

FIRM BROCHURE
(Part 2A of Form ADV)

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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Aperio Group, LLC (“Aperio”, “Aperio Group”, “we” and/or the “Company”). If you have any questions about the contents of this Brochure, please contact us at (415) 339-4300 and/or www.aperiogroup.com. 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.

Aperio Group is registered as an investment adviser with the U.S. Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Aperio Group is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 1: COVER PAGE

Please refer to previous page.

ITEM 2: MATERIAL CHANGES

This Brochure is being revised to reflect the following annual updates and material changes:

Item 4 – Advisory Services – We have updated the ownership information to reflect that in mid-December 2016, the ownership interest in Aperio held by NL Midco was transferred to a newly created affiliate of Pacific Current Group (“PCG”) called Northern Lights Midco II, LLC (“NL Midco II”). There was no change in the percentage of ownership interest by PCG or its affiliates as a result of this NL Midco II transaction. We also updated the names of certain index strategies, removed certain language regarding Retirement Plan Consulting since we no longer offer this service, and updated the information concerning our AUM.

Item 5 – Fees and Compensation – We removed information on the fees for Retirement Plan Consulting services and included certain disclosures reflecting the fact that some clients pay a lower fee than the current fee schedule shown.

Item 7 – Types of Clients – We removed information on the minimum fees for the Retirement Plan Consulting services.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – We updated the names of certain index strategies where appropriate and removed the language on the Retirement Plan Consulting services.

Item 10 – Other Financial Industry Activities and Affiliations – We updated this section as appropriate to reflect the specific changes in ownership as outlined in Item 4 above.

Item 12 – Brokerage Practices – We removed certain language regarding Schwab’s services under their custodian institutional platform. We also added language summarizing our best execution practices.

Item 14 – Client Referrals and Other Compensation - We updated disclosures regarding the Schwab Adviser Network.

The previous version of this Brochure is dated February 2, 2016. Aperio Group encourages each client to read the Brochure carefully and to contact us at the number or through the e-mail address with any questions you may have.

Pursuant to new SEC Rules, Aperio Group will ensure that clients receive a summary of any material changes to this Brochure, along with an offer to provide a full copy of this Brochure upon request within 120 days of the close of our fiscal year. Additionally, as we may potentially experience certain specific material changes in the future, we will send you a summary of our “Material Changes” under separate cover, along with the same offer. For more information about the firm, please visit our website at www.aperiogroup.com.

Additional information about Aperio Group and its investment adviser representatives is available on the SEC’s website at www.adviserinfo.sec.gov.

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ITEM 4: ADVISORY BUSINESS

Description of Aperio Group, LLC

Aperio Group manages domestic, international and global equity portfolios for high net worth individuals, institutions and intermediaries such as wealth managers, consultants and family offices. In addition the company advises a limited number of individual clients on asset allocation and fund selection. Aperio also advises a limited number of ERISA clients, and provides sub-advisory investment management services to registered mutual funds.

Principal Owners

Aperio Group was founded in August of 1999 and, until January 4, 2016, was entirely owned by its four partners: Patrick Geddes, Guy Lampard, Robert Newman and Paul Solli.

On December 11, 2015, Guy Lampard and Robert Newman each agreed to sell a portion of their ownership interest in Aperio to Northern Lights Midco, LLC (“NL Midco”), an affiliate of Pacific Current Group. The transaction closed on January 4, 2016, and in total, NL Midco acquired a 23.4% ownership interest in Aperio. Patrick Geddes and Paul Solli, the founders of Aperio, always have held majority control of the firm and continue to do so. Guy Lampard and Robert Newman continue to work at Aperio full-time and still hold substantial stakes in the firm. PCG is a publicly traded Australian company that invests in boutique investment management firms.

It should be noted that in mid-December 2016, the ownership interest in Aperio held by NL Midco was transfer to a newly created affiliate of PCG called Northern Lights Midco II, LLC (“NL Midco II). No change in the percentage of ownership interest by PCG or its affiliates occurred as a result of this NL Midco II transaction.

Ownership interests are outlined in our Form ADV Part 1, Schedule A and B.

Types of Advisory Services

Separate Account Indexing Management

Aperio Group offers three (3) main indexing strategies, which are:

- Active Tax Management
- Factor Tilts
- Socially Responsive Indexing

For each strategy, Aperio Group uses quantitative tools designed to create portfolios of equity securities that are expected to perform in line with (track) appropriate broad market equity indexes representing large and broad market domestic companies and developed and emerging market foreign companies. These portfolios typically represent a core portion of a client's investments in the stock market. Selection of the individual securities creating client portfolios is done using sophisticated computer models. Each strategy is different and its performance versus the selected benchmark index will vary by account. Please refer to Item 8 "Method of Analysis, Investment Strategy and Risk of Loss" for detailed information regarding these strategies.

Aperio Group's Separate Account Indexing strategies are also offered through certain wrap programs (each, a "Wrap Program"), which are sponsored by unaffiliated multi-service financial institutions (each, a "Wrap Sponsor"). A list of such Wrap Programs may be found in Part 1 of our Form ADV. For further information on Wrap Programs please refer to the information below under "Advisory Agreements" and "Wrap Program Services", and also Item 5 "Fees and Compensation."

Aperio Group offers a standard group of separately managed index strategies that meet the needs of most clients. Each portfolio is constructed based on a benchmark that represents domestic, foreign or global public equity markets. In addition, the firm offers clients the ability to tailor their portfolios to meet specific requirements such as holding restrictions, industry limitations, security characteristics beta and risk factor tilts.

