



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

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**USBAMInsights.com**

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This brochure provides information about the qualifications and business practices of U.S. Bancorp Asset Management. If you have any questions about the contents of this brochure, please contact us at 612-303-5213. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

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

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

## **Item 2 - Material Changes**

There have been no material changes to this Brochure from the previous version dated October 3, 2016. Other minor changes from the previous version were made throughout the Brochure.

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## Item 4 - Advisory Business

### Firm Description

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

### Types of Advisory Services

We currently provide investment advisory or management services to the following clients (collectively, "Managed Accounts"):

- Institutional clients, such as corporations, public entities, foundations, endowments and other entities (and occasionally individuals), with primarily a short-term fixed income or custom cash management mandate ("Separately Managed Accounts");
- Money market mutual funds, which currently include the series of First American Funds, Inc. (each series a "First American Fund" or "Fund" and collectively, the "First American Funds" or "Funds"); and
- Privately offered investment fund (the "Private Fund").

We specialize in managing assets for Managed Accounts (including the First American Funds and the Private Fund) with a short-term fixed income or custom cash mandate and focus on taxable and tax-exempt short-term, high-quality securities with investment objectives of safety, liquidity, diversification and yield.

We typically provide our investment advisory services on a discretionary basis.

### Tailored Relationships

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

## Assets under Management

As of December 31, 2016, we managed \$65,801,498,581 in client assets on a discretionary basis and \$47,521,721 on a non-discretionary basis.

## Item 5 - Fees and Compensation

### Description

Our advisory fees are generally based upon a percentage of assets under management and vary based upon several factors including, but not limited to, the type of Managed Account, the investment style chosen, and the size of the account.

#### Separately Managed Accounts

Advisory fees for our institutional clients are based upon the following schedules. However, fees commonly fall outside these stated ranges, or may be negotiated, based on a number of factors including, but not limited to, the size of the account and the complexity of the client's mandate.

Cash Management Strategies		
	<u>Basis Points</u>	<u>Assets (MM)</u>
<b><i>Custom and Enhanced Cash Management Strategies</i></b>	15 on first	\$100
	12 on next	\$150
<b>New Client Minimum Account Size: \$25,000,000</b>	10 on next	\$250
<b>Minimum Annual Account Fee: \$37,500</b>	8 on next	\$500
	Negotiated over	\$1,000
<b><i>Tax Exempt Cash Management Strategies</i></b>	15 on first	\$100
	12 on next	\$150
<b>New Client Minimum Account Size: \$25,000,000</b>	10 on next	\$250
<b>Minimum Annual Account Fee: \$37,500</b>	8 on next	\$500
	Negotiated over	\$1,000

#### First American Funds

We provide investment advisory services to each First American Fund for which we receive a fee based on the net assets of each Fund. Such fees are outlined in each Fund's prospectus and related statement of additional information.

#### Private Fund

We provide investment management services to the Private Fund for which we receive a fee based on the net assets of the Private Fund. Such fees are outlined in the Fund's offering memorandum.

## Fee Billing

Advisory fees are billed directly to each Separately Managed Account client. Fees for services rendered are billed quarterly or at such other times as may be agreed upon by the parties involved, and are based on the market value of assets in the account on the date of valuation or on an average of the market value of the assets in the account during the billing period. Generally, if an account is opened or closed during a billing period, the advisory fees are pro-rated for that portion of the billing period during which the account was open. Fees are payable in arrears.

Advisory fees for the First American Funds and management fees for the Private Fund are deducted from each Fund's account and are payable monthly in arrears.

## Other Fees

### **Separately Managed Accounts**

As described above, we serve as investment adviser to the First American Funds for which we receive an advisory fee. For Separately Managed Accounts, we do not charge a separate advisory fee with respect to account assets invested in First American Funds. With respect to any account assets invested in an exchange-traded, closed-end, or other mutual fund unaffiliated with us, and in certain certificate of deposit products, clients will typically be subject to any fees or expenses associated with such investments.

