

Research Affiliates, LLC



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July 17, 2018

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This Form ADV Part 2A (Brochure) provides information about the qualifications and business practices of Research Affiliates, LLC (“Research Affiliates”). If you have any questions about the contents of this Brochure, please contact us at (949) 325-8700 or compliance@rallc.com. 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. Research Affiliates, LLC is registered as an investment adviser with the SEC. Our registration as an Investment Adviser does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Research Affiliates, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure, dated July 17, 2018, has been updated to make the following material changes:

Item 4: Updated to indicate that Katrina Sherrerd has assumed the role of Chief Executive Officer of Research Affiliates, and that the control of Research Affiliates Global Holdings, LLC, the 100% owner of Research Affiliates, will be held by a Board of Directors comprised of certain principals Research Affiliates, LLC's. .

Research Affiliates encourages each client to read this Brochure carefully and to call with any questions you may have. Our previous version of Form ADV Part 2A was dated March 27, 2018.

Pursuant to SEC Rules, Research Affiliates will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of our fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as we experience material changes in the future, we will send you a summary of our "Material Changes", along with an offer to provide the Brochure under separate cover. At any time if you would like a copy of our Brochure, please contact our Chief Compliance Officer, Asher Ailey, at (949) 325-8700 or ailey@rallc.com.

Additional information about Research Affiliates, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

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Item 4 – Advisory Business

A. Description of Firm

Research Affiliates, LLC (“Research Affiliates”) was founded in 2002 and seeks to be a global leader in innovative investment, smart beta, and asset allocation strategies. One of its competitive advantages rests in the strength of its research and development capabilities and ability to respond to the current needs of the global investment community. Leveraging its strong research focus, Research Affiliates designs and creates innovative products and services, which are distributed through some of the world’s best-known financial institutions. The strategic alliances Research Affiliates has with major financial institutions throughout the world take the form of sub-advisory and licensing relationships.

Research Affiliates is registered in Ireland with the Central Bank of Ireland and acts as investment manager to certain Irish authorized collective investment schemes offered by an unaffiliated third party. Separately, Research Affiliates relies on Class Order 03/1100 in Australia pursuant to the local rules promulgated by the Australian Securities & Investment Commission.

RAFI Indices, LLC (“RI”) is a California limited liability company established in October 2016, which is a wholly owned subsidiary of Research Affiliates Global Holdings, LLC. RI constructs, publishes, and licenses various indices and does not offer or provide investment advice or offer or sell any securities, commodities or derivative instruments or products. RI does not currently employ any individual and instead relies on the employees of Research Affiliates to provide certain contract-based services. In addition, RI relies on Research Affiliates’ intellectual property pursuant to a licensing agreement.

B. Principal Owners

In 2011, Research Affiliates Global Holdings, LLC (“RAGH”) was formed as a holding company. Effective January 1, 2012, RAGH acquired 100% ownership of Research Affiliates when the owners of Research Affiliates exchanged all ownership interests in Research Affiliates for equivalent interests in RAGH. RAGH is owned and principally controlled by certain members of Research Affiliates’ senior management team. RAGH, through its Board of Directors (“Board”), provides strategic direction and oversight to Research Affiliates. The Board is comprised of those certain members of Research Affiliates’ senior management team, with Robert D. Arnott, serving as Chairman.

Katrina Sherrerd has assumed the role of Chief Executive Officer of Research Affiliates, and also holds the title of President. The role of Chief Operating Officer remains vacant. Investment advisory activities are provided by Research Affiliates, a SEC registered investment adviser. . The office for Research Affiliates is located in Newport Beach, California.

C. Types of Advisory Services Provided

1. Direct Asset Management

Research Affiliates provides direct asset management services to a limited number of institutional investors such as pension plans and state or municipal government entities through customized investment strategies offered to its institutional investors through separately managed accounts. Separately managed account clients may impose investment restrictions on investing in certain securities or types of securities.

2. Sub-Advisory Services

Research Affiliates provides investment sub-advisory services on a discretionary and non-discretionary basis to registered investment companies by creating a model portfolio, and providing updated input data and consulting services regarding the models. Research Affiliates also provides sub-advisory services to other independent third-party investment advisers, private funds, registered investment companies and UCITS offered by an unaffiliated third party. Many services described and offered by Research Affiliates are based on its patented and patent-pending intellectual property.

