



The Standard®  
Positively different.

# Investment Operations and Client Services

StanCorp Investment Advisers, Inc.





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StanCorp Investment Advisers, Inc.  
1100 SW Sixth Avenue  
Portland OR 97204

This brochure provides information about the business practices and qualifications of StanCorp Investment Advisers, Inc. Please contact Julie Grandstaff, CFA®, vice president and managing director, at (800) 378-5742, if you have any questions about the contents of this brochure. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

## **Company**

StanCorp Investment Advisers is a wholly owned subsidiary of StanCorp Financial Group, Inc. (StanCorp). StanCorp is also the holding company for Standard Insurance Company; Standard Life Insurance Company of New York; Standard Retirement Services, Inc.; StanCorp Mortgage Investors, LLC, a commercial loan underwriter; and StanCorp Equities, Inc., a limited broker-dealer. StanCorp Investment Advisers joined the family of subsidiaries under the StanCorp Financial Group umbrella in May 2000 to facilitate offering investment expertise developed as an in-house investment operation for Standard Insurance Company.

## **Advisory Services and Fees**

StanCorp Investment Advisers provides investment management services to clients with a variety of investment goals. Our largest client is Standard Insurance Company, for whom we manage nearly \$5 billion of investment-grade, fixed-income securities. The portfolio may include other investment vehicles as necessary to meet the investment objectives of Standard Insurance Company (The Standard®). We also manage third-party investment manager relationships for The Standard.

In addition, we offer investment consulting services to the retirement plan clients of The Standard. These services include:

- fund selection and monitoring for group variable annuity separate accounts, and the Standard Retirement Services open platform. We do not vote proxies for the Standard Retirement Services open platform.
- development and maintenance of model fund portfolios for defined contribution plans
- fund portfolio construction for defined benefit plans
- assistance in selecting funds for specific retirement plan menus and portfolios
- quarterly monitoring reports reflecting the performance of funds offered to The Standard's retirement plan clients

- participant level advice through the Mainspring Managed service. The investment directives of participants who choose the service may be changed as the participant's circumstances change over time.

We provide investment advice to the Reliance Advisory Portfolio Collective Trusts, a series of 15 collective trusts owned by Reliance Trust. These collective trusts invest in unaffiliated mutual funds representing a broad range of asset categories. There are ten fully-diversified portfolios and five style-based portfolios each representing the large-cap, small-cap and mid-cap, fixed income, short-term fixed income and international equity categories respectively. The Reliance Advisory Portfolio Collective Trusts are available only to clients of Standard Retirement Services.

Our individual investor service offers financial planning and investment management using mutual funds, stocks and bonds. Clients work directly with an investment counselor to assess their financial situations, set objectives and determine the most appropriate investment approach for each individual. The minimum account size for this service is \$250,000.

Fees for services are charged based on a percentage of assets under management, a fixed retainer or hourly. Asset-based fees are 1 percent for the first \$1 million of assets under management for mutual fund and bond portfolios and 1.25 percent for the first \$1 million of assets for actively managed equity portfolios.

Fees are negotiable. Retainer and hourly fees are negotiated at the time of engagement. Asset-based and retainer fees are charged quarterly for services rendered in the previous quarter. Hourly fees are billed within 30 days of the provision of services. The Standard and Standard Retirement Services pay a retainer to StanCorp Investment Advisers for services provided to the retirement plan clients of The Standard. Standard Retirement Services receives a per participant fee for the participant-managed account service. Clients may terminate their contracts at any time. The client will be billed from the beginning of the quarter to the termination date. Portfolios

that include mutual funds have a layered fee structure. In addition to the management fees paid to StanCorp Investment Advisers, the mutual funds' expenses are netted out of the value of the mutual funds.

Investment advisory services represent approximately 87.4 percent of our total revenue. Services for the clients of Standard Retirement Services represent approximately 12.6 percent of our total revenue. Clients of StanCorp Investment Advisers may also be clients of Standard Insurance Company, Standard Retirement Services, StanCorp Mortgage Investors or StanCorp Equities.

StanCorp Investment Advisers may, from time to time, enter into agreements with our employees or unrelated individuals for the purpose of obtaining client referrals. These individuals may be compensated for referring new business to us.

## **Investment Strategies**

The fixed income portfolio for The Standard is designed to meet asset liability management requirements of the various insurance product lines offered. Investments for this portfolio include U.S. Government, municipal and corporate bonds, commercial paper and other short-term investments and options on the S&P 500 index to hedge specific exposure created by The Standard's equity index annuity product.

For individual, non-retirement investors, we primarily invest in mutual funds, but where appropriate, we include stocks and bonds. These investments are used to populate allocations that are expected to produce returns and risk consistent with the client's long-run objectives and risk tolerance. Mutual funds are selected and retained based on their long-run adherence to specific performance and portfolio criteria.

Our fixed-income and equity selections are based on fundamental and quantitative analysis. We rely on a variety of sources of information including but not limited to electronic and print data services, financial publications, credit rating agencies, company

regulatory financial filings and press releases. Our mutual fund selections are based on quantitative and qualitative analysis of data provided by various data services and the fund families and investment management firms.

## **Other Investments**

StanCorp Investment Advisers may work with other affiliates to create investment opportunities for individual investor clients that are otherwise not available to them. Examples of these opportunities include commercial mortgage loan participations that are originated by StanCorp Mortgage Investors, or mortgage loans that are also participated to NMC2, LLC, a limited liability company of which one of the members is Standard Insurance Company and one of the creditors is StanCorp Mortgage Investors. In 2006, StanCorp Investment Advisers worked with StanCorp Mortgage Investors to create a mortgage pass-through, limited liability company for clients of StanCorp Investment Advisers. StanCorp Investment Advisers derives no income from these investments, but StanCorp Mortgage Investors receives servicing fees on the mortgage loans and will receive a management fee on the mortgage pass-through instrument. StanCorp Equities is the distributor of the pass-through but will receive no compensation. These investments are available to clients at their discretion.