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

### **First American Funds**

We or our affiliates may provide administrative, distribution, custodial, transfer agency, accounting, securities lending, shareholder servicing and other services to the First American Funds for which we or our affiliates receive additional fees from the Funds.

### **Private Fund**

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

## Fees on Terminated Accounts

Generally, we or the client may terminate advisory agreements upon 30 days' prior written notice, though advisory agreements with the First American Funds require 60 days' prior written notice. In the event that an advisory agreement is in effect for less than a full quarter, fees for services rendered prior to the effective date of termination will be prorated. Generally, the market value of the assets in the terminated account as of the most recent month-end will be used to calculate the prorated fee.

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

We do not currently accept fees based on a share of capital gains on, or capital appreciation of, the assets of a client account (a "performance-based fee").

If we were to enter into any performance-based fee arrangements in the future, the arrangements would be made only in compliance with Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers

Act”) and with any applicable state laws or regulations. Such fees would create an incentive for the manager of such accounts to participate in speculative investment transactions and/or techniques that might increase our compensation based on the capital appreciation resulting from such activities.

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

We generally provide investment advisory services to institutional clients, such as corporations, registered investment companies, pooled investment funds, public entities, foundations, endowments and other entities (and occasionally individuals).

### **Account Minimums**

Generally, we require a minimum account size of \$25,000,000 for Separately Managed Accounts. We may, in our sole discretion, waive account minimums if we believe there is a reasonable likelihood of achieving the minimum size or for other reasons. Client accounts are typically subject to a negotiated minimum annual fee.

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

Our investment philosophy is based on the premise that superior short-term fixed income returns over time require active management. Our investment process strives to preserve principal, maintain liquidity, manage risk to client parameters, and produce returns commensurate with client goals.

### **Methods of Analysis**

We primarily utilize fundamental analysis in managing client assets. Technical analysis is not an integral part of our process other than for determining macro supply/demand factors that may influence performance.

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

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

We also support our research effort through other service providers that provide research and financial data on banks, insurance companies, and other issuers. We may also draw upon credit analysis performed throughout the U.S. Bancorp enterprise. In addition, on a selective basis, broker-dealers provide us with industry and company specific research.

## **Risks Associated with Methods of Analysis**

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

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

## **Investment Strategies**

We focus on taxable and tax-exempt short-term, high-quality securities with investment objectives of safety, liquidity, diversification and yield. Typical portfolios are either taxable or tax-exempt and have durations ranging from 30 days to three years, although we may and do manage portfolios of longer durations. Our custom cash portfolios are separately managed to conform to each client's unique investment objectives, liquidity needs, risk constraints, and tax-efficiency requirements.

Depending on a client's investment strategy, the client's account may invest in a variety of high-quality, short-term debt obligations, including, but not limited to, securities issued by the U.S. government or one of its agencies or instrumentalities, obligations of banks and other financial services companies, commercial paper, asset-backed securities, including asset-backed commercial paper, U.S. dollar-denominated obligations of domestic and foreign banks, corporate debt securities, municipal securities, including variable rate demand notes, municipal notes and other short-term municipal obligations, loan participation interests, other money market funds, and repurchase agreements for the securities in which an account may invest.

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

- Security selection – Securities are selected to maximize risk-adjusted returns through our research-driven analysis, as described above, and through issuer diversification.
- Duration management – Duration is managed to client objectives and is driven by our interest rate and Federal Reserve policy outlook. Portfolio managers will be long or short the duration of the portfolio's benchmark depending on our current outlook and what we perceive to be the balance of risks.
- Yield curve positioning – Strategies for positioning portfolios along the yield curve are driven off our view of the future direction of interest rates, expectations for Federal Reserve monetary policy, relative supply on different points on the curve, and historical shapes of the curve in similar easing or tightening cycles, among other considerations. Based on our outlook for any prospective re-shaping of the curve, we position portfolios to have more or less exposure in different points on the curve compared to the benchmark, utilizing such structures as a ladder, bullet, or barbell.