The risk characteristics of each strategy and benchmark will vary and the client may select those that are most appropriate given its existing exposures and asset allocation targets, along with the client's overall investment objectives and imposed restrictions. Once a client has selected an investment strategy and benchmark, Aperio provides continuous supervision and management of the assets. Clients are responsible for informing Aperio of any changes to their investment objectives, individual needs and/or restrictions.

Wealth Management Services

Aperio Group provides wealth management services on a discretionary basis for a limited number of client portfolios. This includes advice on asset allocation and asset selection and purchase of publicly available mutual funds and ETF's. These services may also include financial planning, summarizing a client's assets, liabilities, current and anticipated income and expenditures, retirement planning, college planning and planning for other goals. The wealth management client portfolios are designed and managed based upon each client's particular circumstances including their individual financial goals, investment time horizon, tax situation, funding and other requirements. While Aperio Group serves as wealth manager to a small number of individual and institutional clients, we are not accepting new clients for this service.

Amount of Client Assets Managed

As of December 31, 2016 the following represents the total amount of client assets under management ("AUM") by Aperio Group on a discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$15,619,552,133
Non-Discretionary	\$0
Total:	\$15,619,552,133

Advisory Agreements

Separate Account Indexing

For all Separate Account Indexing clients, a written Master Sub-Advisory Agreement or an individual Investment Advisory Agreement governs the terms of the relationship between Aperio Group and its clients. Both agreements describe the advisory services to be provided, the responsibilities of the Advisor and the terms of engagement including fees and termination.

Investment advisor intermediaries, consultants and wealth managers (Intermediaries) acting as the primary advisor may enter into a Master Sub-Advisory Agreement with Aperio when Aperio has been selected to manage portfolios for the Intermediaries' clients as sub-advisor. In this case, the client of the Intermediary (usually a high net worth individual investor) delegates to the Intermediary the authority to select sub-advisor managers. A list of clients covered by the Master Sub-Advisory agreement is appended to the agreement and updated regularly. All direct clients managed by Aperio Group, enter into an individual Investment Advisory Agreement which also describes in detail the advisory services to be provided by Aperio Group. In some circumstances, the clients of Intermediaries selecting Aperio Group as a manager on behalf of their clients will enter into an individual Investment Advisory Agreement. Both the Master Sub-Advisory Agreement and the individual Investment Advisory Agreement may be terminated by either party upon written notice to the other party. If Aperio terminates a Master Sub-Advisory agreement Aperio agrees to continue service for a specified period in order to facilitate transitioning of accounts. Both agreements provide for management fees paid in advance to be prorated to the date of termination and any unearned portion of the prepaid fees be refunded to the client. For services billed in arrears the client will be billed for services earned but not paid.

Wealth Management Advisory and Wealth Management Consulting Services

Wealth Management Advisory and Wealth Management Consulting clients enter into an Investment Advisory Agreement with Aperio Group that describes the terms of engagement including fees and termination. The agreement may be terminated upon written notice by the client or Aperio Group. Upon termination, the agreement provides for management fees paid in advance to be prorated to the date of termination and any unearned portion of the prepaid fees be refunded to the client. For services billed in arrears the client will be billed for services earned but not billed. Fees for Wealth Management Consulting are billed following the delivery of services.

Wrap Program Services

From time to time, intermediaries choose to access Aperio Group's Separate Account Indexing through a Wrap Program. Some programs may use a written Master Sub-Advisory Agreement between the Wrap Program Sponsor and Aperio Group. The Master Sub-Advisory Agreement describes the advisory services to be provided, the responsibilities of the Advisor and the terms of engagement including fees and termination. Other Wrap Program Sponsors require a Service Agreement with Aperio Group in addition to the individual Investment Advisory Agreement between the Wrap Program client and Aperio. The Service Agreements between the Wrap Sponsor and Aperio Group covers items such as use of software provided; data downloads of account information and electronic trading service terms and conditions.

The individual Investment Advisory Agreement governs the terms of the relationship between Aperio Group and the Wrap Program client. Both the Sub-Advisory and the individual Investment Advisory Agreement describe the advisory services to be provided, the responsibilities of the Advisor and the terms of engagement including fees and termination. Both the Master Sub-Advisory Agreement and the individual Investment Advisory Agreement may be terminated by either party upon written notice. If Aperio Group terminates a Master Sub-Advisory agreement Aperio agrees to continue service for a specified period in order to facilitate transitioning of accounts.

Both agreements provide for management fees paid in advance to be prorated to the date of termination and any unearned portion of the prepaid fees be refunded to the client. For services billed in arrears the client will be billed for services earned but not paid.

Generally, a Wrap Program Client (the "Wrap Client"), with the assistance and advice of the Wrap Sponsor, selects an investment adviser, such as Aperio, from a list of Wrap Sponsor approved advisers to provide investment management services for their assets allocated to their Wrap Program account(s). In addition, a Wrap Client receives certain other services provided by the Wrap Sponsor and/or entities affiliated with the Wrap Sponsor (such as trading execution, custodial services and, in some cases, advisory services). All services are generally provided for a single all-inclusive fee (the "Wrap Fee"). The Wrap Client pays the Wrap Sponsor a Wrap Fee based upon the Wrap Client's

assets allocated to their Wrap Program account(s), and the Wrap Sponsor pays the selected adviser, such as Aperio Group, a portion of the Wrap Fee for providing investment management services to the Wrap Client. For the Wrap Programs that we participate in, Wrap Clients enter into a written agreement with the Wrap Sponsor and may also enter a contract with Aperio Group, depending on the program.