## **Code of Ethics**

StanCorp Investment Advisers maintains a Code of Ethics that governs the actions of personnel in their dealings with clients. The code covers personal trading, gifts and gratuities, and the protection of client information. Any client or prospective client may request a copy of our Code of Ethics at any time.

## **Account Management**

Investment portfolios are reviewed regularly. Fixed-income holdings are monitored for changes in credit quality, business focus and merger activity using alert mechanisms from our various information systems. Mutual funds are monitored for changes in ownership, management and investment strategy.

For the funds in The Standard's retirement plans lineup, fund performance, selections and terminations are reviewed at least quarterly, and occasionally more often, by a committee of StanCorp Investment Advisers' investment committee members and representatives from The Standard. Mutual funds used in the individual investor service undergo the same review by a team of our investment committee members.

Investment management clients receive reports quarterly or more often detailing holdings, market value and activity. All clients receive a quarterly performance review comparing investment returns to appropriate benchmarks.

## **Education and Business Standards**

StanCorp Investment Advisers requires that anyone involved in determining and/or giving investment advice to clients must possess, at minimum, a college degree, the Chartered Financial Analyst designation or other financial industry designation, or an equivalent level of work experience. The following is a summary of the education and business experience of each of the principal officers and members of our investment committee.

### ***Julie Ann Grandstaff, CFA®, Vice President and Managing Director***

Julie Grandstaff holds an MBA from California State University and a bachelor of science degree in finance from Arizona State University. Ms. Grandstaff achieved her Chartered Financial Analyst designation in 1996. Ms. Grandstaff has been with the company since its inception and is a member of the investment committee. She also serves as an officer of The Standard, where she has worked since 1998. Prior to that she worked with Investment Management Consultants beginning in 1997, and Bailard, Biehl & Kaiser beginning in 1986.



***Kim Wallace Ledbetter, FSA, President***

Kim Ledbetter holds a bachelor of science degree in economics and mathematics from Claremont McKenna College. Mr. Ledbetter achieved his designation, Fellow, Society of Actuaries, in 1980. He has been a director since the company's inception and President since 2004. His primary occupation is senior vice president of Asset Management for The Standard. Mr. Ledbetter has been with The Standard in various capacities since 1974 and is also president and director of StanCorp Equities, Inc. and president of Standard Retirement Services, Inc.

***Kimberly Ann Ceserani, CFA®, Director Investment Management***

Kim Ceserani holds a bachelor of science degree in finance from Portland State University. She achieved her Chartered Financial Analyst designation in 1999. Ms. Ceserani has been with StanCorp Investment Advisers since January 2001, and has served in the same capacity with The Standard since 1987. Ms. Ceserani is a member of the investment committee.

***Rajiv Jain, CFA®, Senior Portfolio Manager***

Rajiv Jain holds an MBA and an MSEE from the University of Chicago School of Business and Purdue University. He received his bachelor of science degree from the University of Minnesota and achieved his Chartered Financial Analyst designation in 2000. Mr. Jain has been with StanCorp Investment Advisers since November 2002. Prior to that, he worked for Intel beginning in 1999 and Sears Roebuck and Co. beginning in 1997.

***Richard T. Allison, Investment Consultant, StanCorp Equities, Inc.***

Richard Allison holds a bachelor's and master's degree in finance from the University of Georgia. He joined StanCorp Equities, Inc., in January 2007 with the acquisition of Invesmart. He joined Invesmart in February 2000 and previously held positions with Plan Member Services Corporation, Fidelity Investments and First National Bank of Gainesville.

***Richard L. Simpson, Investment Consultant, StanCorp Equities, Inc.***

Richard Simpson holds a bachelor's degree from Western Michigan University. He joined StanCorp Equities, Inc., in January 2007 with the acquisition of Invesmart. He joined Invesmart in May 2000 and previously held positions with Innova Plan Strategies, Inc., One Orchard Equities, Inc. and Great West Life & Annuity.

***Charles T. McGortey, Chief Compliance Officer***

Charles McGortey holds a bachelor's degree in business administration and management from LaRoche College. He joined StanCorp Equities, Inc., in January 2007 with the acquisition of Invesmart. He joined Invesmart in May 2005 and previously worked at Federated Investors.

Kim Ledbetter, Richard Allison, Richard Simpson and Charles McGortey are involved in other business activities with The Standard and other subsidiaries of StanCorp Financial Group. The time spent in these other activities could be as much as 90 percent.

## **Trade Execution**

StanCorp Investment Advisers has the discretion to determine the broker and/or institution with which trades are executed, the specific securities that are purchased, and the size of transactions without prior client consent within client established guidelines.

Transactions for Standard Insurance Company portfolio are executed on a competitive basis where possible. If there is not more than one bid or offer, the transactions will be evaluated relative to a matrix of issuers with similar quality and maturity. Transaction size and issuer concentration are governed by Standard Insurance Company investment policy, which may be changed at any time.

Transactions for individual investors are executed through a custodian platform. The basis for recommendation of the custodian includes availability of low cost, high-quality mutual funds on the platform, transaction costs and the accuracy and quality of trade execution and overall service to the client.





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1100 SW Sixth Avenue  
Portland OR 97204  
(800) 378-5742  
(971) 321-8844

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