3. Licensing

Research Affiliates licenses intellectual property for use by third parties, including mutual funds, exchange traded funds and index providers, and its affiliated, entity, RI, for a fee. Licensees may use this intellectual property to develop investment strategies for managing accounts, including funds. In addition, services may include the development of model portfolios and indexes for a licensee's use.

4. General Information Relating to Research Affiliates' Services

Each client will enter into a written agreement with Research Affiliates setting forth the terms and conditions under which Research Affiliates will provide its services (each, an "Agreement"). In accordance with applicable laws and regulations, Research Affiliates will provide its disclosure brochure (Form ADV Part 2A) and most recent privacy notice to each advisory client prior to or contemporaneously with the execution of the Agreement. The Agreement between Research Affiliates and a client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Any fees paid to Research Affiliates in advance shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Neither Research Affiliates nor any client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of Research Affiliates shall not be considered an assignment.

Research Affiliates does not currently participate in wrap-fee programs.

Information relating to our senior management team members is provided in Form ADV Part 2B, Research Affiliates' Supplemental Brochure.

As of December 31, 2017, Research Affiliates managed approximately \$42,381,647,000 billion in regulatory assets under management, \$10,489,495,000 billion on a discretionary basis, and

\$31,892,152,000 billion on a non-discretionary basis. In addition, as of December 31, 2017, licensees of Research Affiliates managed approximately \$205 billion in investment vehicles or accounts linked to investment strategies developed by Research Affiliates.

Item 5 – Fees and Compensation

A. Description of Fees

1. Direct Asset Management Fees

Separately managed account fees for accounts that are directly managed by Research Affiliates are based on the terms of individual investment management agreements. These fees are negotiated on a case-by-case basis but generally range from 5 to 50 basis points. Most separately managed accounts are billed quarterly, in arrears, based on a percentage of assets under management as of the most recent calendar quarter. Some accounts have fees based on a combination of a percentage of assets under management and a performance fee based on returns above a specific market benchmark. Clients receive quarterly fee invoices and are responsible for arranging payment to Research Affiliates based on the terms of their investment management agreement. Direct Asset Management fees are negotiable in the sole discretion of Research Affiliates.

2. Sub-Advisory Fees

For investment companies, private funds, UCITS and separately managed accounts that Research Affiliates sub-advises, fees are paid to Research Affiliates by the independent third-party investment adviser for such sub-advised accounts. Sub-Advisory fees are negotiated on a case-by-case basis. These fees are generally paid in arrears and are an allocation of the fees received by the third-party investment adviser. In addition, each related sub-advisory agreement is negotiated on a case-by-case basis with the respective third-party investment adviser.

3. Licensing Fees

For licensing arrangements, compensation is received in arrears. In general, licensing fees are based on a percentage of average daily asset value of applicable assets under management of the licensee that are utilizing Research Affiliates' intellectual property. In other cases, Research Affiliate's fees may be based on a portion of the fee collected by the licensee from its client. Each licensing arrangement, including fee compensation structure, is negotiated on a case-by-case basis and are governed by licensing agreements. Licensing fees are negotiable in the sole discretion of Research Affiliates.

As described in Item 4, Research Affiliates has entered into a licensing agreement with its affiliated entity, RI, and earns a licensing fee for intellectual property licensed. In addition, Research Affiliates has also entered into a servicing agreement with RI (the "Service Agreement") whereby Research Affiliates, and its employees, provide, among other things, product, accounting, legal, and IT support services. RI provides to Research Affiliates a services fee, in arrears, pursuant to the terms of the Service Agreement.

B. Other Fee and Expense Information

All accounts, in addition to the advisory fees payable to Research Affiliates, may incur brokerage commissions, transaction fees and other related costs and expenses in connection with the management of such accounts. The costs are paid directly by the account to an unaffiliated broker-dealer, custodian, or other service provider. Research Affiliates does not receive, directly or indirectly, any of these costs charged to the clients. Please refer to Item 12 Brokerage Practices for more information.

