



**Form ADV Part 2A**

**Santa Barbara Asset Management, LLC**

2049 Century Park East  
17<sup>th</sup> Floor  
Los Angeles, CA 90067  
(310) 552-5100  
[www.sbasset.com](http://www.sbasset.com)

**September 27, 2017**

**This Brochure provides information about the qualifications and business practices of Santa Barbara Asset Management, LLC (“SBAM”). If you have any questions about the contents of this Brochure, please contact us at (310) 552-5100. 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. SBAM is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.**

**Additional information about Santa Barbara Asset Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Material Changes**

There were no material changes to this Brochure dated September 27, 2017, from the last annual update dated March 31, 2017.

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## **ITEM 4           ADVISORY BUSINESS**

Santa Barbara Asset Management, LLC ("SBAM") provides investment advisory services to a broad range of individual and institutional clients, which may include investment companies registered under the Investment Company Act of 1940, as amended (the "1940 Act") and other pooled investment vehicles.

SBAM also provides investment advisory services to institutional separate accounts under both direct advisory and sub-advisory mandates ("Institutional Separate Accounts"). In addition, SBAM provides investment advisory services to clients through managed account programs (wrap fee and dual contract) sponsored by broker-dealers and other financial intermediaries ("Managed Accounts"). SBAM provides services on a discretionary, non-discretionary and model portfolio basis.

SBAM was founded in 1987 and became a subsidiary of Nuveen Investments, Inc. following its acquisition in 2005. SBAM is an indirect subsidiary of Nuveen, LLC ("Nuveen") maintaining autonomy with regard to personnel, investment philosophy, process, style, and client relationships. Founded in 1898, Nuveen is a subsidiary, and represents the Asset Management division of Teachers Insurance and Annuity Association of America (also known as "TIAA"), a leading financial services provider. TIAA constitutes the ultimate principal owner of SBAM. For additional information on SBAM's ownership structure, please refer to Item 10.

### **General**

SBAM provides separate account investment advisory services in dividend-focused strategies, including Dividend Growth, Global Dividend Growth, International Dividend Growth and Select Dividend Growth. See Item 8.

SBAM's investment advisory services are provided generally based on the strategy selected by the client, subject to agreed-upon account restrictions and guidelines. SBAM's portfolio manager is responsible for the investment decisions with respect to an investment strategy selected by an advisory account, including identification and selection of specific securities and investments to be purchased in light of current and anticipated economic and market conditions, taking into account guidelines, limitations and information relating to the client, legal restrictions and SBAM internal strategy guidelines. SBAM provides its services in single strategy accounts, and together with certain affiliated advisers, may provide services in combined and multi-strategy accounts.

A client or SBAM may generally terminate its agreement at any time by providing written notice, pursuant to the requirements set forth in the client's investment management agreement. For Managed Accounts, termination provisions may vary by wrap fee program. Fees paid in advance are refunded on a pro-rata basis if the service is terminated within the payment period.

In periods of market volatility, SBAM may be unable to invest new money contributed to an account, or proceeds from the sale of securities, as quickly as it might have been able to do under normal market conditions. Similarly, SBAM may be unable to sell securities to raise cash, or to accommodate a terminating client's request to sell securities, as quickly, or at favorable prices, as it might have been able to do under normal market conditions. In such periods of market volatility, SBAM also may deviate from its normal trading practices with respect to sequencing and allocation of transactions. Market volatility may also cause SBAM to deviate from applicable account guidelines. In such circumstances, SBAM will use reasonable efforts to manage the account in a prudent manner under the circumstances.

From time to time, with SBAM's consent, clients may include certain securities in accounts for which SBAM provides no investment advisory services ("unsupervised securities"). Unsupervised securities are not subject to SBAM's services.

## **Institutional Separate Accounts**

SBAM provides advisory services to institutional clients including pension funds, profit sharing funds, charitable institutions, public entities, insurance companies, banks and thrift institutions, trust accounts, and investment companies. SBAM also provides advisory services to high net worth individuals. The fees and services for each such arrangement are individually negotiated, depending on factors such as asset class, pre-existing relationship, portfolio complexity, client type, and account size or other special circumstances.

## **Managed Accounts**

SBAM provides investment advisory services to Managed Accounts through wrap fee and dual contract managed account programs. In traditional wrap fee programs, SBAM provides its advisory services pursuant to an advisory agreement with the wrap fee program sponsor. Wrap fee programs typically include comprehensive custody, financial advisory and certain trading (provided by the program sponsor) and investment advisory services (provided by the manager) for a bundled fee payable to the sponsor ("wrap").

In a dual contract program, SBAM provides its advisory services pursuant to an advisory agreement directly with the client. A client may separately arrange with one or more third parties for custody, financial advisory and certain trading services to be provided on a partially-bundled or unbundled basis. In a partially-bundled program, certain of such services (typically custody, financial advisory, and certain trading) are provided for a bundled fee arrangement. In an unbundled arrangement, such services are contracted, provided and paid for separately.

For Managed Accounts, SBAM is appointed to act as an investment adviser through a process generally administered or assisted by the program sponsor. Clients participating in a program, generally with assistance from the sponsor, may select SBAM to provide investment advisory services for their account (or a portion thereof) for a particular strategy. SBAM provides investment advisory services based upon the particular financial situation, investment objectives and reasonable restrictions of the program client based on information provided to SBAM by the sponsor, and will generally make its representatives available for communication as reasonably requested by clients and/or sponsors. Clients are encouraged to consult their own financial advisors and legal and tax professionals on an initial and continuous basis in connection with selecting and engaging the services of an investment manager for a particular strategy and participating in a wrap or other managed account program. In the course of providing services to Managed Accounts who have financial advisors, SBAM may rely on information or directions communicated by the financial advisor acting with apparent authority on behalf of its client.

For new accounts, SBAM will evaluate securities initially contributed and may sell all or a portion of such securities to the extent that such securities would not be included in SBAM's normal portfolio holdings for such account (unless such securities are designated unsupervised or subject to another arrangement). For illiquid or thinly traded securities, SBAM may not receive favorable prices. The client will be responsible for any tax liabilities which result from any sale transactions initially and during management of the account.

SBAM seeks to commence management of an account as soon as practicable after review of the account documentation, acceptance of its appointment as adviser and contribution of assets to the client's account. The time required to commence management may vary depending on the time required to complete these steps, the efficiency of the program sponsor and/or other third parties, and the time required to establish an appropriate portfolio.

In most instances, SBAM expects that clients will authorize and direct the custodian selected by the client to automatically invest all cash in a money market fund (unaffiliated with SBAM or its affiliated advisers) selected by the client or its financial advisor.

SBAM maintains procedures for executing specific transactions in a client's account for tax reasons. Under these procedures, SBAM will generally follow the directions of a client or its financial advisor regarding harvesting tax losses or gains, subject to certain scope, amount and timing limitations. Generally, the directions entail a repurchase of the sold security after the "wash sale" (thirty (30) day) period. SBAM may rely in good faith on directions communicated by a financial advisor acting with apparent authority on behalf of its client. In providing such directions, the client and its financial advisor are responsible for understanding the merits and consequences of the directions in light of the client's particular tax situation. Daily market fluctuations may affect the dollar amount of gain or loss with respect to certain investment decisions. The monetary benefit derived from tax loss selling, for example, may not exceed the risk of not being fully invested during that time. Executing tax sales (and repurchases) may adversely affect performance. SBAM is not a tax advisor, and therefore clients should consult with their tax specialist to review their particular tax situation.

SBAM may invest in exchange traded funds ("ETFs") or other pooled vehicles (including during the wash sale period). ETFs and other funds have certain imbedded costs, including management fees, of which the client account will bear a proportionate share while it is invested in the ETF or other fund.

SBAM may provide or make available at no charge various reports or materials to certain managed account program sponsors and other financial intermediaries who typically use SBAM services and products. These reports may analyze a prospective client's current holdings or show the effect of performance of a SBAM composite over a particular time period in a manner directed by the sponsor or intermediary. Such reports are not intended to constitute investment advice, research or recommendations.

#### **Advisory Services to Funds**

SBAM serves as a sub-adviser to one or more investment companies or private investment funds. In connection with its advisory services to an investment company or fund, SBAM or its related persons providing services to such investment company may receive advisory, administration, co-administration and/or distribution fees from the investment company and/or from other investment advisers to the investment company. Clients should carefully review the investment company or private fund's prospectus or other offering documents for more detailed information regarding an investment company or private fund subadvised by SBAM.

#### **Non-Discretionary Accounts and Model Portfolio Advice**

SBAM may also participate in model-based programs in which SBAM provides the program sponsor or an overlay manager non-discretionary investment advice through model portfolios and, in certain cases, handles certain trading and other functions. The model-based program sponsor or overlay manager is responsible for investment decisions and performing many other services and functions typically handled by SBAM in a traditional discretionary managed account program. Depending on the particular facts and circumstances, SBAM may or may not have an advisory relationship with model-based program clients. To the extent that this Form ADV Part 2A is delivered to program clients with whom SBAM has no advisory relationship or under circumstances where it is not legally required to be delivered, it is provided for informational purposes only. Furthermore, because a model-based program sponsor or overlay manager generally exercises investment discretion and, in many cases, brokerage discretion, performance and other information relating to SBAM's services for which it exercises investment and/or brokerage discretion is generally provided for informational purposes only and may not be representative of model-based program client results or experience. SBAM is not responsible for overseeing the provision of services by a model-based program sponsor and cannot assure the quality of its services.

The recommendations implicit in the model portfolios provided to the sponsor or overlay manager may reflect recommendations being made by SBAM contemporaneously to, or investment advisory decisions made contemporaneously for, similarly situated discretionary clients of SBAM. As a result, SBAM may have already commenced trading before the sponsor or overlay manager has received or had the

opportunity to evaluate or act on SBAM's recommendations. In this circumstance, trades ultimately placed by the sponsor or overlay manager for its clients may be subject to price movements, particularly with large orders or where the securities are thinly traded, that may result in model-based program clients receiving prices that are less favorable than the prices obtained by SBAM for its discretionary client accounts. On the other hand, the sponsor or overlay manager may initiate trading based on SBAM's recommendations before or at the same time SBAM is also trading for its discretionary client accounts. Particularly with large orders where the securities are thinly traded, this could result in SBAM's discretionary clients receiving prices that are less favorable than prices that might otherwise have been obtained absent the sponsor or overlay manager's trading activity. When it deems necessary or appropriate to do so, SBAM may seek to limit such impact by determining when the sponsor or overlay manager has completed its order before resuming its trading for discretionary client accounts. Because SBAM does not control the sponsor or overlay manager's execution of transactions for the sponsor or overlay manager's client accounts, SBAM cannot control the market impact of such transactions to the same extent that it would for its discretionary client accounts.

### **Formalization and Scope of Advisory Services**

SBAM formalizes its advisory relationship with a client through certain protocols such as the execution of an investment advisory agreement with the client (e.g., for retail SMA dual contract and institutional separate accounts) or the acceptance of new account documentation with respect to such client (e.g., for a discretionary wrap fee program client). SBAM typically does not provide advice outside of the confines of a formal advisory arrangement. Communications made in the marketing and sales process (including RFPs/RFIs, portfolio reviews, general written materials on products, strategies, and services, educational materials, etc.) are not intended and should not be relied upon as advice or a recommendation. Prior to the formalization of an advisory relationship, prospective clients and existing clients (with respect to new or different services) should make any decisions regarding any specific course of action based on their own needs and circumstances and in consultation with their own independent advisors.

