will make payments from those credits to other brokers or vendors to pay for eligible research and brokerage services. Commission sharing arrangements are generally used to pay for both proprietary and third-party research products and services. We believe these arrangements improve our Sub-advisers' ability to fulfill best execution obligations by allowing them to execute trades with brokers who they believe provide superior execution services, while continuing to receive research from the research firms of their choice.

### **Client-Directed Brokerage**

Some clients request that all or a portion of the commissions generated by transactions in their account be directed to a particular broker or brokers. In certain circumstances, we may not satisfy a directed brokerage request in order to achieve best execution.

Some of BSIM's clients choose to have their assets held at brokerage firms that encourage all trades to be directed on their platform. Transactions in these accounts are normally executed through the brokerage firms holding the securities for the clients/participants, often resulting in a higher per share commission rate than BSIM's Sub-advisers could obtain for the non-directed client transactions. The brokerage firms may offer a trade away option for executing transactions, which if utilized, will incur additional fees to the client. BSIM does not have the ability to negotiate commission rates for clients

who direct brokerage to a specific broker. BSIM considers these accounts directed brokerage, as the additional fees limit BSIM's Sub-advisers' ability to trade away. Trades for these accounts will typically be placed after non-directed client trades.

Trade rotation for directed clients will occur and all directed client trades will go after the non-directed trades. Please refer to the *Allocation and Aggregation of Equity Trades* section of this Brochure. Directed brokerage accounts may lose the opportunity to aggregate orders, which may result in less favorable prices and higher execution costs. Since some directed orders are price limit orders, clients could lose the opportunity to transact in a security if the price moves from the limit prior to the order being placed. Individual client account performance could be impacted in instances when the Sub-adviser is unable to aggregate orders for execution as separate executions could result in different prices for securities being bought or sold.

### Allocation and Aggregation of Equity Trades

**Trade Aggregation.** It is BSIM's policy to treat all of our clients in a fair and equitable manner in the purchase and sale of securities in their accounts. As a general rule, the decision to purchase or sell a security is made for groups of more than one client account within a specific strategy or strategies. Each client portfolio that participates in an aggregated order will typically participate at the average share price in that security with all transaction costs shared pro rata, subject to client restrictions on using commissions for soft dollars, based on each client's participation in the transaction. BSIM's Sub-advisers will usually aggregate such orders because aggregation will generally result in better execution at lower overall costs to our clients.

In some cases, our Sub-advisers buy and sell securities for multiple strategies at the same time. If there is an open order for one strategy and the trader receives instructions to buy or sell the same security for a different strategy, the trader will usually merge the orders if the orders have the same limit. The shares allocated to clients from the original order will generally not change as a result of the merge.

In an effort to ensure that accounts are treated fairly over time, BSIM Sub-advisers use a trade rotation policy. They generally categorize accounts into two groups:

- Group 1: Institutional accounts that can be aggregated because they typically have no trading limitations and
- Group 2: client-directed accounts (please refer to *Client Directed Brokerage* above).

Group 1 accounts are typically block traded and are generally traded first. Group 2 accounts are traded after Group 1 trades are complete. BSIM Sub-advisers will generally follow a sequential rotation for Group 2 accounts if there is more than one directed broker. Price differences can be due to external market factors, for example, security specific news and macro-economic events. It is BSIM's belief that over time Groups 1 and 2 are treated fairly and equitably over time and share equally in the exposure to external market factors.

In cases where a client has directed that all or a portion of its trades are to be directed to a particular

broker or brokers, or the client's account is held in custody at a brokerage firm holding the securities for that client and the trades must be made with that broker to avoid incurring additional expense in the client's account, then the client's trade can generally only be aggregated with other clients' trades at the same broker. Best execution may not be realized by using a directed broker and usually, non-directed orders in the same security are completed before directed brokerage orders. Directed trades will be placed based on BSIM Sub-advisers' directed trade rotation policy. Accounts with no restrictions are typically traded first, followed by directed accounts. The directed accounts are generally rotated by custodian. The trader has discretion to make exceptions.

In some cases, trades of a security are executed based on the specific needs of a particular client. At times this results in clients trading on different days and at different prices for the same security.

**Allocation of Equity Trades.** If the entire aggregated order is filled in one trading day, clients will generally participate at the average price of the aggregated order, with all transaction costs shared on a pro rata basis.