Although the types of investment management services provided by Aperio Group to Wrap Clients are generally the same as the types of investment management services provided to our non-wrap program clients, certain differences usually exist. These include, but are not limited to: 1) the fact that the Wrap Sponsor collects each client's investment objectives and assists the client in determining the strategy best suited for the client, and 2) that client communications regarding the investment management of a Wrap Clients' assets is generally between the Wrap Sponsor and the Wrap Client, with Aperio only communicating with the Wrap Sponsor, unless requested otherwise by the Wrap Client or Wrap Sponsor.

Since the Wrap Fee paid by Wrap Clients is all inclusive as described above, Aperio believes it is important for each Wrap Client to evaluate whether such a program is suitable for their needs and cost effective, given factors such as the size of the account, frequency of transactions and the client's investment objectives, and also whether or not comparable or similar services are available at a lower cost if provided separately.

Please refer to Item 5 of this document for further details on fees and how fees are handled in the event of Agreement termination.

ITEM 5: FEES AND COMPENSATION

Separate Account Indexing

Aperio Group charges an annual management fee based on a percentage of a client's account value for all separately managed equity index strategies. There is no extra fee for simple screens or exclusions for specific companies or industries. There is no extra fee for Factor Tilt strategies that do not incorporate social screening customization. Fees are negotiable at the sole discretion of Aperio Group and vary depending on account size and overall relationship. A minimum annual fee of \$3,500 will be applied; however Aperio has discretion to lower or waive the minimum at any time and for any clients.

Below is the standard annual advisory fee:

Domestic Indexes	0.35%
Foreign/Global	0.40%
U.S. Index SRI	0.45%
Foreign/Global SRI	0.50%

The management fee is typically billed quarterly in advance based on the account value at the end of the prior quarter. A small number of accounts are billed quarterly in arrears based on the account value at the end of the period. Aperio Group manages a small number of accounts that are part of Wrap Programs. A description of Separate Account Indexing Billing and details on the Wrap Program fee arrangements are described in a separate section of Item 5 below.

Since investment advisory fees are typically billed quarterly in advance, if the agreement is terminated during a quarter the portion of the fee paid for the remainder of the period will be refunded. The amount refunded will be pro-rated according to the portion of the quarter which was prepaid and not earned. For fees charged in arrears, the amount billed is prorated for the period services were earned.

Wealth Management and Wealth Management Consulting Services

Aperio Group charges an annual management fee based on a percentage of a client's account value for most Wealth Management Service clients. The fee for this service is 0.50%, and is subject to a \$10,000 minimum, both of which are negotiable. This fee is billed quarterly in advance.

An hourly consulting fee of \$450 is charged for consulting to a limited number of wealth management clients. This fee may be applied to advice on asset class and mutual fund selection. This fee is negotiable and is billed following delivery of the service. Upon termination, the agreement provides for management fees paid in advance to be prorated to the date of termination and any unearned portion of the prepaid fees be refunded to the client. For services billed in arrears the client will be billed for services earned but not billed.

Separate Account Indexing and Wealth Management Billing

Fees for non-wrap program clients are typically billed quarterly in advance and are deducted directly from each client's account by their custodian and paid directly to Aperio Group, unless otherwise specified in writing by a client. The fee is calculated based on the total account value at the end of the prior quarter.

The consent for deduction of fees is generally contained in the written agreement the client enters into with Aperio Group. Clients' custodians will deliver a periodic (at least quarterly) account statement directly to clients. The statements will include all transactions that took place in the account during the period covered and reflect any fees deducted and paid to Aperio.

Clients are encouraged to review their account statements for accuracy and compare them to the reports received from Aperio Group. Should there be any discrepancies, clients should rely on the information in their custodian's account statement.

Since investment advisory fees are typically billed quarterly in advance, if the contract is terminated during a quarter the portion of the fee paid for the remainder of the period will be refunded. The amount refunded will be pro-rated according to the portion of the quarter which was prepaid and not earned. For fees charged in arrears, the amount due are prorated for the period services were provided.

Wrap Fees

The annual fees received by Aperio Group from each Wrap Sponsor are generally equal to either

(a) a percentage of the total assets in the Wrap Sponsor's Wrap Program accounts for which Aperio Group provides investment management services or (b) a percentage of the Wrap Fees actually collected by the Wrap Sponsor from Wrap Clients to whom we provide investment management services. Each Wrap Sponsor generally pays Aperio Group on a quarterly basis, generally in advance, or as outlined in each written agreement between Aperio Group and the Wrap Sponsor. With respect to each Wrap Program in which we participate, the standard fees received by us from each Wrap Sponsor can vary depending on the investment style selected and other factors. The annual fees currently range from 0.30% - 0.40% depending on the product offered.

Aperio Group is not generally informed of the specific fee arrangement negotiated between each Wrap Client and the Wrap Sponsor. Wrap Sponsors charge a minimum annual Wrap Fee to each of their Wrap Clients. Complete information on the services provided and fees charged under a Wrap Program can be found in each Wrap Sponsor's Form ADV Part 2A – Appendix 1, also known as the Wrap Fee Program Brochure. Wrap Clients should carefully evaluate all information in the applicable brochure to determine whether or not the wrap fee paid for the services provided exceeds the aggregate cost of such services if they were to be provided separately.

The above fees are a general representation of those charged by Aperio Group and they do not apply to all circumstances. Aperio negotiates fees with clients and some clients are paying lower fees than the fees shown above. Also, lower fees for comparable services may be available from other sources.