SBAM regularly communicates with financial advisors, consultants and other intermediaries ("advisors") on relevant investment matters, including SBAM's products and services. To the extent that these advisors provide advice to a SBAM client that is subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), is a retirement plan, participant, beneficiary or individual retirement account and meets the definition of an ERISA fiduciary, it is expected that the advisor will function as a fiduciary to such party, capable of independently evaluating the merits and risks of SBAM's products and services and responsible for exercising independent judgment in evaluating SBAM's products and services, and such parties should look to their own advisors for advice regarding any specific course of action.

SBAM's services are limited to the scope of a formalized arrangement with respect to specific services (e.g., discretionary investment management to a particular strategy). SBAM does not provide any fiduciary services outside of such formalized arrangement. Any SBAM communication outside the scope of a formalized arrangement to any prospect, client, financial advisor or other intermediary should not be relied upon as advice or a recommendation.

Different products, services and strategies provided by SBAM (and offered or made available by advisors) have different features, terms and conditions, risks, and direct and indirect compensation and profitability, among other things. Therefore, SBAM (and an advisor) may have differing incentives and interests in marketing, offering, providing or making available different products, services or strategies. Prospects and clients, with the advice of their independent advisors, should carefully determine and select the products, services and strategies that best meet their needs.

In the absence of a formalized advisory arrangement, investors in Nuveen Funds (defined in Item 10 below) advised or subadvised by SBAM will not be advisory clients of SBAM, and SBAM will not provide investment advice or recommendations with respect to the merits and suitability of the particular investment and investment decision for the particular investor. Investors in Nuveen Funds are

encouraged to consult their own financial, tax and legal advisors regarding such decisions. Nuveen Fund shares are available through many unaffiliated broker-dealers and other financial services firms.

## **Investment Restrictions**

### Separate Accounts

SBAM's discretionary authority over an account may be subject to directions, guidelines and limitations imposed by the client or, in the case of a Managed Account, the program sponsor. SBAM will endeavor to follow reasonable directions, investment guidelines and limitations. Although SBAM seeks to provide individualized investment advice to its discretionary client accounts, SBAM will not be able to accommodate investment restrictions that are unduly burdensome or materially incompatible with SBAM's investment approach, and may decline to accept or terminate client accounts with such restrictions. In addition, SBAM may decline to permit any account restriction that affects more than a stated percentage of the account.

### Funds

When SBAM exercises discretionary authority with respect to a Fund's assets, it seeks to do so in a manner that is consistent with the Fund's investment objectives, strategies and limitations as disclosed in the Fund's registration statement or other applicable disclosure documents. SBAM's discretion is also subject to the oversight of the Fund's governing body (e.g., board of directors) and may be subject to the oversight of another investment adviser.

## **Managed Account Programs**

Although the types of advisory services provided by SBAM to Managed Accounts are generally similar to the types of services provided to SBAM's other clients, certain differences may exist, including limitations on the ability of SBAM to communicate directly, on its own initiative, with program clients (including communications with respect to changes in the client's investment objectives and restrictions) without going through the program sponsor, and in some cases investment strategies for Managed Accounts may involve fewer securities holdings due to smaller account sizes than Institutional Separate Accounts.

Each program client should review the program brochure provided to them by the sponsor for each program in which the client participates. The program brochure will provide the client with important details of the sponsor's program, including the total wrap fee. SBAM receives a portion of the wrap fee paid by program participants. See Items 5 and 12.

Depending upon the level of the wrap fee charged by a program sponsor, the amount of portfolio activity in a client's account, the value of the custodial and other services that are provided under a program arrangement and other factors, a program client should consider whether the wrap fee would exceed the aggregate cost of such services if they were to be provided separately and if SBAM were free to negotiate commissions, dealer spreads or other costs. Similarly, a non-wrap fee program client paying separate fees should consider whether the fees charged by different parties for custody, advisory services, portfolio management services, securities execution and other services would exceed the aggregate cost of such services if they were provided in a wrap fee arrangement. Some broker-dealers serving as custodian charge fees for settling transactions executed through other broker-dealers.

Managed Account clients should review all materials relating to their program (including the program brochure) regarding the program's terms, conditions and fees, and consider the advantages, disadvantages and overall appropriateness of the program in light of the client's particular circumstances.



**Assets Under Management**

As of December 31, 2016, SBAM had approximately \$9,359,927,295.00 in assets under management. This total includes approximately \$4,958,460,305.00 in Unified Managed Account (“UMA”) assets.

**ITEM 5 FEES AND COMPENSATION****Advisory Fees for Institutional Separate Accounts**

Advisory fees for Institutional Separate Accounts are charged as a percentage of assets under management and are generally determined based upon the following schedules:

<b>Dividend Growth Strategy</b>	
<u>Assets Under Management</u>	<u>Annual Fee Schedule</u>
First \$10,000,000	0.60%
Next \$10,000,000	0.50%
Next \$20,000,000	0.45%
Over \$40,000,000	0.40%
<i>Minimum Account Size</i>	<i>\$1 million</i>

<b>Global Dividend Growth (ADR) Strategy</b>	
<u>Assets Under Management</u>	<u>Annual Fee Schedule</u>
First \$5,000,000	0.70%
Next \$15,000,000	0.65%
Next \$30,000,000	0.55%
Over \$50,000,000	0.50%
<i>Minimum Account Size</i>	<i>\$1 million</i>

<b>Global Dividend Growth Strategy</b>	
<u>Assets Under Management</u>	<u>Annual Fee Schedule</u>
First \$10,000,000	0.75%
Next \$20,000,000	0.70%
Next \$20,000,000	0.60%
Over \$50,000,000	0.50%
<i>Minimum Account Size</i>	<i>\$5 million</i>

<b>International Dividend Growth (ADR) Strategy</b>	
<u>Assets Under Management</u>	<u>Annual Fee Schedule</u>
First \$5,000,000	0.70%
Next \$15,000,000	0.65%
Next \$30,000,000	0.60%
Over \$50,000,000	0.50%
<i>Minimum Account Size</i>	<i>\$1 million</i>

<b>International Dividend Growth Strategy</b>	
<u>Assets Under Management</u>	<u>Annual Fee Schedule</u>
First \$10,000,000	0.75%
Next \$20,000,000	0.70%
Next \$20,000,000	0.65%
Over \$50,000,000	0.50%
<i>Minimum Account Size</i>	<i>\$5 million</i>

<b>Select Dividend Growth Strategy</b>	
<u>Assets Under Management</u>	<u>Annual Fee Schedule</u>
First \$5,000,000	0.70%
Next \$15,000,000	0.65%
Next \$30,000,000	0.55%
Over \$50,000,000	0.45%
<i>Minimum Account Size</i>	<i>\$1 million</i>

For more information on strategies, see Item 8.

When SBAM commences advisory services for an Institutional Separate Account client, if the client is billed in advance the initial bill is based on the account's market value at inception and is prorated for the number of days in that initial quarter. For clients who are billed in arrears, the initial bill is based on the quarter-end market value of the inception quarter and prorated for the number of days in that quarter. Thereafter, for clients billed in advance, fees are billed quarterly based on the calculated market value at the end of the previous quarter, or for clients billed in arrears, based on the calculated market value of the quarter just ended. There may be other arrangements with different billing protocols.

In certain instances, clients are billed and fees are deducted from the client's custodial account by the client's custodian for transmission to SBAM. See Item 15.

Fees and services may be negotiable based on factors such as client type, asset class, pre-existing relationship, portfolio complexity and account size or other special circumstances or requirements. Some existing clients may pay higher or lower fees than new clients. Related accounts may be aggregated for fee calculation purposes in certain circumstances. SBAM may provide special services and/or provide services at no or reduced fees for certain employees and their family members and others affiliated with the firm.

SBAM may calculate fees based on valuations provided in clients' custodial statements, or based on valuations determined by SBAM. SBAM determines valuations of account assets in accordance with SBAM's valuation procedures, which generally rely on third party pricing services but may permit the use of other valuation methodologies in certain circumstances. SBAM's valuations may differ from valuations reflected in a client's custodial statements.

Employees have the option to invest in SBAM strategies as a client at no cost. SBAM managed employee accounts are managed in a manner consistent with SBAM's fiduciary duty to its other clients. SBAM accounts for employees shall receive neither special advantages nor disadvantages.

#### **Advisory Fees for Managed Accounts**

Fees for Managed Accounts may vary from the above. For Managed Accounts, SBAM's fee is determined by the agreement between the program sponsor and SBAM and is generally in the range of up to 0.60%. Total annual fees charged by wrap program sponsors, which include SBAM's fee, are generally in the range of up to 3.00% annually of the client's assets in the Managed Account program. Program sponsors typically collect the total wrap fee and remit SBAM's fee to SBAM. Under some contractual arrangements, SBAM's fee may be paid directly to SBAM by the client. In non-wrap fee programs, SBAM and sponsors may each charge their fees separately. Fees charged to dual contract accounts are individually negotiated between SBAM and the client.

#### **Advisory Fees for Funds**

Fees for advisory services provided to Funds are separately negotiated between SBAM and the third-party or affiliated investment adviser and/or Fund. Fees are generally based on a percentage of assets under management. Additional information concerning a Fund's investment management fees and other expenses is contained in the Fund's prospectus and statement of additional information or relevant offering documents.

#### **Other Fees and Expenses**

Clients will incur brokerage, custody and other transaction costs. See Item 12.

On behalf of its Institutional Separate Accounts and Managed Accounts, SBAM may invest in funds, including ETFs. When SBAM invests client assets in funds and ETFs, unless otherwise agreed and

where permitted by law, the client will bear its proportionate share of fees and expenses as an investor in the fund in addition to SBAM's investment advisory fees.

In addition, SBAM may offer certain separate account strategies that include an allocation to certain funds that are also advised by SBAM or its affiliates. To the extent that SBAM invests client assets in an affiliated fund, SBAM may, depending on the arrangement with the program sponsor or Institutional Separate Account client and any legal requirements, waive investment advisory fees on the assets invested in such investment company, credit the client account for the fees paid by the investment company to SBAM or SBAM's related persons, avoid or limit the payment of duplicative fees to SBAM and its related persons through other means, or charge fees both at the investment company level and client account level.

SBAM's clients generally will incur brokerage and other transactions costs either separately or through a bundled fee. In wrap programs that permit SBAM to trade away from the wrap sponsor or its broker-dealer affiliate when such sponsor or its affiliate cannot provide best price or execution under the circumstances, SBAM may trade away from such parties. In such cases, clients may incur transaction fees, commissions and/or other costs and fees in addition to the wrap fee. Program clients should review all materials available from a third party sponsor concerning the program, sponsor and the program's terms, conditions and fees. See Item 12.

From time to time, a client may instruct SBAM to suspend investment management services for their accounts for a period of time. SBAM may charge standard fees for all or a portion of such time to reflect the administrative costs associated with implementing such instructions.

Fees paid in advance will be prorated to the date of termination specified in the notice of termination and any unearned portion thereof will be refunded to client. For wrap program agreements that provide that SBAM's fees are to be paid in advance, SBAM will refund any prepaid, but unearned fees to the program sponsor. The sponsor is then responsible for refunding fees, as applicable, to the client upon termination of the service. The refunded amount will be determined on a pro-rata basis if the service is terminated within the payment period.

