

**Form ADV Part 2A**



Santa Barbara Asset Management, LLC  
200 E. Carrillo St., Suite 300  
Santa Barbara, CA 93101  
(805) 965-4600  
[www.sbasset.com](http://www.sbasset.com)

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**This brochure provides information about the qualifications and business practices of Santa Barbara Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (805) 965-4600. 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.**

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

## **Material Changes**

This section currently is not applicable. This Brochure dated March 31, 2011, has been prepared in accordance with new regulatory requirements. As a result, it is different in structure and content from our previous Form ADV, Part II.

## **Table of Contents**

<u>Item</u>		<u>Page</u>
4	ADVISORY BUSINESS.....	1
5	FEES AND COMPENSATION .....	6
6	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	8
7	TYPES OF CLIENTS.....	9
8	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	10
9	DISCIPLINARY INFORMATION .....	13
10	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	14
11	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	16
12	BROKERAGE PRACTICES .....	18
13	REVIEW OF ACCOUNTS .....	21
14	CLIENT REFERRALS AND OTHER COMPENSATION .....	22
15	CUSTODY .....	24
16	INVESTMENT DISCRETION .....	25
17	VOTING CLIENT SECURITIES .....	26
18	FINANCIAL INFORMATION.....	27
	ADDITIONAL INFORMATION.....	28

## **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 ("SMA 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. ("Nuveen Investments") following its acquisition in 2005. Nuveen Investments is an indirect subsidiary of a holding company formed by equity investors led by Madison Dearborn Partners, LLC ("MDP"). MDP private equity funds (specifically, MDCP Holdco (Windy), LLC, which is indirectly controlled by Madison Dearborn Partners V-A&C, L.P.) comprise the ultimate principal owner of SBAM. See Item 10.

### **General**

SBAM provides advisory services to individuals and institutions through separate accounts. SBAM's investment advisory services are provided based on the stated objectives and guidelines of a client account.

SBAM provides separate account investment advisory services in domestic and international equity, balanced and fixed-income strategies focusing primarily on growth stocks and high grade, intermediate-term bonds. Certain strategies may include an allocation to an investment company that may be affiliated with SBAM. Certain strategies include elements of other strategies, and may be customized to meet the individualized needs of SBAM's clients. See Item 8.

SBAM's portfolio managers are responsible for the investment decisions with respect to an investment strategy selected by an advisory account, including identification and selection of specific securities and investment 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, in combined and multi-strategy accounts.

A client or SBAM may generally terminate its agreement at any time by providing fifteen (15) days written notice. For wrap 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 shall use reasonable efforts to restore the account in a prudent manner under the circumstances.

## **Institutional Separate Accounts**

SBAM provides advisory services to institutional clients including pension funds, profit sharing funds, charitable institutions, banks and thrift institutions and trust accounts. 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.

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.

## **SMA Accounts**

SBAM provides investment advisory services to SMA 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 SMA 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 needs of the program client as reflected in 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 SMA 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. SBAM is not a tax advisor, and therefore clients should consult with their tax specialist to review their 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 sub-advised 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. 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.

## **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 an SMA 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.

## **SMA Programs**

Although the types of advisory services provided by SBAM to SMA Accounts are generally similar to the types of services provided to SBAM's other clients, certain differences exist, which include that (a) pursuant to the program, SBAM may not generally be permitted, on its own initiative, to communicate directly with its program clients (including communications with respect to changes in the client's investment objectives and restrictions) and all such communication must be directed through the program sponsor, and (b) each program client must give SBAM investment discretion over its account while non-program clients may enter into a discretionary or non-discretionary arrangement.

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.

SMA 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, 2010, SBAM's total assets under management (AUM) were approximately \$3.3 billion (comprised of \$2 billion in discretionary assets and \$1.3 billion in non-discretionary and model-based program 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:

US Growth strategies	
Assets Under Management	Annual Fee Schedule
First \$ 2,000,000	1.00%
Next 3,000,000	0.90%
Next 5,000,000	0.75%
Next 5,000,000	0.65%
Over 15,000,000	0.50%

International ADR and Global Growth ADR strategies	
Assets Under Management	Annual Fee Schedule
First \$5,000,000	1.00%
Next 20,000,000	0.85%
Next 25,000,000	0.75%
Over 50,000,000	0.65%

International ORD and Global Growth ORD strategies	
Assets Under Management	Annual Fee Schedule
First \$25,000,000	0.85%
Next \$25,000,000	0.75%
Over \$50,000,000	0.65%

For certain strategies there may be a minimum fee. Higher account minimums may apply to International ORD and Global Growth ORD strategies.