Mutual Fund Clients

For our sub-advised mutual fund clients, we receive annual sub-advisory fees, which are based on the funds' average daily net assets. The annual sub-advisory fees are paid monthly in arrears by the Funds' advisers and range from 0.10% - 0.20%.

Other Fees

Clients should understand that the fees discussed above are specific to what Aperio Group charges and do not include certain charges imposed by third parties such as custodial fees,

mutual fund fees and expenses, and additional fees charged by Wrap Sponsors. Client assets also can be, depending on the type of account and the types of investments in the account, subject to asset based transaction fees, brokerage fees and commissions, retirement plan administration fees (if applicable), deferred sales charges on mutual funds, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. For mutual fund and exchange trade fund (“ETFs”) investments, clients are charged internal management fees, distribution fees and other expenses by each mutual fund and ETF, which are described in each funds’ prospectus.

Clients should understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client’s account are generally paid out of the assets in the account and are in addition to the investment management fees charged by Aperio Group. Please refer to Item 12 of this Brochure for additional important information about our brokerage and transactional practices, including considerations for selecting broker-dealers for client transactions.

Clients should review the fees charged to their account(s) to fully understand the total amount of all fees charged. Clients should understand that lower fees for comparable services may be available from other investment advisory firms.

No supervised person of Aperio Group receives transaction based compensation related to investment recommendations or advice that could be considered a conflict of interest.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Aperio Group does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains on or capital appreciation of the client’s assets or any portion of the client’s assets). Consequently, Aperio Group does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, we provide our services based upon a percentage of assets under management or hourly fees (depending on type of services provided), in accordance with SEC Rule 205(a)(1). Notably, accounts that are managed in the same investment style (*e.g.*, risk profile) are not always managed the same way due to the client's overall investment objective, discretion of the investment professional assigned to the account, asset size and account restrictions.

ITEM 7: TYPES OF CLIENTS

Description

Aperio Group clients include the following:

- Registered Investment Advisors and Consultants
- Family and Multi Family Offices
- Individuals, High Net Worth Individuals and Trusts
- Charitable Organizations including Endowments and Foundations
- Investment Companies including Registered Mutual Funds
- Wrap programs and other wealth management platforms
- Pension and Profit Sharing Retirement Plans

For ERISA clients, Aperio Group will provide certain required disclosures to the “responsible plan fiduciary” (as such term is defined in ERISA) in accordance with Section 408(b)(2), regarding the services we provide and the direct and indirect compensation we’ve receive by such clients. Generally, these disclosures are contained in this Form ADV Part 2A, the client agreement and in separate ERISA disclosure documents, and are designed to enable the ERISA plan’s fiduciary to: (1) determine the reasonableness of all compensation received by Aperio Group; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

Conditions for Managing Accounts

For accounts managed by Aperio Group through an Intermediary or directly, the client must use the services of a custodian to hold the securities in their account. For Aperio Group to accept an account for management, Aperio Group must have an established relationship with that custodian or alternatively must agree to establish one. The client is required to grant Aperio Group the authority to manage their account by signing a Limited Power of Attorney (LPOA). The LPOA grants Aperio discretionary authority to manage the portfolio according to agreed upon guidelines, to buy and sell securities, invest cash, implement client instructions, deduct fees and perform other actions consistent with managing the portfolio.

While there is some flexibility, Aperio Group generally recommends clients maintain an average account balance for their separately managed equity portfolios at \$1 million or more. Wealth management clients are subject to a \$10,000 minimum fee. However, Aperio Group reserves the right to lower or waive the minimum fee at our discretion.

Wrap Program Accounts are usually subject to minimum account sizes and/or fees, which are outlined in the Wrap Sponsor’s ADV Part 2A – Appendix 1.

There may be times when certain restrictions are placed by a client which prevent us from accepting or continuing to service the client's account. Aperio Group reserves the right to not accept and/or terminate a client's account if it feels that the client imposed restrictions would limit or prevent it from meeting and/or maintaining its objectives.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

Aperio Group uses computers and specialized software for managing its strategies for its separately managed account portfolios. Each strategy has a specific benchmark that it will track. The process of creating portfolios that track the broad market indexes begins with a database of company-level information on thousands of individual stocks. Computer software, both purchased and developed by Aperio Group, determines a group of stocks, typically 250 – 500, that when combined have a high probability of tracking the particular index selected as the benchmark. Computers are again used to assure individual account guidelines are followed and to seek out loss harvesting trade opportunities.

For asset allocation, methods such as analysis of historical and expected returns, standard deviations and correlations among different asset classes are used in the investment process. Aperio also uses databases such as Morningstar to analyze performance and choices of mutual funds for clients.

Investment Strategies

For the Active Tax Management strategy, Aperio constructs a portfolio comprised of individual stocks that track a target benchmark and utilizes software designed to systematically harvest losses within the portfolio and immediately replace the securities sold at a loss with others of similar type and risk. The losses realized are available to offset gains created in other portions of the client's portfolio such as active managers, hedge funds or sale of low cost basis stock. Any savings realized by the reduction in taxes paid or postponed can improve returns when measured after-tax. This after-tax return benefit presumes that clients have capital gains from active managers, hedge funds, sale of low cost basis stock, or other sources suitable for offset. Changes in tax law and/or the treatment of capital gains could impact the after-tax returns from this strategy.

The Factor Tilt and Socially Responsive Indexing strategies are customized portfolios of equity securities that are designed to meet specific client driven objectives. These strategies are suitable for both taxable and non-taxable portfolios and include Socially Responsive screening as well as other thematic strategies. Socially Responsive Indexing portfolios are designed to track the major market indexes using a universe of securities that meet specific criteria and standards of conduct as determined by the values expressed by the client.