Certain related sales personnel may market SBAM's investment capabilities to various prospects and intermediaries. SBAM's investment capabilities may be available directly through provision of investment advisory services (through Institutional Separate Accounts and Managed Accounts), or indirectly by investment in Nuveen Funds advised or subadvised by SBAM. Related sales personnel may be internally compensated for successful marketing or selling activities with respect to SBAM's investment advisory services. Prospective clients are encouraged to consult their own financial, tax and legal advisors regarding any investment decision regarding SBAM's investment advisory services.

Certain related sales personnel are associated with SBAM's affiliated broker-dealer, Nuveen Securities, LLC, and in that capacity may engage in marketing or selling activities with respect to shares or interests in Nuveen Funds advised or subadvised by SBAM. See Item 10. Related sales personnel may be internally compensated for successful marketing or selling activities with respect to shares or interests in Nuveen Funds advised or subadvised by SBAM.

Investors in Nuveen Funds advised or subadvised by SBAM will not be advisory clients of SBAM, and SBAM will not provide investment advice or recommendations with respect to the merits and suitability of the particular investment and investment decision for the particular investor. Investors in Nuveen Funds are encouraged to consult their own financial, tax and legal advisors regarding such decisions. Nuveen Fund shares are available through many unaffiliated broker-dealers and other financial service firms. See Item 10.

## **ITEM 6            PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

SBAM may manage multiple accounts with different investment objectives, guidelines and policies, and with different fee structures.

In limited circumstances, SBAM may receive both asset-based fees and performance-based fees as compensation for its advisory services. Performance-based fees may create an incentive for SBAM to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee. In these instances, SBAM's compensation may be greater than it would otherwise have been, as the fee will be based on account performance instead of, or in addition to, a percentage of assets under management. All accounts regardless of fee structure follow the standard rotation policy to address and mitigate any favoritism. SBAM periodically reviews allocations of investment opportunities and sequencing of transactions to reasonably confirm rotation and allocation policies are followed.

Similarly, a conflict exists if SBAM were to favor accounts which were not performance-based fee accounts in the allocation of investment opportunities. To address this conflict, SBAM maintains policies and procedures designed to treat all clients fairly when aggregating and allocating investment opportunities and periodically reviews allocations and sequencing of non-performance based fee account transactions.

Any exceptions or issues arising from the reviews are brought to the attention of SBAM's Chief Compliance Officer.

## **ITEM 7            TYPES OF CLIENTS**

SBAM provides investment advisory and sub-advisory services to a wide variety of individual and institutional clients, including pension funds, high-net worth individuals, corporations, trusts, not-for-profit organizations, endowments, foundations, religious organizations, Managed Accounts and investment companies and/or other funds. Prior to investing in any investment company or fund, an investor should review the relevant prospectus or offering materials for important information concerning the objectives, policies, strategies, risks fees and other important information.

For Institutional Separate Accounts, SBAM generally requires a minimum account size between \$1,000,000 - \$5,000,000. For Managed Accounts, SBAM generally requires a minimum account of \$100,000, although the specific minimum account size varies by program. SBAM may waive these minimums based on client type, asset class, pre-existing relationship with client and other factors. For additional information, see Item 5.

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

SBAM is a fundamentally focused investment firm. While several aspects are taken into consideration, SBAM's primary objective is to understand the facets of each company. First, SBAM qualitatively evaluates a company's business model and competitive position versus its respective industry. Second, SBAM compares specific company fundamentals against its peer group and broader sector. Finally, SBAM assesses a company's commitment to its dividend. Ultimately, SBAM seeks companies with strong fundamentals and a clear commitment to growing their dividend.

General descriptions of SBAM's investment strategies are included below. Additionally, from time to time, SBAM may provide variations of the strategies listed below or other strategies in order (for example) to accommodate client requests.

**The Dividend Growth** strategy primarily invests in dividend-paying common and preferred stocks with the potential for future dividend growth in an effort to provide an attractive total return comprised of both dividends and long-term capital appreciation. Companies in certain economic sectors of the market have historically provided higher dividend yields than companies in other sectors and industries. As a result, portfolios may, from time to time, have a greater exposure to higher dividend-yield sectors and industries than the broad equity market. The strategy may invest in small-, mid- and large-cap companies. Dividend Growth generally emphasizes U.S. companies, although investment in non-U.S. companies is permitted.

**The Global Dividend Growth** strategy primarily invests in dividend-paying common and preferred stocks with the potential for future dividend growth in an effort to provide an attractive total return comprised of both dividends and long-term capital appreciation. Companies in certain economic sectors of the market have historically provided higher dividend yields than companies in other sectors and industries. As a result, portfolios may, from time to time, have a greater exposure to higher dividend-yield sectors and industries than the broad equity market. The strategy may invest in small-, mid- and large-cap companies. Global Dividend Growth invests in both U.S. and non-U.S. companies (primarily in developed markets). The strategy is available in both a local currency non-U.S. ordinary shares (ORD) format and an American Depositary Receipt (ADR) format. See disclosure below for additional information.

**The International Dividend Growth** strategy primarily invests in dividend-paying common and preferred stocks with the potential for future dividend growth in an effort to provide an attractive total return comprised of both dividends and long-term capital appreciation. Companies in certain economic sectors of the market have historically provided higher dividend yields than companies in other sectors and industries. As a result, portfolios may, from time to time, have a greater exposure to higher dividend-yield sectors and industries than the broad equity market. The strategy may invest in small-, mid- and large-cap companies. International Dividend Growth generally emphasizes non-U.S. companies (primarily in developed markets), although investment in U.S. companies is permitted. The strategy is available in both a local currency non-U.S. ordinary shares (ORD) format and an American Depositary Receipt (ADR) format. See disclosure below for additional information.

**Select Dividend Growth** is a concentrated strategy that primarily invests in dividend-paying common stocks with the potential for future dividend growth in an effort to provide an attractive total return comprised of both dividends and long-term capital appreciation. Companies are selected from our existing strategy holdings based on their potential risk and return. As a result, portfolios may not, from time to time, have all sectors represented as in the broad equity market. The strategy may invest in small-, mid- and large-cap companies. Select Dividend Growth invests in both U.S. and non-U.S. companies (primarily in developed markets).

Non-U.S. investment exposure may be achieved in client accounts by investing in American Depositary Receipts ("ADRs", which are the receipts for the shares of a non-U.S. based company traded on U.S. exchanges) and similar depositary receipts, or in ordinary shares of non-U.S. securities in non-U.S. markets (sometimes referred to as "ORDs"), which may be held instead of or in addition to ADRs in

client accounts. SBAM may purchase ORDs and arrange for these ordinary shares to be converted into ADRs. Fees and costs associated with the conversion and purchase of ADRs are typically included in the net price of the ADR and incurred by the purchasing account. Some portion of such costs may be attributable to local broker fees, stamp fees, and local taxes. Trades on non-U.S. exchanges may incur greater transaction charges than trades on U.S. exchanges. ADRs may be more thinly traded in the U.S. than the underlying shares traded in the country of origin, which may increase volatility and affect purchase or sale prices. ADRs do not eliminate the currency and economic risks for the underlying shares in another country.

These descriptions are not intended to serve as applicable account guidelines. Except in limited instances, SBAM's strategies are not generally intended to provide a complete investment program for a client, and clients are responsible for appropriately diversifying their assets.

SBAM reserves the right to limit the availability of any particular strategy at any given time based on factors including asset class capacity, pre-existing relationships, minimum account sizes, fees and distribution channels. In addition, SBAM may develop other investment strategies from time to time and manage portfolios according to a client's specific investment guidelines, and thus, strategies may vary by client account. Certain strategies may be available only in certain channels or through investing in funds. For funds, the descriptions of the investment strategies above are qualified in their entirety by the information included in a fund's prospectus or other official offering documentation. Prior to investing in any fund, an investor should review the relevant prospectus or offering memorandum for important information.

## **RISKS**

In all strategies, investing in securities involves risk of loss that clients should be prepared to bear. The following risks are generally applicable to all strategies. *Non-U.S./Emerging Markets Risk* and *Recent Market Conditions Risk* are heightened for the Global Dividend Growth and International Dividend Growth strategies.

*Common Stock Risk* - Although common stocks historically have generated higher average returns than fixed income securities, common stocks also have experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by a portfolio. Also, prices of common stocks are sensitive to general movements in the stock market and a drop in the stock market may depress the prices of common stocks.

*Dividend Growth Style Risk* - Dividends are not guaranteed and will fluctuate. Dividend yield is one component of performance and should not be the only consideration for investment. Growth style investing may fall out of favor and underperform other styles of investing over any period of time. Certain sectors or growth stocks may shift characteristics over a long market cycle and may not perform in line with stated benchmarks. Companies experiencing high rates of current growth may be more volatile than other types of investments.

*Equity Security Risk* - Equity securities may decline significantly in price over short or extended periods of time. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market. In addition, the types of securities in which a particular account invests may underperform the market as a whole.

*Inflation Risk* - The value of assets or income from investments may be less in the future as inflation decreases the value of money. As inflation increases, the value of an account's assets can decline.

*Market Risk* - Investing in securities involves risk of loss that clients should be prepared to bear. The market values of securities may decline, at times sharply and unpredictably.

*Mid-Cap Stock Risk* - While stocks of mid-cap companies may be slightly less volatile than those of small-cap companies, they still involve substantial risk. Mid-cap companies may have limited product



lines, markets or financial resources, and they may be dependent on a limited management group. Stocks of mid-cap companies may be subject to more abrupt or erratic market movements than those of larger, more established companies or the market averages in general.

*Non-U.S./Emerging Markets Risk* - Non-U.S. companies or U.S. companies with significant non-U.S. operations may be subject to risks in addition to those of companies that principally operate in the United States due to political, social and economic developments abroad, different regulatory environments and laws, potential seizure by the government of company assets, higher taxation, withholding taxes on dividends and interest and limitations on the use or transfer of portfolio assets. ADRs may be more thinly traded in the U.S. than the underlying shares traded in the country of origin, which may increase volatility and affect purchase or sale prices. ADRs do not eliminate the currency and economic risks for the underlying shares in another country.

The U.S. and non-U.S. equity markets often rise and fall at different times or by different amounts due to economic or other developments particular to a given country or region. This phenomenon would tend to lower the overall price volatility of a portfolio that included both U.S. and non-U.S. stocks. Sometimes, however, global trends will cause the U.S. and non-U.S. markets to move in the same direction, reducing or eliminating the risk reduction benefit of international investing.

Securities of companies traded in many countries outside the United States, particularly emerging markets countries, may be subject to further risks due to the inexperience of local investment professionals and financial institutions, the possibility of permanent or temporary termination of trading, and greater spreads between bid and asked prices for securities. In addition, non-U.S. stock exchanges and investment professionals are subject to less governmental regulation, and commissions may be higher than in the United States. Also, there may be delays in the settlement of non-U.S. stock exchange transactions.