- Sector diversification – Sectors are underweighted or overweighted based on our outlook for the economy, the markets and interest rates. Portfolio managers will increase exposure toward those asset classes that they believe represent the best current risk-adjusted opportunities in the marketplace. Sector allocation is also used to properly diversify portfolios.

For liquidity and to respond to unusual market conditions, a client account may hold all or a significant portion of its assets in cash for temporary defensive purposes. This may result in a lower yield and prevent the account from meeting its investment objective.

### **Risks Associated with Investment Strategies**

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

It is important to understand that investing in securities involves risk of loss that a client should be prepared to bear. In addition to the risk of loss of principal, there are a number of significant risks that may apply to a particular custom cash investment strategy. These risks may include, but are not limited to:

- Credit risk — The value of an investment might decline if the issuer of an obligation held in your account defaults on the obligation or has its credit rating downgraded.
- Foreign security risk — Securities of foreign issuers, even when dollar denominated and publicly traded in the United States, may involve risks not associated with the securities of domestic issuers. The foreign securities in which an account may invest, although dollar-denominated, may present some additional risk. Political or social instability or diplomatic developments could adversely affect the securities. There is also the risk of possible withholding taxes, seizure of foreign deposits, currency controls, interest limitations, or other governmental restrictions which might affect the payment of principal or interest on securities owned by the account. In addition, there may be less public information available about foreign corporations and foreign banks and their branches.
- Income risk — The level of income received from an investment will be affected by movements in short-term interest rates.
- Interest rate risk — The value of investments might decline because of a sharp rise in interest rates that causes the value of securities in your account to fall.
- Liquidity risk — An account may not be able to sell a security in a timely manner or at a desired price, or may be unable to sell the security at all, because of a lack of demand in the market for the security, or a liquidity provider defaults on its obligation to purchase the security when properly tendered by the account.
- Municipal security risk — The value of municipal securities owned by an account may be adversely affected by future changes in federal income tax laws, including rate reductions or the imposition of a flat tax, and adverse changes in the financial conditions of municipal securities issuers.
- Regulatory risk — Changes to monetary policy by the Federal Reserve or other regulatory actions may impact the universe of potential investment options and return potential.

- Repurchase agreement risk — If the seller of a repurchase agreement defaults on its obligation to repurchase securities from an account, the account may incur costs in disposing of the collateral and may experience losses if there is any delay in its ability to do so.
- Tax risk — In order to be tax-exempt, municipal securities generally must meet certain regulatory requirements. If a municipal security fails to meet these requirements, the interest received on the investment in the security may be taxable.
- Variable rate demand note (VDRN) risk — Investments in VRDNs involve credit risk with respect to the issuer or financial institution providing the credit and liquidity support for the unconditional put option.

## Item 9 - Disciplinary Information

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

## Item 10 - Other Financial Industry Activities and Affiliations

We and other entities under the common control of U.S. Bancorp, including U.S. Bank, Quasar Distributors, LLC (“Quasar”), U.S. Bancorp Fund Services, LLC (“USBFS”), and U.S. Bancorp Investments, Inc. (“USBII”), are related persons. The First American Funds and the Private Fund are also related persons. We have certain relationships with related persons, as described below, which may be in conflict with clients’ interests. At a minimum, conflicts are addressed by disclosing the conflicts to affected clients or prospective clients.

### U.S. Bancorp Asset Management

In addition to our principal business of providing investment advisory services, we provide account administration services to certain clients, including the First American Funds and the Private Fund. We may promote the First American Funds to our Separately Managed Account clients.

For the First American Funds, in addition to the sales charge payments and the distribution, service and transfer agency fees that may be paid to U.S. Bank and its affiliates, we and/or Quasar, a registered broker-dealer and principal underwriter for the Funds, may make additional payments out of our own assets to U.S. Bank and other affiliates for the purposes of promoting the sale of the Funds’ shares, maintaining share balances and/or for sub-accounting, administrative or shareholder processing services. Other compensation or revenue may be provided to U.S. Bank and other affiliates to the extent not prohibited by law. The amounts of these payments could be significant and may create an incentive for U.S. Bank or another affiliate to recommend or offer shares of the Funds to its customers.