Factor Tilt Indexing portfolios enable clients to select popular alpha-seeking equity strategies – for example, high quality, low volatility, growth or value stocks or for example, global stocks with an emerging-markets overweight.

For wealth management clients, advice on asset allocation and fund selection, Aperio Group follows a strategy of creating portfolios that are well diversified among several asset classes that can be achieved through use of mutual funds and ETF's with an emphasis on index funds.

Strategies are designed with a goal to produce the highest expected returns for clients based on their time horizon, risk tolerance, and tax situation.

Risk of Loss

Aperio Group's separately managed equity portfolios consist of stocks with the objective that the portfolio perform in line with the index benchmark selected. In addition, accounts may hold small amounts of cash. As a result, the portfolios will rise and fall with the stock markets. With all separately managed portfolios, there is a significant risk that accounts will decline in value from time to time and clients should be prepared to accept the risk of potential loss.

Aperio Group uses quantitative tools to measure the estimated tracking error versus the index. Tracking error is the statistic that forecasts how much a portfolio is likely to deviate from the benchmark during a twelve month period. Tracking error is a one standard deviation estimate versus a benchmark. For example if the estimated tracking error of a portfolio is 1% and the market goes up 10%, there is a 68 % chance that the portfolio performance will be between 9% and 11% assuming what statisticians refer to as a "normal distribution". There is also the possibility that the account could experience a 2, 3 or more standard deviation outcome. While not expected, the risk of a significant deviation from the index is very possible. If the deviation was negative versus the market there is a risk of significant under performance versus the index. Some accounts will perform worse than the benchmark due to random variation.

The Factor Tilt strategies add an additional and potentially significant level of tracking risk as the themes emphasized by these strategies move in and out of favor.

Socially Responsive Investing strategies add an additional level of tracking risk as socially responsive themes move in and out of favor. An optional participation in a shareholder advocacy program requires a commitment to hold a small amount of shares in the impacted company for a specific period of time. Participation in this program is directed by the client who accepts the potential for risk of loss due to the holding period requirement.

For wealth management advisory clients there is the risk that the funds recommended do not perform as expected. There is a risk of loss from mutual funds and ETF's, especially for small company or foreign funds.

Some additional general investment risks a client should be aware of include, but are not limited, to the following:

- *Market Risk*: The price of a stock, bond, mutual fund or other security can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.
- *Equity Risk*: Since the strategies invest in equity securities, they are subject to the risk that stock prices can fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of each strategy's 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 the principal risk of investing in the strategies we offer.
- *Foreign Risk*: Investments in overseas markets (international securities) pose special risks, including currency fluctuation and political risks, and such investments can be more volatile than that of a U.S. only investment. The risks are generally intensified for investments in emerging markets.
- *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.
- *Political and Legislative Risk*: Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States or those companies who conduct a substantial amount of their business outside of the United States.
- *Business Risk*: These risks are 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. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk*: Excessive borrowing to finance a business' operations may increase the risk of 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 can result in bankruptcy and/or a declining market value.

There can be no assurance that a client's investment objectives will be obtained and no

inference to the contrary is being made. Prior to entering into an agreement with Aperio Group, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of three to five years, (2) that volatility from investing in the stock market can occur, and (3) that over time the client's assets can fluctuate and at any time be worth more or less than the amount invested.

Aperio Group does not represent, guarantee or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

ITEM 9: DISCIPLINARY INFORMATION

Legal or Disciplinary Events

Registered investment advisers such as Aperio Group are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of Aperio Group or the integrity of our management. Aperio Group does not have any such legal or disciplinary events and thus has no information to disclose with respect to this Item.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As discussed in Item 4, in mid-December 2016, NL Midco II, an affiliate of PCG, acquired the 23.4% ownership interest in Aperio previously held by NL Midco, also an affiliate of PCG. Aperio does not have a business relationship with NL Midco, NL Midco II, PCG, or any of their other affiliates.

Aperio Group and our associated persons do not have any other outside financial industry activities or financial industry affiliations. From time to time Aperio Group refers clients or prospects to wealth managers, accountants, tax specialists, attorneys, and other professionals. Furthermore, such professionals have and may continue to refer their clients or prospects to Aperio Group. Referrals both to and from Aperio Group are made without any compensation or other commitment, with the exception of a handful of accounts that were opened at Aperio Group before 2007, as disclosed in this document in Item 14: Client Referrals and Other Compensation.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Description of Code of Ethics

The Investment Advisers Act of 1940 imposes a fiduciary duty on all investment advisers to act in the best interest of its clients. Aperio Group's clients therefore entrust us to use the highest standards of integrity when dealing with their assets and making investments that impact their financial future. Our fiduciary duty compels all employees to act with integrity in all of our dealings.

Because our investment professionals occasionally transact in the same securities for their personal accounts as the Firm buys or sells for client accounts, it is important to mitigate potential conflicts of interest. To that end, we have adopted personal securities transaction policies in the form of a Code of Ethics ("Code"), which all our associated persons must follow. This Code provides such personnel with guidance in their ethical obligations regarding their personal securities transactions and fiduciary duties formulating the basis of all of our client dealings. Specifically, the Code requires certain personnel to report personal trades and holdings and prohibits or requires pre-clearance for certain trades in certain circumstances. The Code also contains procedures for reporting violations and enforcement. The Code is reviewed and distributed to our associated persons annually. Aperio Group will provide a copy of the Code to any client or prospective client upon written request.