Investments in securities of non-U.S. issuers involve special risks not presented by investments in securities of U.S. issuers, including the following: (i) less publicly available information about non-U.S. issuers or markets due to less rigorous disclosure or accounting standards or regulatory practices; (ii) many non-U.S. markets are smaller, less liquid and more volatile, meaning that in a changing market, a portfolio may not be able to sell securities at times, in amounts and at prices it considers reasonable; (iii) potential adverse effects of fluctuations in currency exchange rates or controls on the value of a portfolio's investments; (iv) the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; (v) the impact of economic, political, social or diplomatic events; (vi) possible seizure, expropriation or nationalization of the company or its assets; (vii) enforcing legal rights may be difficult, costly and slow in non-U.S. countries, and there may be special problems enforcing claims against non-U.S. governments; (viii) non-U.S. markets may be less liquid and more volatile than U.S. markets; (ix) certain non-U.S. countries may impose restrictions on the ability of non-U.S. issuers to make payments of principal and/or interest to investors located outside the issuer's country of domicile, due to blockage of foreign currency exchanges or otherwise; and (x) withholding and other non-U.S. taxes may decrease a portfolio's return. These risks are more pronounced to the extent that a portfolio invests a significant amount of its assets in companies located in one region.

Investing in emerging markets generally involves exposure to economic structures that are less diverse and mature, and to political systems that are less stable, than those of developed countries. In addition, issuers in emerging markets typically are subject to a greater degree of change in earnings and business prospects than are companies in developed markets. Emerging markets generally do not have the level of market efficiency and strict standards in accounting and securities regulation to be on par with advanced economies. Investments in emerging markets come with much greater risk due to political instability, domestic infrastructure problems, currency volatility and limited equity opportunities (many large companies may still be "state-run" or private). Also, local stock exchanges may not offer liquid markets for outside investors. Some countries, particularly emerging markets, restrict to varying degrees foreign investment in their securities markets. In some circumstances, these restrictions may limit or preclude investment in certain countries or may increase the cost of investing in securities of particular companies.

*Recent Market Conditions Risk* - The global financial crisis over the past several years, including the European sovereign debt crisis, has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets. Liquidity in some markets has decreased; the ability to obtain credit has become challenging worldwide; and the values of some sovereign debt and of securities of issuers that hold that sovereign debt have fallen. These market conditions may continue or possibly deteriorate further, and may add significantly to the risk of short-term volatility in accounts. Under such conditions, it may also become very difficult to execute portfolio transactions in affected markets. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibility that conditions in one country or region might impact issuers in a different country or region, sometimes adversely. In response to the crisis, the European Union, the U.S. and various governments, as well as the European Central Bank, the U.S. Federal Reserve and other central banks, have taken steps to support financial markets. Withdrawal of this support, failure of efforts in response to the crisis, or investor perception that such efforts are not succeeding, could adversely impact the value and liquidity of certain securities. The severity or duration of these conditions may also be affected by policy changes made by governments or quasi-governmental organizations. Because the situation is widespread and largely unprecedented, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions, and therefore the effects of these potential events on an account is impossible to predict.

*Smaller Company Risk* - Small-cap stocks involve substantial risk. Prices of small-cap stocks may be subject to more abrupt or erratic movements, and to wider fluctuations, than stock prices of larger, more established companies or the market averages in general. It may be difficult to sell small-cap stocks at the desired time and price. While mid-cap stocks may be slightly less volatile than small-cap stocks, they still involve similar risks.

*Underlying Fund Risk* - Investing in underlying funds, particularly in an asset allocation portfolio, causes a portfolio to indirectly bear the portfolio's portion of the costs and expenses of the underlying fund, in addition to portfolio expenses. Investing in underlying funds also subjects a portfolio to the same risks associated with directly investing in securities held by the underlying fund. Additionally, for index-based funds (including ETFs), the performance of the fund may diverge from the performance of such index (commonly known as tracking error).

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment strategy. Prospective clients and clients are encouraged to consult their own financial advisors and legal and tax professionals on an initial and continuous basis in connection with selecting and engaging the services of an investment manager for a particular strategy. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed herein.

**ITEM 9            DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of or the integrity of SBAM or its management persons.

## **ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As discussed above, SBAM is a subsidiary of Nuveen, LLC ("Nuveen"). Nuveen is an indirect subsidiary, and represents the Asset Management Division of TIAA, a leading financial services provider. TIAA constitutes the ultimate principal owner of SBAM. For additional information on the firm's ownership structure, please see Form ADV Part 1A, Schedules A and B.

TIAA's subsidiaries include various financial industry entities, including broker-dealers, other investment advisers, commodity pool operators and/or commodity trading advisers, banking or thrift institutions, insurance companies or agencies, pension consultants, sponsors or syndicators of limited partnerships, and sponsors, general partners, or managing members of pooled investment vehicles, among other entities. For further information on these subsidiaries, please see Exhibit A.

TIAA is considered a "control person" of SBAM and TIAA's other financial industry entities may be considered affiliates of SBAM under the Investment Advisers Act of 1940, as amended ("Advisers Act") and/or otherwise affiliated with SBAM under various other regulatory regimes including, as applicable, under the 1940 Act and ERISA.

Neither TIAA nor its other affiliates have any material involvement in SBAM's day-to-day investment and voting determinations on behalf of clients. SBAM exercises its own independent investment and voting discretion in accordance with its investment philosophy, fiduciary duties and client guidelines and SBAM maintains certain information barriers designed generally to provide for such independent exercise and voting power.

SBAM is committed to putting the interests of its clients first and seeks to act in a manner consistent with its fiduciary and contractual obligations to its clients and applicable law. At times, SBAM may determine, in an exercise of its discretion, to limit or refrain from entering into certain transactions, for some or all clients, in order to seek to avoid a potential conflict of interest, or where the legal, regulatory, administrative or other costs associated with entering into the transaction are deemed by SBAM to outweigh the expected benefits. Further, certain regulatory and legal restrictions or limitations and internal policies (including those relating to the aggregation of different account holdings by SBAM and its affiliates) may restrict certain investment or voting activities of SBAM on behalf of its clients. For example, SBAM's investment and voting activities with respect to certain securities, issuers, regulated industries and non-U.S. markets may be restricted where applicable laws or regulations impose limits or burdens with respect to exceeding certain investment thresholds when aggregated with its affiliates.

To the extent permitted by the Advisers Act, the 1940 Act, ERISA, and other law, as applicable, SBAM may give advice, take action or refrain from acting in the performance of its duties for certain client accounts that may differ from such advice or action, or the timing or nature of such advice or action, for other client accounts including, for example, for clients subject to one or more regulatory frameworks.

TIAA affiliates market, distribute, make referrals of, use and/or recommend investment products and services (including funds and pooled investment vehicles, and investment advisory services) of other affiliates (including SBAM), and such affiliates may pay and receive fees and compensation in connection thereto. As a result of the potential additional economic benefit to SBAM and/or its affiliates resulting from such activities, there is a potential conflict of interest for SBAM, which SBAM seeks to mitigate in a variety of ways, depending on the nature of the conflict, such as through oversight of these activities and/or by disclosure in this Brochure. To the extent permitted by applicable law, SBAM may delegate some or all of its responsibilities to one or more affiliates, including affiliated investment advisers. SBAM's affiliates may likewise delegate some or all responsibilities to SBAM. Affiliated broker-dealers and their personnel act as distributors with respect to and/or promote and provide marketing support to affiliated Funds and broker-dealer personnel are internally compensated for those activities. Such distribution activities are subject to the broker-dealer's own procedures.

SBAM serves as sub-adviser to several affiliated registered open and closed-end Funds, including a family of Funds branded as "Nuveen Funds", for which affiliate, Nuveen Fund Advisors, LLC serves as

adviser. SBAM may also serve as sub-adviser to other affiliated Funds, including a series of products offered through one or more bank collective trusts under the Nuveen brand, and an investment company with variable capital incorporated with limited liability in Ireland and established as an umbrella fund with segregated liability between funds pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities ("UCITS")) Regulations, 2011, under the Nuveen brand. SBAM may also provide investment services (e.g., as adviser, sub-adviser or portfolio consultant) to other Funds, including Funds with the "Nuveen" brand. SBAM serves as adviser or sub-adviser to one or more other pooled investment vehicles.

Certain non-investment support functions (e.g., operations, account administration, information technology, legal and compliance, human resources, finance, risk management, product development, some aspects of marketing/client service and administration, trading, and other corporate or administrative services) are provided, or in some instances supplemented, by a shared services platform through Nuveen Services, LLC.

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

### **Code of Ethics and Personal Trading**

SBAM is governed by Nuveen's Code of Ethics and SBAM's Supplement to the Nuveen Code of Ethics (together, the "Code"). The Code has been adopted in compliance with the requirements of the United States Securities and Exchange Commission, Rule 204A-1 under the Advisers Act, and Rule 17j-1 under the 1940 Act, as amended. The purpose of the Code is to demonstrate the firm's commitment to the highest legal and ethical standards and to provide guidance in understanding and fulfilling those responsibilities. In addition, the Code categorizes all full and part-time employees and certain other individuals as either access or investment persons (together "covered persons"). The Code is applicable to all covered persons.

SBAM strives at all times to conduct its investment advisory business in strict accordance with its fiduciary obligations, which include the duties of care, loyalty, honesty, and good faith. The Code sets forth standards of business conduct intended to reflect those fiduciary obligations and also requires covered persons to comply with applicable laws, rules, regulations, and policies. The Code specifically prohibits the misuse of material nonpublic information.

The Code also outlines policies and procedures designed to detect and address conflicts of interest whereby a covered person could potentially utilize knowledge about pending or currently considered securities transactions to benefit personally. As such, covered persons who wish to purchase or sell securities are required, with limited exceptions, to maintain brokerage accounts with select broker-dealers who provide automated, electronic reporting of transactions and account information to assist SBAM in the monitoring of employee transactions. Prior to the purchasing or selling of any security, the Code also requires covered persons to obtain pre-approval for all securities transactions which are not subject to a de minimis exception or which are not specifically exempted. Investment persons are subject to a personal trading prohibition during the period starting seven calendar days before and ending seven calendar days after any block trading in the same or related security on behalf of a client. Maintenance trades which result from cash flow events are exempt from this prohibition. Additional restrictions relating to short term trading and prohibitions on purchases of initial public offerings are also defined in the Code and applicable to all covered persons. Covered persons are required to comply with certain periodic reporting requirements and to certify they have read and will comply with the Code upon commencement of employment and annually thereafter. Employee reporting requirements and trading, as noted above, are monitored for adherence to the Code and any covered person who violates the Code is subject to remedial actions.

A copy of the Code will be provided upon request to any client or prospective client.

### **Participation or Interest in Client Transactions**

Initially and from time to time, employees of SBAM and its related persons may establish proprietary accounts, including seed capital accounts. Such investments may from time to time represent all, or a significant percentage, of the proprietary account's assets. In addition SBAM or a related person may have a financial interest in such proprietary accounts, including but not limited to the receipt of investment management and/or certain performance-based fees. In certain instances, SBAM and its related persons may have a financial incentive to recommend certain strategies without regard to client suitability which would produce greater compensation and profit to SBAM or its related persons, and indirectly, to personnel of SBAM involved in decision-making for the accounts. Proprietary accounts often invest in the same securities and trade alongside client accounts. This creates a conflict if SBAM were to favor such accounts in the allocation of investment opportunities. As discussed in Item 6, SBAM maintains policies and procedures designed to treat all clients, including proprietary accounts, fairly when aggregating and allocating investment opportunities.