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.

When SBAM calculates fees, valuations of account assets are determined 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 determinations may differ from valuations reflected in a client's custodial statements.

For certain family member and friends of the firm, SBAM may assist in the development of an investment policy statement designed to reflect particular investment objectives and goals. These services may be provided for low or no fees, and are not available to regular clients.

### Advisory Fees for SMA Accounts

Fees for SMA Accounts may vary from the above. For SMA Accounts, SBAM's fee is determined by agreement between the 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 3.0% annually of the client's assets in the SMA 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.



## **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.

SBAM typically charges fees in advance. When SBAM commences advisory services to a client, a client's initial bill will include fees billed in advance for the following quarter as well as in arrears from inception to the end of the quarter, based on beginning value plus/minus net contributions. Thereafter fees are billed quarterly in advance, based on the calculated market value at each quarter end. There may be other strategies and arrangements with different billing protocols.

Typically 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.

## **Other Fees and Expenses**

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

On behalf of its Institutional Separate Accounts and SMA Accounts, SBAM may invest in funds, including exchange traded funds ("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 and 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 SMA 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 Investments, 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 does not currently charge performance-based fees.

## **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, friends and family accounts, religious organizations, SMA accounts and Funds. Prior to investing in any Funds, an investor should review the relevant 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 amount of \$1,000,000 or \$500,000, depending on the strategy. Higher minimums of \$10,000,000 or more apply for certain international strategies that invest in non-U.S. ordinary securities. For SMA 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's current strategies include Dividend Growth, Large-Cap Stable Growth, International Equity (ADR), International Equity (ORD), Global Equity (ADR), Global Equity (ORD), Enhanced Equity and Long/Short strategies, and Fixed Income. Additionally, SBAM may provide other strategies from time to time.

**Dividend Growth** portfolios primarily invest in dividend-paying common and preferred stocks with the potential for future dividend growth and 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, such as the financial services, utilities and energy sectors, than the broad equity market.

**Large-Cap Stable Growth** portfolios primarily invest in equity securities of large-cap companies that exhibit stable and consistent earnings growth. These companies have market capitalizations at the time of investment comparable to companies in a selected securities index. Portfolios also may invest in non-U.S. equity securities that are U.S. dollar-denominated.

**International Equity** portfolios primarily invest in non-U.S. equity securities. Although portfolios concentrate their investments in developed markets, they also may invest in companies located in emerging market countries. Portfolios may trade securities frequently. Certain portfolios may invest a significant portion of their assets in securities of foreign companies directly on foreign exchanges or through American Depositary Receipts ("ADRs") to gain exposure to non-U.S. securities.

**Global Equity** portfolios primarily invest in U.S. and non-U.S. equity securities and may invest in mid cap and small cap securities. Although portfolios concentrate their investments in developed markets, they also may invest in companies located in emerging market countries. Portfolios may trade securities frequently. Certain portfolios may invest a significant portion of their assets in securities of foreign companies directly on foreign exchanges or through American Depositary Receipts ("ADRs") to gain exposure to non-U.S. securities.

**Enhanced Equity and Long/Short** portfolios primarily invest in equity securities of companies with market capitalizations at the time of investment comparable to companies in a selected securities index, and also may invest in non-U.S. equity securities that are U.S. dollar-denominated. This strategy sells securities "short" to hedge business risk, provide a competitive arbitrage or to offset declining growth prospects. Portfolios may trade securities frequently.

**Fixed Income Portfolios and the Fixed Income portion of Balanced Portfolios** invest primarily in mid-term investment grade bonds and may also purchase mortgage-backed securities.