Aperio Group obtains information from a wide variety of publicly available resources. Aperio Group and our personnel do not have, nor claim to have, insider or private knowledge. To ensure insider trading does not take place and to address the conflict of interest regarding obtaining confidential information, we have adopted a firm wide policy statement outlining insider-trading compliance by us, our associated persons and other employees. The policy statement has been distributed to all our associated persons and other employees and has been signed and dated by each such person.

Participation or Interest in Client Transactions

As allowed under our Code, Aperio Group employees are permitted to purchase for their own or for related accounts the same securities that are recommended and purchased for Aperio Group's clients. Aperio Group's policy is that in all circumstances, the interests of the client takes precedence over the interests of employees or personal relationships. Any conflicts or potential conflicts of interest must be disclosed. In addition, to address these conflicts, employee trading is continually monitored, with an eye to reasonably prevent conflicts of interest between us and our clients.

Aperio Group is a sub-advisor to mutual funds and could participate in calls or programs informing potential investors about such fund. Since Aperio Group derives investment management fees from the fund, the potential for a conflict of interest would be prominently disclosed as part of any presentation.

Aperio Group does not affect any principal or agency cross securities transactions for client accounts, nor do we affect cross-trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross-transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Should we ever decide to affect principal trades or cross-trades in client accounts, we will comply with the provisions of Rule 206(3) of the Advisers Act.

Personal Trading

Aperio Group permits personal account trading which can include securities being purchased by the Firm for its clients. While transactions could take place at a similar time, it is unlikely. As a part of Aperio Group trading procedures, a liquidity test is performed to determine if Firm trading on behalf of clients could materially impact the execution price. Only after determining liquidity does trading commence. To prevent the potential for a conflict of interest between trading for Aperio Clients and personal trading for Aperio Group employees or related persons, Aperio Group has procedures in place that require pre-clearance of certain trades and to review all trades on a quarterly basis.

The Aperio Group Code of Ethics requires review of certain employee statements and all transactions on a quarterly basis. Aperio Group also maintains a list of securities that employees are restricted from trading for their own or related accounts. Aperio prohibits insider trading and requires compliance with applicable provisions of state and federal law. The Firm has adopted a Code of Ethics summarized above which deals with these and other issues regarding personal trading.

ITEM 12: BROKERAGE PRACTICES

Selection Criteria

Selection of the broker-dealer used for executing transactions is dependent on several factors driven primarily by the client choice of custodian to hold their assets.

- Aperio Group has relationships with many custodians. Aperio will inform clients which custodians are available; however the clients make the actual selection.

- When a client chooses a custodian that is compensated for its custodial services through trading commissions, except for very unusual circumstances it is most cost effective to the client to trade through the custodian's broker-dealer.

The custodian/trading relationships used by Aperio Group offer competitive trading costs, electronic order execution, access to no-load mutual funds, competent back office support including technological links with Aperio Group's information systems. In addition, other products and services are available to Aperio from Charles Schwab and other similar custodian/brokers as discussed below.

Clients choosing to participate in certain Wrap programs or platforms may use Aperio Group investment management services. Brokerage and other trading fees in such cases are between the client and the Brokerage/Custodial firm in most cases, since the fees paid by the client includes commissions, Aperio Group places wrap client trades with the Wrap Sponsor for execution.

- For clients using a traditional bank or trust company custodian but without the trade execution, broker-dealer selection is at the discretion of Aperio Group and will be based on, among other things, low transaction costs, the quality of executions, electronic order and trade reporting capability.

Matters impacting Charles Schwab, Fidelity and other similar custodian/broker relationships.

Firms such as Charles Schwab and Fidelity generally do not charge separately for custody services but are compensated by charging commissions or other fees on trades that it executes or that settle into their accounts. For some accounts, these firms may charge a percentage of the dollar amount of assets in the account in lieu of commissions. These firm's commission rates and asset-based transaction fees applicable to our client accounts were negotiated based on maintaining certain client asset balances in accounts at the custodian. This commitment benefits clients because the overall commission rates and asset-based fees paid by the client are lower than they would be if Aperio Group did not maintain minimum account balances. In addition to commissions or asset-based fees custodians such as Schwab charge a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's Schwab or other similar custodian's account. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. Because of this, in order to minimize client trading costs, we have the custodian/broker execute most trades for client accounts.

Aperio's Interest in Schwab's Services.

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. Due to the size of assets Aperio and its wealth management clients maintain, Aperio does not have to pay for Schwab's services. While Aperio does

not recommend specific custodians, the benefits provided by Schwab for maintaining accounts there has the potential to be a conflict of interest.

We believe, however, that Aperio's support for clients who have chosen to use Schwab as their custodian and broker is consistent with being in the best interests of our clients. This is primarily due to the scope, quality and price of Schwab's overall services and not Schwab's services that benefit only us. We have a significant amount of client assets under management at Schwab as well as at other custodians and do not believe that maintaining assets at Schwab is related in any way to avoid paying Schwab quarterly service fees or presents a material conflict of interest.

It is important for clients to consider and compare the significant differences between having assets held with a broker/dealer, bank, or other custodian prior to opening an account with Aperio Group. Some of these differences include, but are not limited to; total account costs, trading freedom, commission rates, and security and technology services.

Fidelity Custodian Arrangement

Aperio has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Aperio with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Aperio in conducting business and in serving the best interests of their clients but that also benefit Aperio. Aperio is not affiliated with Fidelity.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (*i.e.*, transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to Aperio, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Aperio (within specified parameters). These research and brokerage services are used by Aperio to manage accounts for which Aperio has investment discretion.