Employees of SBAM may invest in Nuveen Funds or other commingled funds or accounts advised or subadvised by SBAM, and, as noted above, SBAM may establish proprietary accounts, including seed

capital accounts. Although employees of SBAM may maintain a material position or percentage interest in such funds or accounts, and the interests of SBAM may represent all, or a significant percentage, of such proprietary accounts or seed accounts, the restrictions and/or prohibitions on securities transactions under the Code as set forth above do not apply in such instances to these funds or accounts. In order to address any conflict created or mitigate any associated risk under these circumstances, SBAM periodically reviews allocations of investment opportunities across all accounts and compares the performance of such accounts.

SBAM provides investment advisory services to various clients which may differ from the advice given, or the timing and nature of the actions taken with respect to any one account, including proprietary or personal accounts, depending upon a variety of factors as discussed in Item 16. In addition, other factors such as market impact or liquidity constraints could result in one or more clients receiving less favorable trading results if SBAM were to implement an investment decision ahead of or contemporaneously with similar decisions for one set of clients ahead of other clients. As set forth above, SBAM maintains policies and procedures reasonably designed to ensure that all clients are treated fairly when aggregating and allocating investment opportunities. Likewise, SBAM provides non-discretionary investment advisory services to model-based program clients. Please refer to Item 12 for a discussion related to the conflicts and processes designed to treat all clients fairly.

Subject to the restrictions described above, and more explicitly described in the Code (as amended from time to time), SBAM and its employees may at any time hold, acquire, increase, decrease, dispose of or otherwise deal with positions in investments in which a client account may have an interest from time to time. SBAM has no obligation to acquire for a client account a position in any investment which it, acting on behalf of another client, or an employee, may acquire, and the client accounts shall not have the right of first refusal, co-investment or other rights in respect of any such investment.

SBAM employees may be clients of SBAM. SBAM has a potential conflict of interest because it may seek to favor its employees over its other clients in the management of its account. SBAM addresses this conflict through the use of trade allocation procedures. SBAM may provide special services and/or provide services at no or reduced fees for certain employees and their family members and others affiliated with the firm. SBAM has a potential conflict of interest because it may seek to favor its employees over its other clients. SBAM manages employee accounts in a manner consistent with SBAM's fiduciary duty to its other clients. SBAM accounts for employees or their family members or others affiliated with the firm shall not receive special trading advantages or disadvantages. See Item 12 for additional information.

SBAM and its related persons may invest in securities for their personal accounts that are also recommended to SBAM clients. Potential conflicts may arise in this situation because SBAM or its related persons may have a material interest in or relationship with the issuer of a security, or may use knowledge about pending or currently considered securities transactions for clients to profit personally. To address these potential conflicts, employee transactions are subject to limitations regarding the type and timing of transactions, including certain trading prohibitions, and pre-approval and monitoring by compliance professionals as set forth above. In addition, employees are required to review and certify securities trading activity quarterly and to provide securities holding reports upon commencement of employment and to review and certify securities holdings thereafter on an annual basis.

SBAM's participation in the valuation of securities held in client accounts may result in additional compensation paid to SBAM. Additionally, trade error resolution could create a conflict if SBAM seeks to resolve errors to its economic benefit by not acknowledging the error, failing to fully compensate the client for the error, or by keeping any gain due to the client. For a discussion of valuation conflicts and SBAM's policies and procedures, please refer to the Additional Information section. For a summary of SBAM's trade error policies and procedures, please refer to Item 12.

Employees may be offered or receive gifts and entertainment from parties with whom SBAM conducts business. Receipt of gifts and entertainment from clients, consultants or broker-dealers may inappropriately influence investment or trading decisions. Similarly, the giving of gifts and entertainment

may inappropriately influence a prospect, client, consultant or broker-dealer in an effort to gain an unfair advantage in acquiring or retaining clients. Employees are subject to certain limitations and reporting obligations regarding the receipt/giving of gifts and other benefits in the form of entertainment from parties with whom SBAM conducts business. For a discussion of gifts and entertainment conflicts, please refer to Item 14, Payments to Others – General.

Similarly, employees may from time to time make political contributions. The inappropriate influencing of a prospect or client in an effort to gain an unfair advantage in acquiring or retaining clients creates a conflict of interest. SBAM has established procedures to comply, at a minimum, with federal law. In addition, all applicable contributions require preclearance and employees are required to certify on a quarterly basis that they have reported all applicable monetary or in-kind political contributions and that the contributions met certain standards.

SBAM is cognizant that an employee's personal activities may give rise to a potential conflict of interest if the employee's personal interests are inappropriately placed before SBAM or SBAM's clients. As such, SBAM prohibits service on publicly traded company boards without prior approval from legal and compliance. In addition, permission is required to participate in certain outside business activities. If it appears that any such activity conflicts with, or may reasonably be anticipated to conflict with, the interests of SBAM or any client, the employee may be prohibited from participating or be required to discontinue the activity.



## **ITEM 12      BROKERAGE PRACTICES**

### **Broker-Dealer Selection**

#### **Discretionary Brokerage Arrangements**

SBAM has established a Trade Oversight Committee that has oversight and policy making responsibility for SBAM's brokerage practices, including broker-dealer selection. Committee voting members include senior management and representatives from portfolio management, research, and trading. Non-voting members include representatives from legal and compliance. The Committee meets quarterly, or as needed.

In determining the broker-dealers through which to place securities transactions for client accounts, SBAM's policy is to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided. When a client has given SBAM brokerage discretion, there is no restriction on the brokerage firms SBAM selects to execute the client's transactions. SBAM selects broker-dealers primarily on their capability to obtain the best combination of price and execution under the circumstances. In addition to a broker-dealer's execution capability, SBAM considers the commission rate or spread, the nature of the security being traded, the size of the transaction, the desired timing of the transaction, the activity existing and expected in the market for the particular security, and affiliated firm restrictions or client imposed restrictions. SBAM also considers its knowledge of the broker-dealer's financial stability and operational capabilities (including clearance and settlement), the maintenance of the confidentiality of orders, the responsiveness of the broker-dealer, and the broker-dealer's willingness to commit capital. Furthermore, SBAM considers the value, nature and quality of any brokerage and research products and services.

As a result of any or a combination of the above factors, transactions will not always be executed at the lowest available price, commission, and/or mark-up/mark-down, but will be within a generally competitive range as SBAM does not adhere to any rigid formula in making the selection of any particular broker-dealer, but weighs a combination of the preceding and, potentially, other factors. Additionally, transactions which involve specialized services on the part of the broker-dealer usually entail higher commissions than would be the case with other transactions requiring more routine services. Furthermore, as described in greater detail below, SBAM sometimes determines to pay up for research and brokerage services, to the extent SBAM determines in good faith that such research and brokerage services fall within the definition of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"), the research and brokerage services provide appropriate and lawful assistance in the investment decision-making process, and the commission paid is reasonable in relation to the research and brokerage services provided.

#### **Wrap Fee and Partially-Bundled Dual Contract Arrangements**

As more fully described under SBAM's description of its advisory business which is located in Item 4, SBAM is appointed to act as an investment adviser to wrap fee and to partially-bundled dual contract managed accounts through a process generally administered or assisted by the program sponsor or other financial intermediary ("program sponsor"). Because transaction costs for trades executed by the program sponsor under both arrangements are included in the client's fee, SBAM does not negotiate brokerage commissions with program sponsors. To the extent that SBAM effects a transaction with a program sponsor or affiliated broker-dealer with which the client has a wrap fee or partially-bundled dual contract arrangement, the client does not pay commissions on equity transactions with such program sponsor and a portion of the single fee is considered to be in lieu of brokerage commissions. In connection with such arrangements, SBAM typically uses the specified brokerage firm, although it may be permitted to trade away/step-out from the firm. When SBAM places client trades with another firm, the client sometimes incurs trading costs including for example, brokerage commissions, mark-up or mark-downs, or other transaction fees, in addition to the bundled fee charged by the program sponsor. In addition, a program sponsor sometimes charges additional fees for settling step-out transactions.

As noted in Item 10 above, SBAM's affiliate shared service units provide SBAM with supplemental account administration, trading, operations and other services. Where SBAM has been appointed to act as an investment adviser to wrap fee and partially bundled dual contract managed accounts which are administered by an affiliate shared services unit, SBAM routinely utilizes the trading desk of its affiliate shared services unit to facilitate and effect transactions for such accounts.

A client should evaluate whether a particular wrap fee or partially-bundled dual contract program is suitable for his or her needs in light of the program fee, the package of services provided, the amount of portfolio activity in the account, and the value of custodial and portfolio monitoring services. The bundled fee may be higher or lower than the total cost of all the services provided and paid for separately.

### **Research and Other Soft Dollar Benefits**

SBAM sometimes uses a broker-dealer that charges more than the lowest available commission when SBAM determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by the executing broker-dealer (a practice commonly referred to as "paying up"). Consistent with its obligation to seek best execution, and in accordance with Section 28(e), SBAM considers the research and brokerage services capabilities of various brokerage firms, including the reputation and standing of their analyses and their investment strategies, timely accuracy of statistical information, and idea generation when selecting brokers to execute client transactions. SBAM is in effect paying for the brokerage and research products and services with client commissions, so-called "soft dollars."

SBAM receives and pays for research products and services in a variety of manners. Broker-dealers provide proprietary products or services directly to SBAM. In addition, in certain instances, broker-dealers provide research services directly to SBAM which have been created by an affiliate of the broker-dealer or an independent third-party, (so-called "co-branded" research). From time to time, SBAM receives research from broker-dealers that have traditionally provided only execution services to SBAM. In these instances SBAM considers such research to be incidental and pays what it believes to be the same execution commission rate for such services. SBAM also receives brokerage and research services from broker-dealers in connection with certain "eligible riskless principal transactions." In connection with research or brokerage services for which SBAM pays a bundled rate, SBAM is often unable to separately quantify or estimate the value of any such services with any meaningful degree of accuracy. However, the primary institutions from which SBAM has received such services for the calendar year ending December 31, 2016 include Barclays, JP Morgan, Morgan Stanley, Sanford Bernstein, Wells Fargo, Goldman Sachs, Deutsche Bank, ISI Group, Credit Suisse and CLSA. Please contact your account representative should you wish for a complete list of brokers from which SBAM received such proprietary research services.

From time to time, SBAM also requests an executing broker-dealer to allocate a portion of commissions to a pool of commission credits maintained by the executing broker-dealer or by a commission manager from which the executing broker-dealer or commission manager, at SBAM's direction, pays independent research providers and/or other broker-dealers) for research products and services ("Commission Sharing Arrangements"). Commission Sharing Arrangements can be used to pay for both proprietary and third party research products and services which can include market data services or other services permitted under Section 28(e). SBAM believes Commission Sharing Arrangements can provide additional flexibility in helping SBAM select executing brokers regardless of whether or not such broker-dealer prepares or develops the research products and services SBAM uses. Accordingly, rather than paying a broker-dealer for its research by trading with it directly, SBAM can direct the executing broker-dealer or commission manager to pay the research provider from the pool of commission credits accumulated. In 2016, SBAM participated in Commission Sharing Arrangements with Barclays, JP Morgan and Liquidnet.