**In all strategies, investing in securities involves risk of loss that clients should be prepared to bear. Set out below are the material risks for SBAM's strategies.**

### **EQUITY RISKS**

#### **General Risks**

The following risks are generally applicable to all of the Equity strategies. Such risks are in addition to the risks described more specifically with respect to Enhanced Equity, Long/Short, Global, and International.

*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.

*Growth Style Large Cap Company Risk* - 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. Large cap stocks may exhibit less volatility but may have lower returns than stocks of smaller sized companies.

*Midsized Company Risk* – Midsized companies tend to have more limited product lines, markets and financial resources and may be dependent on a smaller management group than larger, more established companies.

*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.

*Non-U.S. Securities Risk* - 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) 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 (viii) 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. Portfolios also use ADRs. ADRs are the receipts for the shares of a foreign-based company traded 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.

#### *Equity Risks Related to Particular Strategies*

*Short Sales Risk* - Enhanced Equity and Long/Short Strategies portfolios may engage in selling securities short. A short sale results in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities or commodity interests sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that the portfolio may be required to pay with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the portfolio's short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss, except that short sales of fixed income securities, such as bonds, generally do not have an unlimited risk of loss.

To make a short sale, the portfolio must borrow the securities being sold short. It may not be possible for the portfolio to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities or commodities markets. In addition, special rules, which differ from jurisdiction to jurisdiction, apply to short sales at prices below the last sale price, which may

prevent the portfolio from executing short sales at the most desirable time. If the prices of securities sold short increase, the portfolio may be required to provide additional funds or collateral to maintain the short positions. This could require the portfolio to liquidate other investments to provide additional margin, and such liquidations might not be at favorable prices. Further, the lender of securities can request return of the borrowed securities and the portfolio may not be able to borrow those securities from other lenders. Consequently, this will cause a "buy-in" of the short position, which may be disadvantageous to the portfolio.

*Frequent Trading Risk* – Global, International, Enhanced Equity, and Long/Short portfolios may trade securities frequently. Frequent trading of portfolio securities may produce capital gains, which are taxable to shareholders when distributed. Frequent trading may also increase the amount of commissions or mark-ups to broker-dealers that a portfolio pays when it buys and sells securities, which may detract from portfolio performance.

## **FIXED INCOME RISKS**

*Credit Risk* - Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. Credit risk may be heightened for portfolios that may invest in "high yield" securities.

*Income Risk* - The income earned from a portfolio may decline because of falling market interest rates. Also, if a portfolio invests in inverse floating rate securities, whose income payments vary inversely with changes in short-term market rates, the portfolio's income may decrease if short-term interest rates rise.

*Interest Rate Risk* - Interest rate risk is the risk that the value of a portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments. Duration is a common measure of interest rate risk. Duration measures a bond's expected life on a present value basis, taking into account the bond's yield, interest payments and final maturity. The longer the duration of a bond, the greater the bond's price sensitivity to changes in interest rates.

*Prepayment Risk* - During periods of declining interest rates, the issuer of certain types of securities may exercise its option to prepay principal earlier than scheduled, forcing a portfolio to reinvest in lower yielding securities. This is known as call or prepayment risk. Debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

*Extension Risk* - During periods of rising interest rates, the average life of certain types of securities may be extended because of lower than expected principal payments. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk. Market interest rates for investment grade fixed-income securities are currently significantly below the historical average rates for such securities. This decline may have increased the risk that these rates will rise in the future; however, historical interest rate levels are not necessarily predictive of future interest rate levels.

\* \* \*

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 Investments. Nuveen Investments is an indirect subsidiary of Windy City Investments Holdings, L.L.C. ("Holdings"), a holding company formed by equity investors led by MDP. Equity investors of Holdings include certain MDP private equity funds and other institutional investors including divisions or subsidiaries of U.S. Bancorp and other financial services companies. Except for MDP, none of the other investors has an economic position in Holdings that is greater than 9.5%. See Item 4.

The equity securities of Holdings do not confer voting rights. All management authority of Holdings resides with its board of managers (the "Board"). The current Board structure contemplates: (i) six manager positions designated by investors affiliated with MDP; (ii) one manager position designated by an investor affiliated with U.S. Bancorp; (iii) one manager position held by the Nuveen Investments Chief Executive Officer; and (iv) three independent manager positions agreed upon by a majority of the members of the Board after consultation with MDP.