We directly and/or as agent may also provide securities lending services for certain custodial clients of U.S. Bank, including the First American Funds pursuant to an SEC exemptive order, and other unaffiliated custodians for which we receive a fee. When providing securities lending services, we have a potential financial incentive to increase our securities lending revenue by lending out as many of the account’s securities as possible. To address this conflict of interest, the securities lending program and the risks associated with it are governed by contract and clients receive regular reporting on the status of the lending activities occurring on their accounts. In addition, we have a separate and distinct staff dedicated solely to securities lending.

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

## U.S. Bank

U.S. Bank serves as custodian for a significant number of our Managed Account clients, including the First American Funds. Additionally, U.S. Bank and/or USBAM serves as securities lending agent for some of those accounts, as described under “– U.S. Bancorp Asset Management” above.

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

## Quasar Distributors

As the principal underwriter for the First American Funds, Quasar receives 12b-1 fees from the First American Funds. We may also invest client assets in mutual funds (in addition to the First American Funds) for which Quasar is the distributor or principal underwriter, and from which Quasar may receive 12b-1 fees.

## U.S. Bancorp Fund Services

We may invest client assets in mutual funds (in addition to the First American Funds) to whom USBFS provides services and receives a fee. We and/or U.S. Bank may serve as securities lending agent for mutual funds and other clients to whom USBFS provides services.

## U.S. Bancorp Investments

USBII is a registered broker-dealer and SEC-registered investment adviser. USBII is a dealer for the First American Funds and receives 12b-1 fees from the First American Funds and/or other payments from us. USBII is also a licensed insurance agency. USBII may participate as a member of underwriting syndicates in securities offerings, for which it may receive underwriting discounts or commissions. In certain circumstances and in compliance with applicable laws, regulations and regulatory guidance, including Rule 10f-3 under the Investment Company Act of 1940 (the “Investment Company Act”), we may recommend or purchase such securities for a client account from a member of an underwriting syndicate of which USBII is also a member.

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

### Code of Ethics and Personal Trading

Our directors, officers, employees and certain associated persons may purchase or sell securities in accordance with our Code of Ethics, including shares of Investment Companies that we recommend to clients. Our Code of Ethics and its related procedures are reasonably designed to prevent certain persons who obtain certain information regarding purchases or sales of securities by the Managed Accounts (“Access Persons”) from engaging in certain activities, to deter Access Persons from wrongdoing and to:

- Promote honest and ethical conduct;
- Emphasize individual accountability;
- Define the limitations on personal securities transactions;
- Prohibit trading on inside or confidential information;
- Protect confidential client information;

- Define limitations on giving and receiving gifts;
- Define limitations on accepting outside professional opportunities; and
- Promote adherence to the laws, rules and regulations that govern our business.

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

We recognize that certain employees have access to confidential information regarding client trading activity and/or make specific investment recommendations ("Restricted Access Persons"). Restricted Access Persons are subject to a prohibition on short-term profit taking. Access Persons and Restricted Access Persons are also subject to blackout periods when personal trading in specific securities is prohibited.

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

For a complete copy of our Code of Ethics, contact your Relationship Manager or call 612-303-5213.

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

## Participation or Interest in Client Transactions

In certain circumstances and in compliance with applicable laws, regulations and regulatory guidance, including Rule 17a-7 under the Investment Company Act, we may effect a transaction between and among the Managed Accounts. We will only perform such transactions when it is determined to be advantageous to participating clients. We will not act as a broker and do not receive compensation (other than our investment advisory fees) related to such transactions. However, we may use a non-affiliated broker to facilitate the trade when determined to be in the client's interests. This is typically the case with client accounts that are not custodied with an affiliate of ours. A broker will typically be paid a transfer fee in connection with these transactions.