No employees receive, directly or indirectly, any compensation from the sale of securities or investments that are purchased or sold for client accounts. As a result, Research Affiliates is a “fee only” investment adviser. However, certain Research Affiliates employees do service our affiliate, RI, for which RI has a service agreement with Research Affiliates and will compensate the adviser for services provided on its behalf. To that end, Research Affiliates does have advisory and licensing arrangements (indirect and direct) with certain clients who also have entered into a licensing arrangement with its affiliate, RI. Pursuant to the terms of RI’s licensing agreement, such clients are charged separate asset-based fees for the specific service being performed.

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

Within any given investment strategy that Research Affiliates provides through its direct management services, it may have separately managed accounts with differing fee schedules. One client may have an asset-based fee, while another client has an incentive-based fee. On the accounts for which Research Affiliates serves as a sub-adviser, Research Affiliates will generally receive from the investment adviser an allocation of the investment advisory fees they receive.

While there is a potential conflict of interest due to the fact that performance fees are charged to certain accounts, Research Affiliates takes steps designed to mitigate this conflict. For example, as part of Research Affiliates’ fiduciary duty to clients, Research Affiliates and its employees will endeavor at all times to put the interests of clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of Research Affiliate clients. In addition, Research Affiliates’ investment discipline is quantitative and rules based, and where possible, all accounts within a strategy are traded at the same time, which mitigates the conflicts. Changes in portfolio construction and transactions are based on a stated timetable or on client controlled contributions and withdrawals.

Item 7 – Types of Clients

Research Affiliates provides direct investment management services to institutional investors including pension and profit sharing plans and state or municipal government entities. Research Affiliates also provides discretionary and non-discretionary sub-advisory services to an independent, third-party investment adviser to unaffiliated registered investment companies, UCITS funds, separately managed accounts and private funds.

Additionally, Research Affiliates reserves the right to accept or decline a potential client for any reason in its sole discretion. Prior to engaging Research Affiliates to provide any of the investment advisory services described in this disclosure brochure, the client will be required to enter into one

or more written agreements setting forth the terms and conditions under which Research Affiliates shall render its services.

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

A. Methods of Analysis

As discussed in Item 4 Advisory Business, Research Affiliates offers several investment strategies, including many based on a variation of its patented and patent-pending Fundamental Index[®] methodology. The RAFI[®] Fundamental Index[®] methodology uses financial accounting measures of company size to gauge the economic footprint of a company (e.g. cash flow, sales, book value and dividends) rather than market capitalization, to select and weight stocks and create an indicative portfolio or index. The RAE[®] Fundamental strategies incorporate additional active insights (e.g., quality of earnings or financial distress) along with more frequent rebalancing.

To assist in the model portfolio construction process, Research Affiliates utilizes a broad spectrum of information from industry vendors including, financial publications, corporate actions, third-party research materials, annual reports, prospectuses and regulatory filings. Each strategy offered is rules-based and offers broad market exposures and investment diversification. Since our model portfolio construction and modification processes require computer programming, an error in related computer coding could result in a loss to an investor in a strategy or vehicle dependent upon the given model portfolio. Research Affiliates mitigates the risks of such coding errors, in part, by testing methodology as set forth in the respective technical document using different programmers, a different programming language and by reconciling differing results. Non-methodology changes to portfolio construction code are generally tested for repeatability of past-delivered portfolios and results are analyzed. Model portfolios also undergo quality assurance reviews before delivery.

B. Investment Strategies

Research Affiliates has developed multiple investment strategies, many based on patented and patent-pending intellectual property. Research has shown that an index based on market capitalization has the characteristic of overweighting overvalued stocks and underweighting undervalued stocks, resulting in a performance drag. The RAFI[®] Fundamental Index[®] methodology is designed to capture the benefits of passive indexing while avoiding the performance drag associated with capitalization-weighted indexes. It does this by selecting and weighting stocks in an index using fundamental measures of company size (e.g., cash flow, book value, sales, and dividends). The RAE[®] Fundamental strategies apply our RAFI[®] Fundamental Index[®] methodology along with additional active insights (e.g., quality of earnings or financial distress) and more frequent rebalancing.