As a result of the facts described above, MDP is considered a "control person" of SBAM under the Investment Advisers Act of 1940, as amended ("Advisers Act"); an "affiliated person" of SBAM under the Investment Company Act; and an "affiliate" of SBAM under the Employee Retirement Income Security Act of 1974 ("ERISA"). With respect to SBAM, except for MDP, no other investor in Holdings is subject to restrictions arising from such status under the Advisers Act, Investment Company Act and ERISA, respectively.

Neither MDP nor the other investors in Holdings will have any involvement in the day-to-day investment or other business operations of SBAM, including with respect to SBAM's 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.

At any given time, each of SBAM, on one hand, and MDP and other investors in Holdings and their affiliates, on the other hand, will engage in their own respective commercial activities with a view toward advancing their own respective business interests. These activities and interests potentially include multiple advisory, transactional, financial, and other interests in securities, financial instruments and companies, and a wide variety of financial services activities. 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 may restrict certain investment or voting activities of SBAM on behalf of its clients.

To the extent permitted by the Advisers Act, the Investment Company Act, ERISA, and other law, as applicable, SBAM may give advice, take action or refrain from acting in limiting purchases, selling existing investments, or otherwise restricting or limiting the exercise of rights, including voting rights, 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.

SBAM is under common control with Nuveen Asset Management, LLC, Nuveen Investments Advisers Inc., Nuveen Fund Advisers, Inc., NWQ Investment Management Company, LLC, Tradewinds Global Investors, LLC, Symphony Asset Management LLC, Nuveen HydePark Group, LLC (formerly HydePark Investment Strategies, LLC), Nuveen Investment Solutions, Inc. (formerly Richards and Tierney) ("NIS") and Winslow Capital Management, Inc., each an



investment adviser registered with the SEC that provides services to individual and/or institutional clients (which may include registered investment companies and/or private investment funds). NIS is also a pension consultant. "Nuveen Investments" is sometimes used to refer collectively to the advisory businesses of Nuveen Investments Inc. Certain investment personnel may provide services for multiple Nuveen Investments advisory affiliates. SBAM is also under common control with Nuveen Global Operations ("NGO"), a division of Nuveen Investments Holdings, Inc., which may perform administrative services for SBAM and certain affiliates. SBAM is also under common control with Nuveen Investments Canada Co., a Canadian dealer in Ontario, Canada. SBAM is also under common control with Nuveen Commodities Asset Management, LLC, a commodity pool operator and a commodity trading advisor. SBAM and its advisory affiliates maintain procedures (including certain information barriers) designed generally to provide for independent exercise of investment and voting power. SBAM's arrangements with its affiliates may or may not be material to its advisory business at any particular time.

SBAM is also under common control with Nuveen Investments, LLC, a registered broker-dealer. (It is expected that Nuveen Investments, LLC will change its name to Nuveen Securities LLC in the second quarter of 2011). Certain employees of SBAM also may be affiliated with Nuveen Investments, LLC, and in that capacity may engage in marketing or selling activities with respect to shares or interests in investment companies or private investment funds affiliated with SBAM or its related persons. SBAM may offer certain separate account strategies that include an allocation to certain registered investment companies or private funds that are also advised by SBAM. To the extent that SBAM invests client assets in an affiliated investment company or private fund, SBAM or its related persons may, depending on any legal requirements, waive investment advisory fees on the client 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 has arrangements with certain of its affiliates under which SBAM may provide investment advisory (as adviser or sub-adviser), administrative, marketing or educational services for such affiliated adviser or its clients. SBAM or its clients may also receive such services from its affiliates. SBAM and certain affiliated advisers also may refer clients to each other.

NGO's administrative services to SBAM may include receipt, review and processing of new account documentation; implementation and execution of investment directions; certain account monitoring; and/or other administrative and operational services. The scope of NGO's services varies depending on the particular strategy, distribution channel, program, and client size and type.

SBAM's affiliates may provide it with additional services, including account administration, trading, operations, client service, sales and marketing, risk management, and legal and compliance services.