If the entire aggregated order is not executed in one trading day, clients will generally participate in the average price of the aggregated order for that portion of the trade executed on that day. In allocating partial trades, the allocation will usually be made on a pro rata basis. On occasion, when only a small portion of the order is executed, at the trader's discretion, the trade may be allocated based on the "gross exposure" of the security being traded in the various accounts involved. In other words, accounts with the least exposure to a security being purchased or the most exposure to a security being sold would receive a greater than pro rata share of the execution. If a pro rata division of a partial trade would result in a de minimis allocation to a certain account or accounts, those accounts will generally be excluded from the allocation. Thus, larger accounts could temporarily be advantaged. An account that is in the process of withdrawing funds may be allocated a greater than pro rata share of a security being sold. If trades are allocated in a manner other than pro rata, the transaction is reviewed as soon as reasonably possible, and an explanation is noted on the blotter.

Investments in IPOs will generally be allocated among clients in the same manner as other trades. If BSIM's Sub-advisers participate in an IPO on behalf of our clients and the allocation of the IPO is made in other than a pro rata basis, the Sub-advisers will document the reasons for the allocations. Each Sub-advisers' policies and procedures include periodic reviews to help ensure that clients are treated in a fair and equitable manner over time.

Please refer to the Sub-advisers' Form ADV for additional information.

## REVIEW OF ACCOUNTS

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All institutional separate accounts are reviewed at the periodic Investment Committee meeting. BSIM typically (1) conducts periodic due diligence reviews of each Sub-adviser that covers controls in areas that may impact a BSIM client; (2) requires Sub-advisers to complete periodic checklists that document certain key areas of compliance with respect to each client portfolio and the Sub-advisers' firm in

general; (3) conducts meetings with various staff members of each Sub-adviser on an as-needed basis; and (4) follows up with each Sub-adviser on any compliance or other concern that is detected. Client accounts are regularly monitored based on each client's investment objective and investment guideline, the firm's investment policies, and compliance with statutory and regulatory requirements by the assigned Sub-adviser.

BSIM provides all clients with a written report on their account at least quarterly. These reports typically include a list of assets in the account, a summary of the investment results of the account relative to the appropriate benchmarks, and a letter discussing the market conditions contributing to the performance of the account during the quarter. Clients also generally receive account statements from the custodian at least quarterly.

## CLIENT REFERRALS AND OTHER COMPENSATION

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As described under *Brokerage Practices* above, BSIM Sub-advisers may receive soft dollar products and services from brokers. BSIM does not receive any other economic benefit from a non-client for providing investment advisory services.

BSIM is currently involved in several referral arrangements with third-parties. BSIM will compensate individuals or entities for the referral of advisory clients to BSIM, provided appropriate disclosures and regulatory requirements are met. As agreed upon between BSIM and the affiliates, affiliates compensate BSIM for the referral of advisory clients to the affiliate.

Please refer to the *Other Financial Industry Activities and Affiliations* section of this Form ADV for additional information.

## CUSTODY

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In addition to the periodic statements that clients receive directly from their custodians, BSIM also sends account summaries directly to clients on at least a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current and agree to what is shown on the custodian statement.

BSIM is deemed to have custody as a result of our ability to instruct custodians to deduct client fees from client accounts where the client has authorized us in writing to do so.

## INVESTMENT DISCRETION

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BSIM accepts discretionary authority to manage investments on behalf of our clients. A written investment advisory agreement is required at the outset of every advisory relationship. The written agreement includes stated investment objectives and discretionary provisions. Generally, the written agreements allow us full discretion to direct the investment of assets on our client's behalf and at our

client's risk. Our discretion is exercised in a manner consistent with stated investment objectives of a client, regulatory requirements and our policies and procedures. BSIM further delegates investment discretion to the Sub-advisers.

Our limited discretionary authority includes the ability to do the following without contacting the client:

- ◆ Determine the broker-dealer
- ◆ Determine the security to buy or sell
- ◆ Determine the amount of the security to buy or sell
- ◆ Determine the amount of broker commissions to be paid

Clients can limit our discretionary authority by giving us written instructions. Clients can also change/amend such limitations by providing us with written instructions. Examples of client restrictions include:

- ◆ Limitations prohibiting the purchase of certain securities, industries or economic sectors
- ◆ Limitations prohibiting the sale of certain securities held in the account
- ◆ Restrictions limiting the percentage of any one security held in the account
- ◆ Specific guidelines on asset allocation restrictions

## VOTING CLIENT SECURITIES

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BSIM has a fiduciary responsibility to ensure proxies are voted in the best interest of clients. With respect to benefit plans under the Employee Retirement Income Securities Act (ERISA), we acknowledge our responsibility as a fiduciary to ensure proxies are voted prudently and solely in the best interest of plan participants and beneficiaries. Some clients wish to retain authority to vote proxies for the securities held in their accounts. In those cases, we will instruct or ask our client to instruct the custodian to send proxies directly to the client or the client's proxy voting agent. We will not maintain voting records for clients who vote their own proxies. Clients can change their voting authorization at any time. We have adopted a proxy voting policy and procedures that are reasonably designed to ensure that proxies are voted in the best interest of clients. Generally, BSIM delegates the voting of proxies to the Sub-adviser that invested in the security on behalf of the client. Certain Sub-advisers engage unaffiliated proxy voting service to assist them with the proxy voting process and to develop voting guidelines. We believe that the voting guidelines developed by the proxy voting service represent a reasoned approach to the primary goal of enhancing long-term shareholder value. In addition, we believe that engaging a proxy voting service assists in insulating our Sub-advisers' voting decisions from potential conflicts of interest.