Additionally, SBAM may pay directly for third-party research services provided by firms that are not broker-dealers.

SBAM also allocates soft dollars from broker-dealers in exchange for so-called “mixed use” products or services, whereby SBAM also uses such products or services for business purposes unrelated to research (e.g., market data services). The receipt and use of mixed use products and services causes a conflict of interest for SBAM, since clients pay up for this type of research product or service, while the product or service also directly benefits SBAM. For this reason, in accordance with its fiduciary duty to its clients and consistent with applicable Securities and Exchange Commission guidance, SBAM has established protocols to determine in good faith the percentage of the product or service used for non-brokerage and research purposes, and make the proper allocation as between soft dollar and “hard dollar” (cash) payments for such product or service to ensure that soft dollars are paid only for the portion of the product or service SBAM uses for brokerage or research purposes.

When SBAM uses client brokerage commissions to obtain research or other products or services, it receives a benefit because it does not have to produce or pay for the products or services. In using client commissions to obtain research or other products or services, SBAM is obligated in good faith to determine that the commissions paid to broker-dealers are reasonable in relation to the value of brokerage and research or other products or services received, that the receipt of such research or other products or services is in accordance with the standards of Section 28(e), and that such benefits are consistent with SBAM’s duty to seek best execution. SBAM receives a wide range of research services from brokers and dealers. The research products and services may also include economic analysis and forecasts, financial market analysis and forecasts, industry and company specific analysis, interest rate forecasts, research-dedicated computer software and related consulting services, market data services and other services that assist in the investment decision-making process. Research products and services are received primarily in the form of written reports, computer-generated services, telephone contacts and personal meetings with securities analysts. Research services reflect substantive content, but do not include mass-marketed publications. Research services also may be provided in the form of meetings arranged by broker-dealers with corporate management teams and spokespersons, as well as industry spokespersons. SBAM may have an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than on the clients’ interest in receiving the most favorable execution. Research service arrangements are reviewed by SBAM’s Trade Oversight Committee.

As a general matter, the brokerage and research products and services that SBAM receives from broker-dealers are used to service all of SBAM’s advisory accounts. However, any particular brokerage and research product or service may be used to service fewer than all advisory accounts, and may not benefit the particular account(s) that generated the brokerage commissions used to acquire the product or service. In addition, accounts that do not generate any commissions used to acquire brokerage and research products and services will typically benefit from those that do. Furthermore, certain client accounts prohibit the use of commissions to obtain research products and services. Additionally, certain non-U.S. jurisdictions impose different legal requirements with regard to the use of client commissions in exchange for research products and services or with regard to Commission Sharing Arrangements. SBAM does not attempt to allocate the relative costs or benefits of brokerage and research services among client accounts because it believes that, in aggregate, the brokerage and research services it receives benefits clients and assists SBAM in fulfilling its overall duties to its clients.

At least annually, SBAM reviews the amount and nature of the brokerage and research products and services discussed above, as well as the extent to which such services are relied upon, and sets informal total commission targets for the broker-dealers on the basis of such considerations. The Trade Oversight Committee reviews this analysis and the targets. The actual brokerage business allocated to a particular broker-dealer may be more or less than the informal target. SBAM does not make binding commitments regarding the level of brokerage commissions it will allocate to a broker-dealer.

The brokerage and research products and services that SBAM receives from broker-dealers supplement SBAM’s own research activities, and, when utilized, are subject to internal analysis before being incorporated by SBAM into its investment process. As a practical matter, in some cases SBAM could not, on its own, generate all of the research that broker-dealers provide without materially increasing

expenses. Soft dollar arrangements create a potential conflict by possibly giving an investment adviser an incentive to trade frequently to generate commissions to pay for these products or services, which may not be in the best interests of an adviser's clients, or, in some cases, to trade actively in certain accounts to obtain research used primarily by other, less frequently traded accounts. SBAM attempts to mitigate these potential conflicts through oversight of the use of commissions by the Trade Oversight Committee.

### **Brokerage for Client Referrals or Other Services**

SBAM does not consider any client referrals it or a related person receives when selecting or recommending broker-dealers.

SBAM places orders through financial firms that may use, offer or include products or services of SBAM or its affiliate. SBAM does not take into account such business arrangements when selecting firms through whom orders are placed.

In addition, SBAM sometimes receives various data services, including file download and on-line services, free of charge from banks and brokerage firms that act as custodians of client assets. SBAM does not consider these services during the broker-dealer selection process.

SBAM will not compensate any broker-dealer either directly or indirectly by directing brokerage transactions for consideration of the aforementioned services.

### **Directed Brokerage**

Some of SBAM's clients direct SBAM to use a particular brokerage firm ("Directed Broker") for some or all of the account's transactions. Generally, these directions are provided by clients for one of three reasons: (1) the client has entered into a commission recapture arrangement with the Directed Broker, (2) the individual broker has referred the client to SBAM, or (3) the client's custodial arrangements and brokerage are being provided by the Directed Broker or its affiliate. All of these types of accounts will be referred to as "Directed Brokerage Accounts."

*Commission Recapture Arrangements.* In commission recapture arrangements, the client and the broker may negotiate the commission rate and the amount of the brokerage commission that the broker will use to offset hard dollar costs, usually for consulting services, that the client would otherwise pay. In the absence of a negotiated rate, SBAM applies its standard rate.

*Referred Brokerage Arrangements.* When a broker refers a client to SBAM and the client wants to retain that broker, the client and the broker negotiate the commission rate. This negotiation may or may not take into account additional services the broker offers, such as custody as noted below.

*Custodial Brokerage Arrangements.* In this arrangement, the client and the broker negotiate the commission rate which includes custodial services at the Directed Broker and/or affiliated custodian.

### **Broker Custodied Arrangements**

Clients who have negotiated custodial arrangements with their Directed Broker will be precluded from having trades executed through their Directed Broker's affiliate, to the extent SBAM has been made aware of such affiliation. In such instances, if SBAM executes an aggregated trade with a Directed Broker's affiliate, the account will not be able to participate in the aggregated trade. Orders for such accounts may be placed for execution with the Directed Broker's trading desk later or at the end of a trading rotation or following completion of the block transaction. Clients are encouraged to speak with their Program Sponsor to determine if this restriction applies to their account.

### Limitations of Directed Brokerage

While SBAM seeks to aggregate clients' transactions and thereby obtain a volume discount on commissions it cannot do so in all situations. As a result, the client sometimes pays a higher commission, receives smaller commission discounts or receives a less favorable price for a security than if SBAM had discretion to choose the broker or aggregate trades with other clients. Certain clients who participate in such block trades are charged different commission rates and may pay or receive different prices for a security. Therefore, a client in directing SBAM to use a particular broker should consider whether such direction can result in certain costs or disadvantages to the client.

As noted above, when a client asks SBAM to direct trades through a specific directed broker, the broker-dealer may provide the client with certain additional services, such as custody, consulting or other services or products, and all or a portion of the directed transaction costs (commission rates and/or minimum ticket charges or other charges) may be used to pay for such services. SBAM generally does not have complete information regarding the terms of such arrangements, and the client is responsible for regularly monitoring the quantity, quality and value of services provided for the three types of arrangements defined above and determining that the arrangement continues to be in its best interest.

Although transaction costs are only one component of a best execution analysis, many directed brokerage accounts pay effective rates of commissions that are higher than client accounts that do not have directed brokerage arrangements. Other broker-dealers may provide additional services at a lower cost. As such, SBAM cannot ensure in any given transaction with the Directed Broker that it will be able to obtain the lowest overall cost for the client's account.

SBAM may be in a better position to negotiate transaction commissions if brokerage were not directed by a client to a particular broker. Thus, the brokerage commission under a directed brokerage arrangement may be in excess of commissions which could be obtained from another brokerage firm and higher than other SBAM clients may pay. A client who directs SBAM to use a particular broker, even one who provides additional services such as custody, should consider whether commission expenses, execution, clearance and settlement charges are comparable to those otherwise obtainable by SBAM.

Moreover, conflicts of interest exist under directed brokerage arrangements for SBAM when its client directs brokerage to a Program Sponsor who refers clients to SBAM by creating an incentive for SBAM to place more trades with the broker referring clients without consideration of best execution.

### Step-Out Transactions

SBAM sometimes uses step-out transactions to satisfy client requests for directed brokerage when it believes the step-out transaction can provide best execution under the circumstances. A step out transaction is one in which SBAM places the order for a transaction for one or more client accounts with a broker (the "Execution Broker") who executes the trade and then steps it out to the Directed Broker for clearance and settlement.

In such instances, the clients with directed brokerage arrangements shall be assessed a commission and/or transaction fee by their Directed Broker who clears and settles the transaction. SBAM sometimes includes non-directed brokerage accounts in a step-out transaction, and, as a result, the Execution Broker receives commissions from the non-directed brokerage accounts. Alternatively, if SBAM pays a mark-up, the Execution Broker can be compensated by all accounts participating in the block. In such cases, mark-ups would be in line with the standard execution rate. A client may not be able to participate in an aggregated trade depending upon the ability or willingness of a broker to accept step-outs or the client's restrictions or affiliations with a particular broker.

Although SBAM does not believe there is any adverse impact to non-directed brokerage accounts participating in step-out transactions, it is possible that the commission rate that SBAM negotiates for non-directed brokerage accounts in a step-out transaction might be lower if the block did not include directed brokerage accounts. On the other hand, if the directed brokerage accounts were not included

in the step-out transaction, SBAM might not be able to obtain as favorable a price because the size of the block order could be substantially reduced. Another benefit of “blocking” orders is to limit market impact by reducing the number of buyers (or sellers) in the marketplace as a result of SBAM’s investment decision, for example, if the order were split up and sent back to each client’s Directed Broker, there would appear to be many buyers (or sellers) in the marketplace, which may adversely impact price. SBAM also considers anonymity when placing trades and believes aggregating transactions into block orders can help achieve this outcome. Thus, on balance, SBAM believes that combining non-directed brokerage accounts and directed brokerage accounts in one block order benefits both the non-directed brokerage accounts and the directed brokerage accounts because the size of the block order can result in a better execution for all accounts.

### **Aggregation and Allocation**

SBAM seeks to treat all advisory accounts fairly and equitably in the execution of client orders and considers variety of factors when determining whether or not a particular strategy or client may or may not participate in an aggregated order and/or a specific allocation. These factors include, but are not limited to, cash availability, investment guideline restrictions, legacy securities, limited types of securities, risk tolerance, position weightings, account size, and directed brokerage requirements as outlined above. Any of these factors may result in differences in invested positions and securities held which could lead to security and/or performance dispersion among client accounts.

Additionally, SBAM maintains a trade sequencing and allocation policy and procedures designed to treat clients on a fair and equitable basis over time. To effect a similar portfolio change among multiple client accounts, SBAM’s procedures specify the aggregation of client accounts, the order of placement for execution, and the subsequent allocation of trades. Specifically, SBAM aggregates client orders in accordance with a client’s brokerage instructions and places orders for execution utilizing a rotation schedule to facilitate timely execution. This strategy is designed to prevent any client account or relationship from receiving preferential treatment and ensures that no distinction is made between retail and institutional relationships. The rotation schedule is utilized for trade executions relating to model changes for all portfolios within a particular strategy and is not designed for trade executions relating to investing of new accounts or client contributions or withdrawals of assets. Other methods may be employed and exceptions to the rotation schedule made (with appropriate documentation) in certain circumstances.