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

SBAM has adopted policies and procedures (Code of Ethics) designed to detect and prevent conflicts of interest relating to personal trading by its access persons and to ensure that SBAM effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. SBAM's access persons who wish to purchase or sell most types of securities may do so only in compliance with certain procedures such as pre-approval by compliance personnel and periodic holdings reporting. SBAM's Code of Ethics prohibits the misuse of material nonpublic information.

Under the Code of Ethics, employees are subject to certain limitations regarding the receipt of gifts and other benefits in the form of entertainment, including meals, golfing and tickets to cultural and sporting events from parties with whom Nuveen Investments does business. Employees are also subject to certain limitations regarding the giving of corporate gifts and other benefits to others. To the extent SBAM determines that there is no conflict of interest, certain officers and employees of SBAM from time to time may engage in outside business activities.

A copy of SBAM's Code of Ethics will be provided upon request of client or prospective client.

Initially and from time to time, employees of SBAM and its affiliates may invest in an affiliated fund of SBAM or its affiliates. Such investments may from time to time represent all of or a significant percentage of the affiliated fund's assets. SBAM or its affiliated entities also may establish proprietary separate accounts, including seed capital accounts. To the extent that SBAM or its employees have established a separate proprietary account or have made investments in an affiliated fund that is equal to or greater than 25% of the affiliated fund's assets, SBAM intends to manage such affiliated funds or proprietary accounts in a manner consistent with SBAM's fiduciary duty to its other clients. It is the general policy that affiliated funds or proprietary accounts should receive neither special advantages nor disadvantages.

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. SBAM addresses this conflict through the use of trade allocation procedures. See Item 12.

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, each employee is required to provide SBAM and/or certain related persons with securities trading activity reports and securities holding reports upon commencement of employment and thereafter on a quarterly basis and annual basis. In addition, 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 of SBAM and/or certain related persons.

SBAM, its employees and its affiliates may give advice and take action in the performance of their duties for some clients that may differ from advice given, or the timing or nature of actions taken, for other clients or for their proprietary or personal accounts.

Subject to the restrictions described above, 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 first refusal, co-investment or other rights in respect of any such investment. Each employee is required to provide SBAM

and/or certain related persons with securities trading activity reports and securities holding reports upon commencement of employment and thereafter on a quarterly basis.

The following restrictions apply to related persons of SBAM who (i) in connection with their regular functions or duties make or participate in making recommendations regarding the purchase or sale of securities for a client account, or (ii) are natural persons in a control relationship with SBAM or its affiliates and obtain information concerning recommendations made to a client account, portfolio managers, portfolio assistants, securities analysts, traders, or any other persons designated as such by SBAM or any affiliated entity (each such person is an "Investment Person").

In the event that a client account transacts within seven (7) days preceding or following an Investment Person's transaction in the same (or related, or equivalent) security, the Investment Person's may be required to dispose of the security and/or disgorge any profits associated with his or her transaction. Such disposal and/or disgorgement may be required notwithstanding any prior written approval granted.

If an Investment Person has executed a transaction in a security for his or her own account, and within seven (7) days thereafter such security is considered for purchase or sale by a client account, the Investment Person shall endeavor to submit a written memorandum to the Investment Person's supervisor, the Director of Compliance, and the Chief Compliance Officer (if applicable based on the affiliate) prior to entering of the purchase or sale order for the client account. Such memorandum shall describe the circumstances underlying the consideration of such transaction for the client account. However, if the time frame for acting upon the opportunity for the client account does not permit prior submission and review of the circumstances, the Investment Person must ultimately act for the benefit of the client account and submit the memorandum as soon as possible after the fact with the understanding that the result could be disgorgement of profit, or transacting at loss, in the Investment Person's own account.

With respect to other related persons that are not Investment Persons, SBAM and its advisory affiliates maintain procedures (including certain information barriers) designed generally to provide for independent exercise of investment and voting power.

#### Cross Trades

SBAM may conduct cross trades in accordance with applicable law. In such circumstances, transactions will be effected at fair market value and SBAM will not receive any transaction fees.