The current investment strategies that are the basis for various investment accounts or products for which Research Affiliates acts as an investment adviser or a discretionary sub-advisor, respectively, include the following:

RAE® Fundamental US Large - The RAE® Fundamental US Large strategy applies our RAFI® Fundamental Index® concept along with additional active insights to large U.S. listed equities.

RAE® Fundamental US Small - The RAE® Fundamental US Small strategy applies our RAFI® Fundamental Index® concept along with additional active insights to small U.S. listed equities.

RAE® Fundamental International - The RAE® Fundamental International strategy applies our RAFI® Fundamental Index® concept along with additional active insights to internationally listed equities.

RAE® Fundamental Emerging Markets - The RAE® Fundamental Emerging Markets strategy applies our RAFI® Fundamental Index® concept along with additional active insights to listed equities in the emerging markets.

RAE® Fundamental Global All Country - The RAE® Fundamental Global All Country strategy applies our RAFI® Fundamental Index® concept along with additional active insights to global, including emerging market, equities.

RAE® Fundamental Global All Country ex US - The RAE® Fundamental Global All Country ex US strategy applies our RAFI® Fundamental Index® concept along with additional active insights to foreign developed and emerging market equities.

RAE® Fundamental Global Developed - The RAE® Fundamental Global Developed strategy applies our RAFI® Fundamental Index® concept along with additional active insights to listed, global developed market equities.

RAE® Fundamental Europe - The RAE® Fundamental Europe strategy applies our RAFI® Fundamental Index® concept along with additional active insights to listed European equities.

RAE® Low Volatility Foreign Equity – The RAE® Low Volatility Foreign Equity strategy applies our RAFI® Fundamental Index® concept along with additional active insights to listed, global developed market equities (excluding Japan), emphasizing companies that display lower systematic risk.

From time to time, Research Affiliates may develop other investment strategies based on specific parameters, including facilitating certain investment restrictions. Such strategies may be tailored around an investment policy statement, objectives or unique restrictions.

C. Risk of Loss

Investing in securities involves risk of loss that each client should be prepared and able to bear. Stock and bond markets fluctuate significantly over time, and certain strategies may impose more risk than others. As a result, clients with exposure to Research Affiliates strategies risk loss of the assets invested in products or accounts managed according to these strategies. Research Affiliates does not guarantee any level of performance or that clients will not experience a loss in the value of their assets. Any past performance is not a guarantee of future performance.

In general, the strategies Research Affiliates offers may involve more trading activity and related costs as compared to traditional passive indexing strategies, but may involve less trading activity compared to traditional active management strategies. When comparing investment managers or strategies, trading frequency is one of many factors to consider. Frequent trading of securities can have a negative effect on investment performance due to the increased brokerage commissions and related costs involved.

Investments in registered investment companies (e.g., mutual funds and ETFs) or UCITS that Research Affiliates sub-advises are subject to a number of risks that are identified in detail within each fund's respective offering documents (e.g., prospectus, statement of additional information, etc.). All investors in such funds should receive and carefully review these documents.

- **Stock Market Risk:** Stock markets can be volatile. In other words, the prices of stocks can fall rapidly in response to developments affecting a specific company or industry, or to changing economic, political or market conditions. Research Affiliates' investments may decline in value if the stock markets perform poorly. There is also a risk that Research Affiliates' investments will underperform either the securities markets generally or particular segments of the securities markets.
- **Foreign and/or Emerging Markets Risk:** Investing in foreign securities or in securities of companies in emerging market countries involves certain considerations comprising both risk and opportunity not typically associated with investing in other more established economies or securities markets or in the securities of U.S. companies. Considerations for investing in foreign securities and/or emerging market securities include, but are not limited to, currency risks (fluctuations in currency exchange rates and currency devaluations), settlement risks, country risks (political and social instability, regional conflicts, expropriation, and government policies that have the effect of limiting or restricting foreign investment or the movement of assets), less liquid markets, less publicly available information than is generally the case in the United States, and less government oversight of exchanges, brokers and issuers which could result in different trading practices.
- **Equity Risk:** Historically, the equity markets have moved in cycles, and the value of equity securities can fluctuate significantly 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 can suffer a decline in response. These factors contribute to price volatility.
- **Business Risk:** This risk is 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.