On occasion, during the voting process, the best interest of our clients will conflict with our own interest or those of our Sub-adviser. Examples of conflicts of interest include: a substantial business relationship between BSIM/Sub-advisers and the companies soliciting proxies; a substantial business relationship between our/Sub-adviser's employees or their family members and the companies soliciting proxies; or a substantial business relationship between BSIM/Sub-advisers and either proponents or opponents

of a particular initiative. Our service provider could encounter a conflict of interest that precludes them from issuing vote recommendations or voting proxies in the best interest of our clients. If we or the Sub-adviser determines that a potential conflict of interest exists, our Sub-advisers will vote the proxy as recommended by the proxy service, or take another course of action that, in the Sub-advisers' opinion, fairly addresses the conflict in the best interest of our clients. On occasion, our Sub-advisers vote proxy ballots contrary to the recommendation of the proxy firm. This occurs when they believe that, after careful review and consideration, a vote in opposition of the proxy voting firm is in the best interest of our clients.

On limited occasions, our Sub-advisers are unable to vote proxies. Examples of situations in which they are unable to vote proxies are:

- ◆ A ballot is not received from the custodian.
- ◆ A meeting notice is received too late.
- ◆ A client participates in a share lending program and the shares subject to a vote are on loan.

Our Sub-advisers that vote proxies have procedures in place to monitor upcoming meetings and reconcile proxy ballots against shareholdings records.

Our Sub-advisers maintain voting records in an easily accessible place for at least five years. Clients can obtain copies of our Sub-adviser Proxy Voting Policies and Procedures and/or information about how proxies were voted proxies by calling by emailing [bsigcompliance@bsig.com](mailto:bsigcompliance@bsig.com).

Please refer to the Sub-advisers' Form ADV for additional information.

## **FINANCIAL INFORMATION**

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Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. BSIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.



## **Appendix**

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### **Client Privacy Policy**

We consider our relationship with our clients our most important asset. We strive to maintain your trust and confidence in BSIM, an essential aspect of which is our commitment to protect your personal information to the best of our ability. We believe that all of our clients value their privacy, so we will not disclose your personal information to anyone unless the disclosure is required by law, is at your direction, or is necessary to provide you with our services. We have not and will not sell your personal information to anyone.

### **What information do we collect, maintain and communicate?**

BSIM collects and maintains your personal information so we can provide investment management services to you. The types and categories of information we collect and maintain about you include:

- ◆ Information we receive from you to open an account or provide investment advice to you (such as your home address, telephone number, social security number, and financial information);
- ◆ Information that we generate to service your account (such as trade tickets and account statements);
- ◆ Information that we receive from third-parties with respect to your account (such as trade confirmations from brokerage firms or monthly statements from your custodian).

In order for us to provide investment management services to you, we disclose your personal information in other limited circumstances, which include:

- ◆ Disclosures to companies, subject to strict confidentiality agreements, that perform services on our behalf (such as our technology consultants who assist us in maintaining our information technology systems); and
- ◆ Disclosures to companies as permitted by law, including those necessary to service your account (such as providing account information to brokers and custodians), or to protect the security of our financial records.

Otherwise, BSIM will not disclose any personal information about you or your account(s) unless one of the following conditions is met:

- ◆ We receive your prior written consent;
- ◆ We believe the recipient is your authorized representative; or
- ◆ We are permitted or required by law to disclose information to the recipient.

### **How we protect your personal information**

To fulfill our privacy commitment at BSIM, we have instituted firm-wide practices to safeguard the information that we maintain about you. These practices include:

- ◆ Adopting policies and procedures to put into place physical, electronic and other safeguards designed to keep your personal information safe;
- ◆ Limiting access to personal information to those employees who need it to perform their job duties; and
- ◆ Requiring third-parties that perform services for us to agree to keep your information strictly confidential.

Even if you decide to close your account(s) or become an inactive client, we will adhere to the privacy policies and practices described above. BSIM will continue to review and enhance our security procedures as new technologies become available.

Please refer to the Sub-advisers' Form ADV for additional information.