## **ITEM 12      BROKERAGE PRACTICES**

### **Broker-Dealer Selection**

When selecting broker-dealers to execute transactions, SBAM takes into consideration best price (without regard to commissions) and additional factors including, but not limited to, the value, nature and quality of any brokerage and research products and services, execution capability, commission rate, financial responsibility (including willingness to commit capital); the likelihood of price improvement, the speed of execution and likelihood of execution for limit orders, the ability to minimize market impact, the maintenance of the confidentiality of orders, and responsiveness of the broker-dealer. For non-wrap fee accounts, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution under the circumstances.

SBAM has established a Best Execution Committee that has oversight and policy making responsibility for SBAM's brokerage practices for its equity and fixed income strategies. Committee membership includes senior management and representatives from trading, risk management, compliance, legal and operations departments. The Committee meets periodically as needed.

Unless otherwise instructed by the client, the exact commission rate paid on a particular equity transaction is within SBAM's discretion exercised within general guidelines provided by the Best Execution Committee. From time to time, the Best Execution Committee may review industry survey data relating to commission rates and, based upon analysis of such data, provide the equity trading desk with guidelines with respect to commission rates.

For most wrap fee programs, clients are not charged separate commissions or other transaction costs on each trade so long as the program sponsor (or its broker-dealer affiliate) executes the trade. A portion of the wrap fee generally is considered as in lieu of commissions or other transaction costs. Where permitted by the wrap fee program terms, SBAM may execute a transaction through a broker-dealer other than the program sponsor where SBAM believes that such trade would result in the best price and execution under the circumstances. In such cases, transaction and other fees may be included in the net price of the security. However, in many situations trades will be executed with the program sponsor (or its broker-dealer affiliate) so as to avoid incurring brokerage costs or other transaction costs by using other broker-dealers, in addition to the wrap fee. When clients direct SBAM to use the program sponsor for all trades, SBAM will not be free to seek best price and execution by placing trades through other broker dealers.

In the event of a trade error made by SBAM, it is SBAM's policy to reimburse clients for any losses incurred. For trade errors that occur in SMA Accounts, SBAM does not have the ability to control the ultimate resolution of the trade error. In these instances, the trade error and resolution thereof will be governed by the program sponsor's policies and procedures. Certain program sponsors may establish trade error accounts for their programs whereby gains for certain errors in client accounts managed by SBAM may be offset by losses in other client accounts managed by SBAM in the same program(s) over varying time periods. This offsetting of gains with losses could result in a benefit to SBAM.

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

Certain brokers and dealers who provide quality brokerage and execution services also furnish research services to SBAM. To the extent permitted under Section 28(e) of the Securities Exchange Act of 1934, SBAM may cause an account to pay commission rates in excess of those another broker or dealer would have charged for effecting the same transaction, if SBAM determines in good faith that the commission paid is reasonable in relation to the value of the brokerage and research services provided. The determination may be viewed in terms of either

the particular transaction involved or the overall responsibilities of the SBAM with respect to the accounts over which it exercises investment discretion. Research may not necessarily benefit all accounts paying commissions to such brokers. Accordingly, while SBAM cannot readily determine the extent to which commission rates charged by broker/dealers reflect the value of their research services, SBAM assesses the reasonableness of commissions in light of the total brokerage and research services provided by each particular broker. SBAM monitors the nature and quality of the research it receives from all sources and the overall fairness and reasonableness of the expense allocation burden across its client accounts. When SBAM uses client brokerage commissions to obtain research or other products or services, SBAM receives a benefit because it does not have to produce or pay for the research, products or services.

SBAM receives a wide range of research services from brokers and dealers. These services include information on the economy, industries, groups of securities, individual companies, statistical information, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, and analysis of corporate responsibility issues. Research services are received primarily in the form of written reports, computer generated services, market data, telephone contacts and meetings with security analysts, corporate and industry experts, spokespersons, economists, academicians and government representatives, and conferences. Research services reflect substantive content, but do not include mass-marketed publications. In some cases, research services are generated by third parties but are provided to SBAM by or through broker-dealers. SBAM may also purchase certain additional research with "hard" dollars (i.e., its own assets). 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. Soft dollar arrangements are reviewed by SBAM's Best Execution Committee.