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

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

We or U.S. Bank may make a seed money investment into a series of the First American Funds before the Fund's registration statement under the Securities Act of 1933, as amended, and the Investment Company Act, becomes effective. Upon the effective date of the Fund, we and/or an affiliate may acquire shares of the Fund and own substantially all, or a significant portion, of the Fund's outstanding shares for an indeterminate period thereafter.

## **Item 12 - Brokerage Practices**

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

We have established an Investment Practices Committee ("IPC") that has oversight and policy-making responsibility for our brokerage practices. The Committee's membership includes senior representatives from our Investments, Risk Management, Compliance, Distribution, Legal and Investment Operations departments. The Committee generally meets monthly.

### **Selection of Broker-Dealers**

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

Transactions may only be executed through broker-dealers that have been approved by the IPC. Our Investment Operations Department confirms that no member of the Investments Department has a family or other relationship with anyone employed at the broker-dealer that may create a conflict of interest. Investment Operations also verifies that the proposed broker-dealer is an active, qualified member of the Financial Industry Regulatory Authority ("FINRA") or other applicable regulatory organization prior to recommending IPC approval. The IPC reviews and reapproves the list of approved broker-dealers at least annually.

### **Best Execution**

The primary consideration in placing a portfolio transaction with a particular broker-dealer is efficiency in executing orders and obtaining the most favorable net prices for the client under the circumstances of each particular transaction. More specifically, the portfolio managers consider the full range and quality of the services offered by a broker-dealer. The determination may include the competitiveness of price; access to desirable securities; willingness and ability to execute difficult or large transactions; value, nature, and quality of any brokerage and research products and services provided; financial responsibility (including willingness to commit capital) of the broker-dealer; ability to minimize market impact; maintenance of the confidentiality of orders; responsiveness of the broker-dealer to us; and ability to settle trades. For transactions where competitiveness of price is the determining factor, all other factors being equal, portfolio management will seek to obtain more than one offer or bid on purchases and sales of securities to the extent they are available. We may, however, select a dealer to effect a particular transaction without communicating with all dealers who might be able to effect such transaction because of the volatility of the market and our desire to accept a particular price for a security because the price offered by the dealer meets guidelines for profit, yield, or both. While it is our policy to seek the most advantageous price on each transaction, there is no assurance we will be successful in doing so on every transaction.

## Brokerage and Research Products and Services

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

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

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

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

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

## Trade Aggregation and Allocation

Occasionally, we may aggregate or "bunch" orders in the same fixed income securities for all clients, provided that no client is favored over any other participating client, in an effort to obtain best execution at the best price available. In some cases, this system could have a detrimental effect on the price or volume of the security as far as each client is concerned. In other cases, however, the ability of the clients to participate in volume transactions will produce better executions for each client.

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

## Affiliated Brokerage

As it relates solely to the First American Funds, no such Fund effects brokerage transactions in its portfolio securities with any broker-dealer affiliated directly or indirectly with us or Quasar, the First American Funds' distributor, unless such transactions, including the frequency thereof, the receipt of commissions payable in connection therewith, and the selection of the affiliated broker-dealer effecting such transactions are not unfair or unreasonable to the shareholders of the Fund, as determined by the Funds' board of directors. Any transactions with an affiliated broker-dealer must be on terms that are both at least as favorable to the Fund or as such Fund can obtain elsewhere and at least as favorable as such affiliated broker-dealer normally gives to others.

## Directed Brokerage

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

## Additional Information

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

## Item 13 - Review of Accounts

### Periodic Reviews

Each of our investment professionals is responsible for reviewing their accounts, and there are no fixed limits on the number of accounts that may be assigned to each investment professional. Our investment professionals generally review the accounts they manage on a continuous basis to assess the appropriateness of each portfolio's holdings relative to the portfolio's investment objective, investment guidelines, and the general economic environment.