- **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.
- **Liquidity Risk:** The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk is typically reflected in a wide bid-ask spread or large price movements.

Item 9 – Disciplinary Information

Research Affiliates is obligated to disclose any disciplinary event that would be material to clients and prospective clients evaluating Research Affiliates. At this time, Research Affiliates does not have any disciplinary events to report. This statement applies to the company and every employee.

Item 10 – Other Financial Industry Activities and Affiliations

Research Affiliates licenses its intellectual property to registered investment advisers, investors and index providers, including RI, on a customized basis. The terms, fees and services provided under each arrangement are negotiated on a case-by-case basis.

As described in Item 4 above, Research Affiliates' affiliated entity RI constructs, publishes and licenses various indices. Research Affiliates provide RI with employee resources to perform certain support services, as more fully described in Item 5. RI pays Research Affiliates for such employees' services pursuant to a written agreement between RI and Research Affiliates. This agreement will be reviewed annually and compensation to Research Affiliates adjusted accordingly based on, among other things, the amount of work performed. Conflicts relating to this employee relationship are mitigated due to the fact that Research Affiliates employees do not receive compensation for specific sales production relating to RI. Research Affiliates is the investment adviser for and provides non-discretionary investment management services to an affiliated limited partnership, Research Affiliates Capital, L.P. This limited partnership is a single client of Research Affiliates and is not open to outside investors. Arnott Family Trust, a related person of Research Affiliates is the general partner of Research Affiliates Capital, L.P.

Research Affiliates Global Advisors (Europe) Limited is a UK company, providing support services to certain, non-advisory licensees of Research Affiliates in Europe and support to Research Affiliates, LLC. Research Affiliates Global Advisors (Europe) Limited is a wholly owned subsidiary of Research Affiliates Global Holdings, LLC and does not have any clients other than Research Affiliates.

Rayliant Global Advisors (formerly Research Affiliates Global Advisors Limited, which was previously a wholly owned subsidiary of Research Affiliates Global Holdings, LLC) is minority owned by Research Affiliates Global Holdings, LLC.

Research Affiliates provides sub-advisory services related to certain unaffiliated private funds, investment companies, UCITS funds, and separately managed accounts (“sub-advised accounts”). Research Affiliates receives an allocation of the fees investors pay to third-party investment advisers serving the sub-advised accounts. The fees paid by an investor that invests in any sub-advised accounts may be higher or lower than the fees an investor may pay elsewhere for similar investment strategies or services. Research Affiliates provides advisory services to both directly managed accounts (some of which charge incentive-based fees) and sub-advised accounts utilizing similar investment strategies and the fees received by Research Affiliates for each of these services varies. While there is a potential conflict of interest due to Research Affiliates earning a higher fee on one account versus another, Research Affiliates addresses this conflict by exercising an investment discipline, which is quantitative, and rules based, and where possible, all accounts within a strategy are traded at the same time.

Item 11 – Code of Ethics

Research Affiliates does not, directly or indirectly, buy from or sell securities to any client. Employees may have positions in securities recommended for investment. Employees and accounts in which they have a beneficial interest are not permitted to purchase individual, publicly traded securities or related derivatives, including securities offered in an initial public offering. Research Affiliates has developed policies and procedures requiring pre-approval by its compliance department of certain securities transactions. Employees are restricted from any transactions in their own account, or accounts in which they have a beneficial interest, where such transactions may be detrimental to a client.

All employees are required to provide authorization for Research Affiliates to receive brokerage account activity and/or duplicate copies of brokerage statements. Daily brokerage account trading activity is fed into a web-based personal trading compliance application and monitored for compliance with personal trading policies and restrictions. As applicable, duplicate copies of brokerage account statements are reviewed quarterly by our compliance department to monitor compliance with personal trading policies and restrictions. All employees perform periodic personal trading electronic certifications, such as quarterly reporting of transactions, annual holdings reports, and annual brokerage account reports.

Research Affiliates has adopted policies and procedures concerning the possession of and use of material non-public information. All employees receive a copy of the Research Affiliates Compliance Manual, including the Code of Ethics, and any updates, which include written policies and procedures relevant to personal trading and material non-public information.