Research services received from brokers and dealers are supplemental to SBAM's own research effort and, when utilized, are subject to internal analysis before being incorporated by SBAM into its investment process. As a practical matter, it would not be possible for SBAM to generate all of the information presently provided by brokers and dealers. SBAM internally allocates business to those brokers who have provided it with research products or services and endeavors to direct sufficient commissions to them to ensure the continued receipt of research products and services SBAM believes are useful.

SBAM may use the benefits of such research and brokerage services for all SBAM's clients, not just the clients whose transactions generate the research and brokerage services. Accounts that do not generate any commissions used to acquire research products and services may benefit from those that do. SBAM does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate. Generally, accounts that direct SBAM to use a particular broker-dealer and SMA accounts do not generate commissions used to acquire research products and services. Such accounts may benefit from research products and services purchased with commissions of other accounts.

### **Directed Brokerage**

A client may direct SBAM to utilize a particular broker-dealer to execute some or all transactions for the client's account. In such circumstances, the client is responsible for negotiating the terms and arrangements for the account with that broker-dealer. In many cases, the transaction fees paid to such brokers as selected by such clients include other services like custody, research and advice, in addition to execution services. SBAM will not seek better execution services or prices from other broker-dealers or be able to aggregate the client's transactions, for execution through other brokers-dealers, with orders for other accounts advised or managed by SBAM. As a result, SBAM may not obtain best execution on behalf of the client, who may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case. A client who directs brokerage

should periodically review the terms of their directed brokerage arrangements to ensure that such arrangements are in the clients continuing best interest.

SBAM regularly places some or all trades for a client's account with the broker-dealer that referred the client to SBAM. SBAM has a conflict of interest in using referring brokers to execute client trades, in that SBAM may have an incentive to select or recommend a broker-dealer based on its interest in receiving client referrals, rather than on its clients' interest in receiving most favorable execution. SBAM's Best Execution Committee periodically reviews trades placed with directed brokers for quality of execution on a quantitative and qualitative basis.

SBAM may effect a step-out trade to a different broker for one of several reasons, including to direct a trade to a broker that SBAM believes can provide best net price and execution on a transaction under the circumstances or to direct a trade to a different broker as part of the modification of the terms of the trade. For most step-out trades, the step-out broker will participate in the clearance and settlement of the transaction in return for a share of the commissions. As a result of a step-out, from time to time, the client may not be able to participate in an aggregated trade.

### **Allocation and Aggregation**

SBAM maintains trading sequencing and allocation procedures designed to treat clients on a fair and equitable basis over time. To effect a similar portfolio change among multiple client accounts in a particular strategy, in most circumstances the procedures entail a rotation protocol that specifies the order of execution and allocation of trades. Because of the large number of clients for whom SBAM has to execute transactions under this rotational protocol, it is possible that, because a client may be assigned to a discrete group, that client, who otherwise is similarly situated to other clients, may receive a substantially different price for a transaction in the same security. SBAM believes, however, that this rotational system treats all clients in a fair and equitable manner over time. The rotation protocol is not designed for trade executions relating to investing of new accounts or client-directed contributions or withdrawals of assets, and other methods (e.g., random fills, or partial fills allocated randomly) may be employed and exceptions to the rotational protocol made (with appropriate documentation and approval) in certain circumstances. Subject to custodian policies, allocations of block trades within discrete groups generally are done at average price for the day. Exceptions to allocation procedures may be made for certain strategies or accounts, such as strategies that may invest in only limited types of securities, or accounts with high cash balances. Multiple strategies may be eligible to invest in the same securities, and different SBAM portfolio managers may make different investment decisions for different strategies.

SBAM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among SBAM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently.

## **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 with relevant standards and review of account objectives and guidelines. SBAM representatives may meet periodically with clients and/or their consultants and financial advisors to discuss review results. The composition and number of reviewers vary depending in part on the type of account, amount of assets and nature of investment goals and objectives of client.

For certain Institutional Separate Accounts and SMA Accounts, Nuveen Global Operations may assist in conducting reviews.