All clients are offered an annual in-person review of their Managed Account. In addition, certain Separately Managed Accounts, the First American Funds and the Private Fund are subject to a formal review on at least a quarterly basis by members of our senior management. The Chief Investment Officer meets with the portfolio managers at least quarterly to discuss the accounts under their management. This account review process may utilize data regarding absolute investment performance, performance

attribution, performance versus applicable benchmarks and peer groups, and an assessment of the appropriateness of the composition of each account in connection with its investment objective and the general economic environment.

## **Regular Reports**

We furnish detailed written reports to our institutional clients at such frequencies as may be agreed upon between us and the client. Typically, we issue these reports monthly. The reports typically include total return, cost and market value of all assets. Periodic meetings with clients may also be arranged in order to review the portfolio and set investment strategy, and as a means to keep us apprised of clients' changing needs and objectives.

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

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

We may maintain relationships with U.S. Bank and unaffiliated third parties pursuant to which we will pay cash to U.S. Bank and such unaffiliated third parties if they are responsible for new client relationships. Such arrangements are intended to satisfy all applicable state and federal regulations, including Rule 206(4)-3 under the Advisers Act, which require that such unaffiliated third parties obtain written acknowledgement from the client that such referral fees will be paid.

From time to time, our employees may be eligible for certain referral fees or incentive awards related to referring business to other U.S. Bancorp affiliates. Such referrals do not occur in the context of providing investment advice or providing investment management services, and do not result in additional fees to the referred party.

## **Item 15 - Custody**

We do not maintain custody of client assets directly. The custody function is performed by other providers such as brokers, banks, or other qualified custodians with whom our clients contract. Clients should receive regular statements from their custodians which list their assets, including information such as cost and market value, and transaction activity for the period. We urge clients to review these statements carefully and to contact their custodians if they have any concerns.

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



## **Item 16 - Investment Discretion**

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

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

Because our clients will be invested primarily in short-term debt obligations, the probability of us receiving a proxy request on behalf of a client is rare. While we expect client accounts will rarely hold voting securities, Managed Accounts may confer upon us complete discretion to vote proxies. It is our fiduciary duty to vote proxies in the best interests of our clients. In voting proxies, we also seek to maximize total investment return for our clients.

In the event that we contract with another investment adviser to act as a sub-adviser, we may delegate proxy voting responsibility to the sub-adviser. Where we have delegated proxy voting responsibility, the sub-adviser will be responsible for developing and adhering to its own proxy voting policies, subject to our oversight.

The IPC is charged with oversight of the proxy voting policies and procedures. The IPC is responsible for (1) approving the proxy voting policies and procedures, and (2) oversight of the proxy voting activities of the USBAM Operations Department.

### **Conflicts of Interest**

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

If the Operations Department concludes a material conflict exists, it will recommend to the IPC a course of action designed to address the conflict. Such actions could include, but are not limited to: (1) obtaining instructions from the affected clients on how to vote the proxy; (2) disclosing the conflict to the affected clients and seeking their consent to permit us to vote the proxy; (3) voting in proportion to the other shareholders; (4) recusing an IPC member from all discussion or consideration of the matter, if the material conflict is due to such person’s actual or potential conflict of interest; or (5) following the recommendation of an independent third party.

In addition to the above, our employees must notify USBAM’s Chief Compliance Officer of any direct, indirect or perceived improper influence exerted by any employee, officer or director within the U.S. Bancorp enterprise or First American Fund complex with regard to how we should vote proxies. The Chief Compliance Officer will investigate any such allegations and report the findings to USBAM’s Chief

Executive Officer and its Chief Counsel. If it is determined that improper influence was attempted, appropriate action will be taken, which may include disciplinary action, notification of the appropriate senior managers within the U.S. Bancorp enterprise, or notification of the appropriate regulatory authorities. In all cases, the IPC will not consider any improper influence in determining how to vote proxies, and will vote in the best interests of clients.

Our Separately Managed Account clients may contact their Relationship Manager for more information on our policies and the proxy voting record for their account.

## **Item 18 - Financial Information**

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