Aggregated client orders executed through the same broker-dealer receive the average transaction price; however, prices are not averaged across broker-dealers. As such, average prices will vary across the client base according to the broker rotation schedule. Aggregated orders filled in their entirety will be allocated among the participating accounts as determined by an account’s target weighting for a particular security. With respect to partial allocations, the executed portion of the transaction typically will be allocated on a pro-rata basis with each portfolio involved receiving a percentage of the executed portion of the order based upon each portfolio’s percentage of the original order. In the event of a de minimis allocation, a pro-rata allocation is typically used, although the Head Trader has the ultimate discretion in determining a fair and equitable allocation. Certain securities may be executed more quickly than other securities depending on liquidity, market conditions, and other factors. Step-out trades are utilized when deemed appropriate.

Notwithstanding any of the foregoing, an aggregated order may be allocated on a basis different from the allocation procedures set forth above if all clients receive fair and equitable treatment over time and no preference is given with respect to portfolio size, broker-dealer affiliation, tenure of client, or type of investment management fee. Multiple SBAM strategies may be eligible to invest in the same securities, and SBAM may make different investment decisions for different strategies.

### **Cross Trades**

As a general rule, SBAM does not engage in cross transactions, whereby SBAM prearranges for one client to purchase a security from another client. SBAM also does not engage in agency cross

transactions, where SBAM acts as adviser to one side of the trade, and SBAM or an affiliate acts as broker-dealer to the other side. In the event that SBAM determines it desires to engage in cross trades, SBAM will conduct the transactions in accordance with applicable law.

### **Trade Error Procedures**

In the event of a trading error, such as an incorrect security being purchased or sold for a client's portfolio, that is discovered prior to settlement, SBAM will first seek to cancel the trade with the broker-dealer at no detriment or expense to the client and no quid pro quo to the broker. It is also permissible to clear an unsettled trade through a broker's in-house error account if the broker-dealer is reimbursed for any loss. If the trade cannot be cancelled or has otherwise settled, SBAM will take reasonable steps to put the client in the same position it would have been in had the error not occurred. SBAM shall reimburse any loss suffered by a client; any gain realized by a client as a result of correcting a trade error (post settlement) shall remain in the client's account. Netting of gains and losses is permitted in certain circumstances. SBAM is responsible for its own errors and not the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by SBAM. SBAM, in its sole discretion, may assist, to the extent possible, with the appropriate correction of errors committed by third parties.

For trade errors that occur in Managed Accounts, SBAM generally does not have the ability to control the ultimate resolution of the trade error. In these instances, the trade error and resolution thereof is governed by the program sponsor's policies and procedures.

## **ITEM 13      REVIEW OF ACCOUNTS**

### **General**

As stated above, investment, administrative and/or client service personnel review accounts on an ongoing basis for conformity with internal and client guidelines for the particular investment strategy. Reviews generally include analysis of account performance and may include comparison and review of account objectives and guidelines. SBAM representatives may meet periodically with clients and/or their consultants and financial advisors to discuss results. The composition and number of reviewers vary depending in part on the type of account, amount of assets and nature of the investment goals and objectives of the client.

SBAM or its designated affiliated service provider reviews accounts when it is notified regarding changes in client objectives, guidelines or financial circumstances, among other factors.

### **Client Reports**

#### Institutional Separate Accounts and Managed Accounts

SBAM provides written portfolio reports on a quarterly basis or as otherwise agreed with the client, upon request, or specified under the program agreement. Portfolio reports generally include portfolio holdings and may include performance information. Such reports are not intended to replace a client's custodial account statements as records for official or tax reporting purposes. Clients are encouraged to request and review quarterly account statements (including asset amounts and transactions during the period) sent directly from their custodian (e.g., broker-dealer, bank or trust company).

SBAM also may distribute economic commentaries and other materials periodically. Special reports may be prepared to meet specific client requirements. SBAM may also provide reports to sponsors, financial intermediaries and certain institutional clients that are not regularly sent to clients regarding performance, portfolio holdings and other portfolio information.

#### Funds

SBAM may furnish special reports to board of directors/trustees of investment companies or private investment funds for which SBAM provides investment advisory services.

#### Wrap Fee Program and Non-Wrap Fee Programs

Program clients may receive reports of portfolio holdings and performance from the program sponsor. See Item 15.



## **ITEM 14      CLIENT REFERRALS AND OTHER COMPENSATION**

### **Compensation from Others**

Payment from service providers may give SBAM products or services that benefit SBAM such as software SBAM may use for trade execution and portfolio management. SBAM also may receive publications or invitations to seminars sponsored or paid for by a service provider that address practice management, information technology, regulatory compliance, and marketing. SBAM's recommendations to clients that they maintain their assets with a service provider may be based, in part, on SBAM's receipt of these products and services, which may create a conflict of interest. SBAM addresses potential conflicts of interest through disclosures to clients in this brochure.

### **Payment to Others – General**

In the ordinary course of business, SBAM or a related person performing services on behalf of SBAM may provide corporate gifts, meals or entertainment for personnel of firms that do business with SBAM. Such gifts, meals or entertainment provided by SBAM or a related person can generate a conflict of interest to the extent that it creates an incentive for the recipient or beneficiary to use, recommend, offer or include products or services of SBAM in a particular program, include SBAM in a preferred list of advisers, or refer clients to SBAM. SBAM employees or related persons also may be the recipients of corporate gifts, meals and entertainment. SBAM's receipt of gifts, meals and entertainment generates a conflict of interest to the extent that they create an incentive for the recipient or beneficiary to use the services of the provider (*e.g.*, in the case of a broker-dealer, brokerage services) of the gifts, meals and entertainment. The giving and receipt of gifts and other benefits are subject to limitations under SBAM's Business Gift and Entertainment Policy.

SBAM may pay fees to consultants for their advice and services, industry information or data, or conference attendance. If a particular payment constitutes, in SBAM's judgment, a client solicitation arrangement under Rule 206(4)-3 under the Advisers Act, SBAM will comply with the provisions of the Rule.

SBAM also may make payments to or use the services of firms or individuals who use, offer or include products or services of SBAM or its related persons in a particular program or preferred list.

The Nuveen Wealth Management Services group, a division of Nuveen provides free general educational services to financial intermediaries who typically offer or use products or services of SBAM and/or its advisory affiliates. Nuveen Wealth Management Services makes available various financial and educational tools, reports, materials and presentations on current industry topics relevant to a financial advisor. Certain financial tools and illustrations may use data provided by a financial advisor. Materials and services provided by the Nuveen Wealth Management Services group are not intended to constitute financial planning, tax, legal, or investment advice and are for educational purposes only. The provision of Nuveen Wealth Management Services and materials can generate a conflict of interest to the extent that such provision creates an incentive for the recipient or beneficiary to use, recommend, offer or include products or services of SBAM in a particular program, include SBAM in a preferred list of advisers, or refer clients to SBAM.

### **Payments to Others – Separate Accounts**

SBAM or a related person may from time to time compensate, directly or indirectly, third parties for referrals of separate account clients. All solicitation arrangements will comply with Rule 206(4)-3 under the Advisers Act and any other law as applicable.

In addition, SBAM (or an affiliate on its behalf) may make payments to firms or persons that use, offer or include products or services of SBAM in a particular program, include SBAM in a preferred list of advisers, or refer clients to SBAM. These payments may take the form of a conference, program or event attendance, participation or exhibition fees, educational and training fees, or fees linked to program participation or specific marketing initiatives within an existing program. SBAM may pay travel,

meal and entertainment expenses for a firm's representatives and others who visit SBAM's offices or other locations (including hotels and conference centers) to learn about its products and services.

SBAM also may make charitable contributions or underwrite or sponsor charitable events at the request of others. Payments described above may vary significantly from firm to firm depending on the nature of SBAM's and its affiliated investment advisers' separate account activities with the firm and the amount of the firm's separate account client assets under SBAM's and its affiliated investment advisers' management. Payments are subject to SBAM or a related person's internal review and approval procedures.

Managed Account clients are encouraged to request and review materials from program sponsors (such as a sponsor's program brochure) describing business and financial terms and arrangements between program sponsors and investment advisers.

### **Payments to Others – Funds**

SBAM or an affiliate may make payments to firms or individuals that use, offer or sell shares of the Funds advised by SBAM, or place the Funds on a recommended list. Such Fund-related payments may generate a conflict to the extent that they create an incentive for the recipient or beneficiary of the payment to use, offer or sell shares of the Funds advised by SBAM, or place the Funds on a recommended or preferred list. Fund investors should review a Fund's prospectus, or statement of additional information or relevant offering document for important information about such fund-related payments.

Additionally, in appropriate instances, SBAM and its related persons refer business to each other with respect to each other's products and services. Prospects and clients to whom such referrals have been made should be aware of the conflict inherent in such referral as a result of the common control of such parties. See Item 10.

## **ITEM 15      CUSTODY**

SBAM may be deemed to have a limited form of custody with respect to certain client assets by virtue of its authority to directly bill the custodian, broker, or another third party for advisory fees. Accordingly, SBAM maintains policies and procedures reasonably designed to mitigate the risk of fees not being deducted from client accounts in accordance with advisory contract terms.

Clients should receive quarterly or monthly account statements from the broker-dealer, bank or other financial services firm that serves as qualified custodian, and clients should carefully review those statements. Clients who do not receive such account statements are encouraged to follow-up directly with their custodian and request such statements. Clients who receive additional reports from SBAM are urged to compare these reports to the account statements they receive from the qualified custodian. SBAM's reports are generally preliminary and may vary from custodial statements based on accounting procedures, reporting dates, valuation methodologies and other factors. They are not intended to be a substitute for account statements provided by a qualified custodian, and should not be used for official purposes.

In the event of an inadvertent receipt of check or other financial instrument payable to a client, SBAM reserves the right to send the check or instrument to the client or its custodian rather than back to the original sender when it believes that such procedure provides the best overall protection for the underlying assets.

Individual clients who seek to direct transfers or payments from their separate account to third parties (e.g., to pay bills or transfer funds) should directly contact and instruct the account's custodian and/or primary financial advisor. It is generally outside the scope of SBAM's authority and services to process or intermediate such instructions.

## **ITEM 16            INVESTMENT DISCRETION**

SBAM is generally granted discretionary authority to manage securities accounts on behalf of clients. For Institutional Separate Accounts and Managed Accounts through dual contract programs, SBAM generally obtains a client's written consent to its discretionary authority with respect to the client's assets in the form of an executed investment management agreement or other comparable services agreement prior to providing discretionary advisory services.

For Managed Accounts through wrap fee programs, SBAM is appointed to act as an investment adviser through a process documented and administered by the program sponsor. Clients participating in a program, generally with assistance from the sponsor, may select SBAM to provide investment advisory services for their account (or a portion thereof) in a particular strategy. SBAM provides investment advisory services based upon the particular needs of the wrap fee program client as reflected in information provided to SBAM by the sponsor, and will generally make itself available for direct consultations as reasonably requested by clients and/or sponsors. Clients are encouraged to consult their own financial advisors and legal and tax professionals on an initial and continuous basis in connection with selecting and engaging the services of an investment manager in a particular strategy and participating in a wrap or other program. In the course of providing services to program clients who have financial advisors, SBAM may rely on information or directions communicated by the financial advisor acting with apparent authority on behalf of its client.