Aperio also receives additional services, which include services that do not directly benefit Aperio clients. As a result of receiving these services for no additional cost, Aperio has an incentive to continue to use or expand the use of Fidelity's services, which creates a conflict of interest. Aperio examined this conflict when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of clients. As part of the custodian arrangement, a client may pay a commission/transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where

Aperio determines in good faith that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received.

Best Execution

As a fiduciary, Aperio has an obligation to use its best efforts to seek to obtain the best qualitative available price and most favorable execution given the circumstances with respect to all portfolio transactions placed by Aperio on behalf of its clients. This process is commonly referred to as “best execution.”

Unless otherwise agreed to, Aperio has discretion to place buy and sell orders with or through such brokers or dealers as it deems appropriate. Our general policy is to place client trades with their broker custodian (e.g., Fidelity, Schwab etc.) as we believe, based on our reviews, the broker custodian is providing the best overall deal for the client and they remain competitive in relation to executions and the cost of each transaction.

For transactions for our registered investment company (mutual fund) clients, Aperio places trades with brokers that we believe can provide best execution, and in accordance with each mutual fund’s written policies and procedures regarding brokerage selection and soft dollars.

Although Aperio seeks to obtain best execution for clients’ securities transactions, we are not required to solicit competitive bids and we are not obligated to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including among other things, the services provided to clients, the value of research provided (when applicable), execution capability, commission rates, and capital strength and stability. Consistent with the foregoing, Aperio may not necessarily obtain the lowest possible commission rates for client transactions.

Aperio performs periodic evaluations of our trading practices and the broker/custodians utilized in the Firm’s ongoing effort to help ensure that it is fulfilling its best execution obligation.

Directed Brokerage

In some instances, because of a prior relationship between a client and one or more brokers, or for other reasons, a client may instruct Aperio Group to execute some or all securities transactions for its account with or through one or more brokers designated by the client.

In such cases, the client is generally responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by such broker and his or her own satisfaction with such terms and conditions. Aperio Group

will, if requested by the client, attempt to negotiate the terms and conditions relating to the services provided by the broker.

Under these arrangements, we do not assume any responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for such client's account. The client must recognize that it may not obtain commission rates as low as it might otherwise obtain if we had discretion to select broker/dealers other than those chosen by the client and, as a result may not receive best execution on transactions due to the client's direction.

Clients should also be aware that conflicts may arise between a client's interest in receiving best execution with respect to transactions effected for the client's account and our interest in potentially receiving future client referrals from the broker. To mitigate these conflicts, Aperio Group, in accordance with our fiduciary duty, performs periodic reviews of client trade execution and brokerage services provided to help ensure clients are receiving the best overall execution on their transactions.

Soft Dollar Payments

Aperio may select a broker-dealer in recognition of the value of various services or products, beyond transaction execution, that such broker-dealer provides where, considering all relevant factors, it believes the broker-dealer can provide best execution. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with "soft dollars." The amount of compensation paid to such broker-dealer may be higher than what another, equally capable broker-dealer might charge. However, it should be noted that Aperio currently has no third party soft dollar arrangements in place. The following discussion is intended to provide clients with certain important information regarding such practices, including the potential conflicts of interest that arise under soft dollar arrangements.

Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") recognizes the potential conflict of interest involved in this activity, but generally allows investment advisers to benefit from various brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to Aperio in managing portfolios for its clients. "Brokerage" services and products are those used to effect securities transactions for Aperio's clients or to assist in effecting those transactions.

Research and other products and services available to Aperio as a result of commissions generated by trading activity will generally be used to service all of Aperio's clients; however brokerage commissions paid by one client can be used to pay for research that is not used in managing that client's portfolio, as permitted by Section 28(e). In other words, there can be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Brokerage services obtained with soft dollars include, for example, electronic access to account information, trade order processing systems, trade analysis software, on-line pricing services, communication services relating to execution, clearing and settlement and message services used to transmit orders, conferences and seminars.

There are times where Aperio, in order to manage client portfolios, expresses a preference that a client establish brokerage accounts with firms that offer automated reconciliation and trading such as Fidelity and/or Schwab to maintain custody of clients' assets and to effect trades for their accounts. Schwab and Fidelity are both SEC-registered broker-dealers and members FINRA/SIPC. There is no direct link between the investment advice given to clients and Aperio's recommendation to use the custodial or brokerage services of Fidelity or Schwab, although certain benefits are received by Aperio due to this arrangement.

While soft dollar arrangement present a potential conflict of interest, Aperio has adopted written policies and procedures regarding our trading practices, including but not limited to best execution and soft dollar reviews.

Order Aggregation

As a general rule, all Aperio Group accounts are managed and traded on an individual basis. Should this change and it became necessary to bundle (aggregate) trades, a policy will be developed to insure fair and equitable treatment of all accounts and Aperio Group will amend this Brochure to include a summary of our policy and procedures.

Handling Trade Errors

Errors involving trading or account guideline violations will be reported promptly to the Chief Compliance Officer. In any circumstance where an error results in an economic loss to a client, the client will be informed and appropriate adjustments will be credited to the account. A record of all trading errors and how each was as corrected will be maintained by Aperio Group.

ITEM 13: REVIEW OF ACCOUNTS

Aperio Group monitors client accounts on an ongoing basis for consistency with investment strategies/objectives and at least quarterly to take advantage of tax-loss harvesting opportunities or to rebalance the portfolio to reduce tracking error relative to portfolio index benchmarks.

Accounts also are reviewed upon a market event and/or upon a change in client circumstances (e.g., change in investment goals or time horizon).