Research Affiliates believes that its Code of Ethics complies with the Investment Advisers Act of 1940 and the Investment Company Act of 1940 (if applicable). The Code of Ethics establishes standards of business conduct, states that Research Affiliates will conduct its business in accordance with all applicable laws, rules and regulations, and outlines Research Affiliates’ duties and responsibilities as a fiduciary to its clients. A copy of the Code of Ethics is available upon request.

Item 12 – Brokerage Practices

Research Affiliates has engaged Parametric Portfolio Associates LLC (“Parametric”), an independent SEC registered investment adviser based in Seattle, Washington, to handle front, middle and back office support functions for Research Affiliates’ directly managed and discretionary, sub-advised accounts. Please refer to Parametric’s disclosure document for additional information about its brokerage practices. Parametric’s disclosure document can be found on the SEC’s website at www.adviserinfo.sec.gov. Parametric’s CRD number is 114310.

Subject to the investment directives they receive from Research Affiliates, Parametric generally has the authority to make investment decisions without prior consultation with the client. At any time, clients may place limitations or restrictions on Research Affiliates’ discretionary authority in the management of their account. Clients communicate such limitations or restrictions in writing to Research Affiliates. In rendering advisory services, Research Affiliates complies with the investment policies, limitations, and restrictions of each client.

A client may give Research Affiliates discretion for selecting a broker on their behalf. This discretion is delegated to Parametric and in such cases, Parametric considers the following factors when selecting a brokerage firm: quality of execution, clearance and settlement capabilities, financial stability, and commission rates and cost. Considering the circumstances, the overall objective in effecting portfolio transactions is to obtain the best combination of price and execution for clients.

For unaffiliated private funds, investment companies or UCITS funds for which Research Affiliates acts as a non-discretionary sub-advisor, Research Affiliates has no authority to determine the specific securities bought or sold, the amount of such securities, the broker-dealer used, or the commission rate to be paid.

For unaffiliated private funds, investment companies or UCITS funds for which Research Affiliates acts as a discretionary sub-advisor, it may have authority to determine the broker-dealer used or the commission rate to be paid. For such accounts, Research Affiliates delegates to Parametric the selection of a broker-dealer and the determination of the rate to be paid to any such broker-dealer; provided that Research Affiliates will monitor Parametric’s brokerage practices, including its policies and procedures related to best execution.

Research Affiliates has a policy to not engage in “soft dollar” arrangements that are related to securities brokerage transactions. Research Affiliates may receive the use of products, research or services from third parties, but they are not paid for through brokerage activities. Research Affiliates does not receive compensation, benefits, products, research or services from any broker-dealer to whom brokerage transactions are directed beyond normal brokerage services. Parametric does not enter into soft dollar agreements to pay for research and does not otherwise allocate brokerage commissions to pay for research or other products or services.

Item 13 – Review of Accounts

Estimated performance of portfolios delegated to Parametric is reviewed daily. This review includes performance over various time horizons and summary position information such as valuation ratios and weighted average market capitalization. Evidence of unusual performance or positions prompts a review of detailed portfolio positions. Parametric sends daily detailed position reports to Research Affiliates.

Final performance calculations for all portfolios and composites are reviewed and approved monthly by Research Affiliates' investment management and compliance departments. The GIPS Committee meets on a quarterly basis to review the performance of composites and related portfolios. Evidence of unusual individual portfolio performance compared to its composite prompts a review to explain the performance. The individuals participating in the GIPS Committee may include representatives from investment management, accounting, legal, compliance, client services, affiliate relations and strategic operations.

The nature and frequency of written reports provided to separately managed account clients for which Research Affiliates acts as the investment adviser are determined primarily by the particular needs of each client and client instructions. Generally, clients receive monthly reports from Research Affiliates. In addition, clients receive at a minimum, separate quarterly or more frequent, account statements from the broker-dealer, bank or other qualified custodian detailing all cash and asset transactions and activity within their account. In general, meetings with clients are held according to the stated desires of each client. Client reports may include a written analysis of all assets under management, portfolio characteristics, and current and historical performance.