SBAM's discretionary authority over an account may be subject to directions, guidelines and limitations imposed by the client or, in the case of a Managed Account, the program sponsor. SBAM will endeavor to follow reasonable directions, investment guidelines and limitations. Although SBAM seeks to provide individualized investment advice to its discretionary client accounts, SBAM will not be able to accommodate investment restrictions that are unduly burdensome or materially incompatible with SBAM's investment approach, and may decline to accept or terminate client accounts with such restrictions. In addition, SBAM may decline to permit any account restriction that affects more than a stated percentage of the account. See Item 4.

In addition to the foregoing, SBAM may provide its services on a non-discretionary and model portfolio basis.

For additional information about SBAM's investment advisory services and investment restrictions, see Item 4.

## ITEM 17 VOTING CLIENT SECURITIES

SBAM's Proxy Voting Policy and Procedures seek to ensure that when SBAM exercises voting authority with respect to client securities, it votes in the best interest of clients. SBAM may determine not to vote proxies relating to certain securities if SBAM determines it would be in its clients' overall best interests not to vote, such as when the securities are non-U.S. securities subject to share blocking (which may invoke short-term prohibitions on selling after voting).

The Proxy Voting Committee is responsible for oversight of the proxy voting process. SBAM has engaged the services of Institutional Shareholder Services, Inc. ("ISS") to make recommendations to SBAM on the voting of proxies for securities held in client accounts. SBAM reviews and frequently follows ISS recommendations or those of an alternative third party proxy service provider ("alternative provider"). However, SBAM may not vote in accordance with ISS' recommendations, or those of an alternative provider, when SBAM believes such recommendation is not in the best interest of clients and in certain other instances.

When SBAM is faced with a conflict of interest in voting a proxy, SBAM will vote any proxies relating to such company's securities in accordance with the recommendations of ISS, or an alternative provider, or in a manner otherwise provided pursuant to the Proxy Voting Policy and Procedures to avoid any conflict of interest. SBAM may choose not to vote in accordance with ISS' recommendations in instances where a conflict of interest arises that is based on a relationship between ISS or its affiliates and a corporate issuer, an entity acting as a primary shareholder proponent, or another party, to the extent SBAM determines such recommendation is not in the best interest of its clients.

If an Institutional Separate Account client requests that SBAM follow specific voting guidelines, SBAM will review the request and inform the client if SBAM is not able to follow the client's request. Institutional Separate Account clients may make such requests during the contract negotiation process or by contacting their relationship manager thereafter.

It is the responsibility of the custodian appointed by the client, or the program sponsor in the case of the Managed Accounts, to ensure SBAM receives notice of the proxies to be voted sufficiently in advance of the relevant meeting. In certain instances, SBAM may elect not to vote a proxy or otherwise be unable to vote a proxy on its clients' behalf. Such instances may include, but are not limited to, a de minimis number of shares held, timing issues pertaining to the opening and closing of accounts, potential adverse impact on the portfolio of voting such proxy, logistical or other considerations related to non-U.S. issuers (such as in "power of attorney" markets where a client's sub-custodian requires power of attorney documentation to be on file in order for a vote to be counted, or in certain emerging or frontier markets where the legal structure of certain client accounts is not recognized (e.g., trust structure) and consequently, a client's custodian is not permitted to allow voting for securities held), or based on particular contractual arrangements with clients or Managed Account program sponsors. A Managed Account program sponsor, a broker or a custodian, may provide SBAM with notice of proxy ballots in the aggregate, rather than on the underlying account-level. Since SBAM is not afforded underlying account-level transparency in such instances, it must vote such proxies based on the information it receives from the program sponsor, broker or custodian, and consequently may be unable to reconcile the proxy ballots voted to the underlying-account level.

A copy of SBAM's Proxy Voting Policy and Procedures, as updated from time to time, as well as information on how SBAM voted with respect to your account is available to clients upon written request. SBAM will provide such information through the most recently completed calendar quarter. To obtain a copy of SBAM's Proxy Voting Policy and Procedures or information on how SBAM voted a client's securities, please send a request to:

Santa Barbara Asset Management, LLC  
Attn: Proxy Administration  
2049 Century Park East, 16th Floor  
Los Angeles, CA 90067-3120

**ITEM 18            FINANCIAL INFORMATION**

SBAM does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of its most recent fiscal year. SBAM is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has SBAM been the subject of a bankruptcy petition at any time during the past ten years.

## **ADDITIONAL INFORMATION**

### **CANADIAN CLIENT DISCLOSURE**

SBAM is exempt from registration as an adviser in Ontario as it meets all of the conditions of an “exempt international adviser”. It is required to take certain steps to rely on that exemption, one of which is to provide its clients with notice of certain matters. Notice is hereby given that:

1. SBAM is not registered as a ‘portfolio manager’ in any province or territory of Canada.
2. SBAM has its head office at 2049 Century Park East, 17<sup>th</sup> Floor, Los Angeles, CA 90067, U.S.A.
3. The local address for service of process against SBAM in Ontario is Torys, LLP, 79 Wellington St. West, 30<sup>th</sup> Floor Box 270, TD South Tower, Toronto, Ontario, Canada M5K 1N2.
4. There may be difficulty enforcing legal rights against SBAM because it is resident outside Canada and all or substantially all of its assets may be situated outside of Canada.

Any nonpublic personal information SBAM receives from Canadian clients will be stored in the U.S., and as a consequence, may become subject to disclosure in accordance with U.S. laws.

### **LEGAL PROCEEDINGS**

SBAM is under no obligation to advise or act for clients in legal proceedings including bankruptcies and class actions involving securities purchased or held in client accounts. SBAM generally notifies or transmits copies of legal materials it receives to the client, program sponsor, client custodian or other client representative. In certain situations, SBAM may provide administrative assistance. SBAM encourages clients to consult their custodian for additional information pertaining to class action notifications.

### **VALUATION OF CLIENT SECURITIES**

A conflict of interest may arise in SBAM overseeing the valuation of its investments if SBAM charges fees based upon its valuations. SBAM maintains procedures requiring, to the extent possible, pricing from an independent third party pricing vendor as determined by its approved pricing hierarchy. If vendor pricing is unavailable, SBAM then looks to other observable inputs for its valuations. In the event that a vendor price or other observable inputs are unavailable or deemed unreliable, SBAM has established a Valuation Committee to make a reasonable determination of a security’s fair value. When deemed reasonable, SBAM may agree to use a particular pricing source requested by a client. In these instances, the pricing vendor selected by the client may not be listed on SBAM’s approved pricing hierarchy, or, if listed, may not be sequenced in the same order SBAM follows for selecting approved vendors for a particular security type. As a result, there may be deviations in valuations of a particular client account vs. other client accounts holding the same security.

## EXHIBIT A

### Primary Financial Industry Subsidiaries under Nuveen, LLC, the asset management division of TIAA

Entity Name	Primary Financial Industry or Related Affiliation*
AGR Partners, LLC	Registered Investment Adviser
Churchill Asset Management LLC	Registered Investment Adviser
Greenwood Resources Capital Management LLC	Registered Investment Adviser
Gresham Investment Management LLC	Registered Investment Adviser CFTC Registered Commodity Pool Operator CFTC Registered Commodity Trading Advisor
Nuveen Asset Management, LLC	Registered Investment Adviser CFTC Registered Commodity Trading Advisor
Nuveen Fund Advisors, LLC	Registered Investment Adviser CFTC Registered Commodity Pool Operator
Nuveen Investments Advisers, LLC	Registered Investment Adviser
NWQ Investment Management Company, LLC	Registered Investment Adviser
Santa Barbara Asset Management, LLC	Registered Investment Adviser
Symphony Asset Management LLC	Registered Investment Adviser
Teachers Advisors, LLC	Registered Investment Adviser
TIAA-CREF Alternatives Advisors, LLC	Registered Investment Adviser
TIAA-CREF Investment Management, LLC	Registered Investment Adviser
Westchester Group Investment Management, Inc.	Real Estate Broker or Dealer
Winslow Capital Management, LLC	Registered Investment Adviser
Nuveen Securities, LLC	Registered Broker Dealer
Teachers Personal Investors Services, Inc.	Registered Broker Dealer
Nuveen Commodities Asset Management, LLC	CFTC Registered Commodity Pool Operator
Nuveen Services, LLC	Shared services entity
Nuveen Investments Canada Co.	Canadian marketing affiliate
Henderson Real Estate Asset Management Limited	UK FCA Registered Investment Adviser
Henderson Property UK AIFM Limited	Investment Adviser UK FCA Registered Investment Adviser
Nuveen Global Investments Ltd	UK FCA Registered Exempt CAD Firm
TIAA-CREF Asset Management UK Limited	UK FCA Registered Investment Adviser
TIAA Global Asset Management London Limited	UK FCA Registered Investment Adviser

### Other Primary Financial Industry Subsidiaries of TIAA

TIAA-CREF Individual & Institutional Services, LLC (aka TIAA-CREF Advice and Planning Services)	Registered Investment Adviser Registered Broker Dealer
TIAA-CREF Tuition Financing, Inc.	Registered Investment Adviser Registered Municipal Advisor
Covariance Capital Management, Inc.	Registered Investment Adviser CFTC Registered Commodity Pool Operator
Kaspick & Company, LLC	Registered Investment Adviser
Teachers Insurance and Annuity Association of America	Insurance Company or Agency
TIAA-CREF Life Insurance Company	Insurance Company or Agency
TIAA-CREF Insurance Agency, LLC	Insurance Company or Agency
TIAA-CREF Trust Company, FSB	Banking or Thrift Institution

\*The list above refers to TIAA subsidiaries in financial industry affiliation categories referenced in Form ADV, Part 2A, Item 10.C, excluding numerous entities organized primarily to serve as sponsor, general partner, managing member (or equivalent) or syndicator of one or more pooled investment vehicles or limited partnerships (or equivalent). For a list of such entities that have material arrangements with the registrant, please see the registrant's Form ADV, Part 1, Section 7.A. of Schedule D. The list above refers to the primary financial industry affiliation category and certain TIAA subsidiaries listed above may have additional financial industry affiliations, as further described in its respective disclosure documents (Form ADV, in the case of a registered investment adviser).



## **PRIVACY STATEMENT**

Santa Barbara Asset Management, LLC, a subsidiary of Nuveen, considers your privacy our utmost concern. In order to provide you with individualized service, we collect certain nonpublic personal information about you from information you provide on applications or other forms (such as your address and social security number), and information about your account transactions with us (such as purchases, sales and account balances). We may also collect such information through your account inquiries by mail, email or telephone.

We do not disclose any nonpublic personal information about you to anyone, except as permitted by law. Specifically, so that we may continue to offer you products and services that best meet your investing needs, and to effect transactions that you request or authorize, we may disclose the information we collect, as described above, to companies that perform administrative or marketing services on our behalf, such as transfer agents, or printers and mailers that assist us in the distribution of investor materials. These companies will use this information only for the services for which we hired them, and are not permitted to use or share this information for any other purpose.

If you decide at some point either to close your account(s) or to become an inactive customer, we will continue to adhere to the privacy policies and practices described in this notice.

With regard to our internal security procedures, we restrict access to your personal and account information to those employees who need to know that information to service your account. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.