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

### **Client Reports**

#### Separate Accounts (SMA and Institutional)

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 registered investment companies 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, portfolio management, recordkeeping, and client reporting. 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 may send corporate gifts or pay for meals and entertainment such as golfing and tickets to cultural and sporting events for individuals of firms that do business with SBAM or its affiliates. SBAM employees also may be the recipients of corporate gifts, meals and entertainment. The giving and receipt of gifts and other benefits are subject to limitations under SBAM's Code of Ethics.

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.

SBAM is affiliated with the Nuveen Investments Wealth Management Services group, a division of Nuveen Investments that provides free general educational services to financial intermediaries who typically offer or use products or services of SBAM and/or its advisory affiliates. Nuveen Investments 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 Nuveen Investments Wealth Management Services group are not intended to constitute financial planning, tax, legal, or investment advice and are for educational purposes only.

### **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 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.

SMA 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. Fund investors should review a Fund's prospectus (or statement of additional information) for important information about such Fund-related payments.

## **ITEM 15        CUSTODY**

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.

## **ITEM 16            INVESTMENT DISCRETION**

SBAM is generally granted discretionary authority to manage securities accounts on behalf of clients. For Institutional Separate Accounts and SMA 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 SMA 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 an SMA 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**

Generally, except to the extent a client instructs us otherwise, we will vote on all matters for which a shareholder vote is solicited by issuers of securities beneficially held in client accounts. SBAM generally votes in accordance with guidance provided by third party research. In certain instances, we may determine that it is in clients' best interest to deviate from the guidelines or the proxy issue may require individual case-by-case consideration under the guidelines.

SBAM may have a material conflict of interest when voting proxies if, for example, it manages assets for a publicly-traded company that is the subject of a proxy or if an employee's spouse serves as a director or executive of such a company. SBAM may have an incentive to vote proxies in order to retain the company as a client, rather than in the best interests of its clients. If a proposal raises a material conflict of interest between SBAM and its client(s), we will vote the proxy in a pre-determined manner, seek client direction or obtain voting direction from an independent third party, as determined by the proxy voting guidelines for the applicable strategy. Although SBAM has affiliates that provide investment advisory, broker-dealer, or other financial services, it does not generally receive non-public information about the business arrangements of such affiliates (except in limited circumstances such as with regard to major distribution partners of their investment products) or the directors, officers and employees of such affiliates. Therefore, SBAM is unable to consider such information in its process of determining whether there are material conflicts of interest.

SBAM may determine not to vote proxies in respect of securities of any issuer if it determines that it would be in the clients' overall best interests not to vote under the circumstances, such as when the cost of voting exceeds the expected benefit. For example, to the extent that SBAM receives proxies for securities that are transferred into a client's portfolio that were not recommended or selected by SBAM and are sold or expected to be sold promptly in an orderly manner ("legacy securities"), SBAM may refrain from voting such proxies. In such circumstances, since legacy securities are expected to be sold promptly, voting proxies on such securities may not further SBAM's interest in maximizing the value of client investments. SBAM may consider a client's special request to vote a legacy security proxy, and if agreed would vote such proxy in accordance with the Guidelines. SBAM may determine not to vote securities where the voting would require the transfer of the security to another custodian designated by the issuer. Such transfer is generally outside the scope of SBAM's authority and may result in significant operational limitations on SBAM's ability to conduct transactions relating to the security during the period of the transfer. From time to time situations may arise (operational or other) that may prevent SBAM from voting proxies after reasonable attempts have been made.

Clients may obtain, free of charge, information on how their securities were voted or a copy of these Proxy Voting Policies and Procedures by written request addressed to our Santa Barbara office or by calling (805) 965-4600.

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.

**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**

### **NOTICE TO CANADIAN CLIENTS**

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 200 East Carrillo Street, Suite 300, Santa Barbara, CA 93101 U.S.A.
3. The local address for service of process against SBAM is Torys, LLP, 79 Wellington St. West, Toronto, Ontario 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.

### **ERISA CLIENTS**

Additional disclosure information pertaining to Department of Labor Form 5500 reporting requirements may be obtained by contacting SBAM’s Compliance Manager at (805) 965-4600