For unaffiliated private funds, investment companies, and UCITS that Research Affiliates sub-advises on a discretionary basis, Research Affiliates provides to the respective investment adviser daily, monthly and annual reports relating to portfolio construction, portfolio performance, and/or other reports as required by the respective manager or SEC rules. Actual holdings in a fund's portfolio are under the control of the fund manager.

Item 14 – Client Referrals and Other Compensation

Research Affiliates does not have any third party referral relationships.

Item 15 – Custody

Under federal securities law, Research Affiliates may be deemed to have custody of client assets because an affiliate acts as the general partner to the affiliated Research Affiliates Capital, L.P. Research Affiliates does not have, and does not accept, physical care or custody of any assets of any client. Limited partnership assets are held in the name of the limited partnership. Separately managed account assets are held in the name of each separately managed account client. The limited partnership and each separately managed account selects a custodian and may be required to pay custodian fees. In the course of managing the limited partnership and each separately managed account, clients incur brokerage and other transaction costs. See Item 12 Brokerage Practices for a discussion of how brokerage decisions that affect client accounts are made.

In all applicable cases, custody shall be maintained with a qualified custodian (brokers/dealers, banks, trust companies, or other qualified institutions). The qualified custodian will maintain client assets and typically send directly to each directly managed limited partnership and separately managed account quarterly or more frequent account statements detailing all cash and asset transactions and activity within their accounts. Clients are strongly urged to compare the account statements they receive from their qualified custodian to the statements provided by Research Affiliates. Account statement balances may occasionally differ from custodial statements due to accounting practices, reporting dates, currency valuations, or security valuation methodologies of certain securities. For tax and other purposes, the custodial statement is the official record for the account and assets.

Item 16 – Investment Discretion

For each separately managed account for which Research Affiliates acts as the investment adviser, Research Affiliates generally has the authority to make investment decisions without prior consultation with the client. Contracts with each Research Affiliates client provides for such authority. Client directed investment guidelines may limit the scope of investment discretion. As a result, clients can impose restrictions on investing in certain securities or types of securities. Clients communicate such restrictions to Research Affiliates in writing.

A client may give Research Affiliates discretion for selecting a broker on their behalf. In such instances, Research Affiliates delegates this authority to Parametric since it implements trades for Research Affiliates. Parametric considers the following factors when selecting a brokerage firm: quality of execution, clearance and settlement capabilities of the broker, its financial stability, and commissions and cost. See Item 12 – Brokerage Practices for additional details.

For the unaffiliated accounts to which Research Affiliates is a non-discretionary sub-advisor, it has no authority to determine the specific securities bought or sold or the amount of such securities. For unaffiliated private funds, investment companies or UCITS for which Research Affiliates acts as a discretionary sub-advisor, it has authority, subject to investment restrictions and objectives, to determine the specific securities bought or sold and the amount of such securities bought or sold.

Item 17 – Voting Client Securities

Research Affiliates has adopted proxy voting policies and procedures (“Proxy Policy”) designed to ensure the manner in which shares are voted is in the best interest of clients and the value of the investment. Absent a specific written authorization by a client, Research Affiliates does not vote proxies.

As noted in Item 12, Research Affiliates has engaged Parametric to handle front, middle and back office support functions for Research Affiliates’ directly managed and discretionary, sub-advised accounts. Among these functions is the responsibility to vote shareholder proxies. Absent any prior client directive, Parametric shall vote proxies in a manner consistent with the Proxy Policy. Each client retains the right at all times to withdraw the proxy voting authority by providing

Research Affiliates with a written notice of withdrawal of authorization. A copy of the Proxy Policy is available upon request.

Research Affiliates' Proxy Policy provides guidance so that Parametric acts in a manner intended to be prudent, diligent and in the best interests of clients. The occasions when ballots may not be voted include, but are not limited to, when the cost of voting the proxy exceeds the expected benefit to the client, where a jurisdiction imposes share blocking restrictions which may impact the ability to affect trades in the related security, or when voting is inconsistent with Research Affiliates' fiduciary obligations. Clients may request at any time a report of all proxies voted for their account. Proxies are not voted where the receipt of proxy materials or related shareholder communications is untimely.

Item 18 – Financial Information

Research Affiliates 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. Research Affiliates has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.