The Chief Investment Officer, Chief Compliance Officer, other partners, portfolio managers and traders conduct account reviews. Reviews generally include compliance

with account guidelines and restrictions as well as performance and tracking versus the benchmark.

Aperio Group prepares and delivers monthly or quarterly performance reports for each investment management client. Included in the Performance Summary are specific period returns for each portfolio compared to its relevant benchmark (both pre- and after-tax, if applicable), a portfolio sector summary versus the benchmark, and summary tax information. The Custodian delivers monthly or quarterly reports to clients showing current investment positions and account activity during the previous period.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Compensation for Client Referrals

Until 12/31/06, Aperio Group received client referrals from Charles Schwab & Co., Inc. ("Schwab") through Aperio Group's participation in Schwab Advisor Network ("the Service"). Aperio Group no longer receives new referrals through the Service, and has fewer than 10 of its accounts out of more than 3,000 accounts as of the date of this disclosure that are subject to this arrangement. It should be noted that with respect to these accounts, Aperio pays Schwab a Participation Fee for these accounts, which were client referrals received through the service prior to that date. Aperio Group and has no responsibility for Aperio's management of PRC portfolios or Aperio's other advice or services. Aperio Group pays Schwab fees for client referrals received through the Service. Aperio Group's participation in the Service raise the potential for conflicts of interest described below.

Other Compensation

While there is no direct link between the investment advice given to a portfolio management client and Aperio Group recommending Schwab or Fidelity as custodian, certain indirect economic benefits are received by Aperio Group due to the arrangement Aperio has with both Schwab and Fidelity. These benefits include: a dedicated trading desk, an account services manager dedicated to Aperio Group accounts held at Schwab, access to a real time order matching system, electronic download of trades, balances and positions in the custodian's portfolio management software, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), and availability of their proprietary research. These products and services provide lawful and appropriate assistance to Aperio Group in the performance of Aperio's investment decision-making responsibilities.

While, as part of Aperio's fiduciary duty, Aperio Group and our associated persons endeavor at all times to put the interest of the clients first, clients should be aware that receipt of additional compensation itself creates a conflict of interest. To help ensure that clients are receiving best execution and to address the conflict of interest surrounding this

arrangement, Aperio Group performs periodic reviews of the quality of execution and services provided by Schwab and Fidelity.

ITEM 15: CUSTODY

Aperio Group does not maintain custody of client assets except that pursuant to Rule 206(4)-2 of the Advisers Act, Aperio Group is deemed to have custody of client funds solely because the firm has the authority and ability to debit its fees directly from clients' accounts. To mitigate any potential conflicts of interests, all of Aperio's client account assets are maintained with an independent qualified custodian.

Notably, in most cases a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should be aware, however, of the differences between having their assets held with a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Aperio Group will only implement Aperio's investment management recommendations after the client has arranged for and furnished Aperio with all information and authorizations regarding its accounts held at the designated qualified custodian.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to the statements provided by Aperio Group. Aperio statements can vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to Item 12 for additional important disclosure information relating to our practices and relationships with custodians.

ITEM 16: INVESTMENT DISCRETION

Discretionary Authority; Limitations

Investment management clients with individual agreements with Aperio Group, grants Aperio Group the authority to manage their portfolio on a discretionary basis by signing a Limited Power of Attorney (LPOA) over their account. The LPOA grants Aperio Group authority to manage the portfolio according to agreed upon guidelines, to buy and sell securities, invest cash, implement client instructions, deduct fees and perform other actions consistent with managing the portfolio. For client account management relationships governed by a Master Investment Advisory Agreement, the Intermediary is granted that authority by the client through an LPOA. The Intermediary through his authority to select an investment manager delegates discretionary authority to Aperio Group to manage the portfolio according to agreed upon guidelines, to buy and sell securities, invest cash,

implement client instructions, deduct fees and perform other actions consistent with managing the portfolio.

ITEM 17: VOTING CLIENT SECURITIES

Proxy Voting Policy

Aperio Group's policy is to vote proxies for clients, unless directed otherwise by the client in writing. Aperio Group votes proxies consistent with what the Firm determines is in the best interest of Aperio Group's clients. Aperio Group will generally cast proxy votes in favor of proposals that increase shareholder value and will generally cast proxy votes against proposals having the opposite effect.

In cases where a client requests us to vote in a specific way on a particular company issue, Aperio Group will vote that client's proxies in accordance with their specific instructions.

Aperio Group offers specific strategies related to Socially Responsive Investing (SRI). Proxies for those clients are voted using specific SRI proxy voting criteria provided by a third party service provider and can differ from votes cast for other clients' portfolios managed by Aperio.

Aperio Group may choose not to vote proxies in certain situations or for certain accounts, such as: 1) where a client has informed Aperio Group that it wishes to retain the right to vote the proxy, Aperio Group will instruct the custodian to send the proxy material directly to the client,

2) where Aperio Group deems the cost of voting would exceed any anticipated benefit to the client, 3) where a proxy is received for a client account that has been terminated with Aperio Group, or 4) where a proxy is received for a security Aperio Group no longer manages (i.e., the Adviser had previously sold the entire position).

A client can request a complete copy of our current Proxy Voting Policies and Procedures and voting guidelines and/or information on how we have voted proxies for their account(s) by contacting Aperio Group by phone at 415-339-4300 or e-mail at operations@aperiogroup.com.

ITEM 18: FINANCIAL INFORMATION

Aperio Group does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. We do not have any financial commitments that impair our ability to meet contractual and fiduciary obligations to clients, and have not been the subject of a bankruptcy proceeding.