



**Form ADV Part 2A**

**Santa Barbara Asset Management, LLC**

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**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 (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 is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Material Changes**

There were material changes to this Brochure dated March 1, 2013, from the previous version dated March 27, 2012.

Effective March 1, 2013, SBAM's former CEO, Co-CIO and Co-Portfolio Manager for the Stable Growth and Stable Growth Balanced strategies, Michael Mayfield, retired. SBAM's Stable Growth, Stable Growth Balanced, International Growth, Global Growth and Equity Long/Short strategies transitioned to an affiliate, Nuveen Asset Management, LLC ("NAM"). Commensurate with this transition, Nancy Crouse, SBAM's other former Co-CIO and Co-Portfolio Manager of the Stable Growth, Stable Growth Balanced, and Global Growth strategies, along with other members of the portfolio management and research team, transitioned to NAM, and the former director of research retired. As a result, SBAM is now entirely focused on managing dividend-focused equity strategies. Jim Boothe, Portfolio Manager for the Dividend Growth, Global Dividend Growth and International Dividend Growth strategies assumed the role of Chief Investment Officer, also effective March 1, 2013.

Additional information related to these changes from an investment perspective is detailed in Item 4; changes to strategies and risk factors are detailed in Item 8; and the change of the firm's principal business address is detailed on the Cover Page. There were also minor changes, enhancements and clarifications throughout.

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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 ("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. Effective March 1, 2013, SBAM's former CEO, Co-CIO and Co-Portfolio manager for the Stable Growth and Stable Growth Balanced strategies retired, and commensurate with the transition of these and other strategies to SBAM's affiliate Nuveen Asset Management, LLC ("NAM"), SBAM's other former Co-CIO, along with other members of the portfolio management and research team, transferred to NAM. See Item 8 and Form ADV Part 2B for further information. Jim Boothe assumed the role of Chief Investment Officer and SBAM is now entirely focused on managing dividend-focused equity strategies.

Nuveen Investments is an indirect subsidiary of a holding company formed by equity investors led by Madison Dearborn Partners, LLC ("MDP"). MDP-advised private equity funds comprise the ultimate principal owner of SBAM. See Item 10.

### **General**

SBAM provides separate account investment advisory services in dividend-focused strategies, including Dividend Growth, Global Dividend Growth and International 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, 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 will use reasonable efforts to manage 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, 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.

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. 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 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 SMA Accounts may involve fewer securities holdings due to smaller account sizes than institutional 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.

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 March 1, 2013, SBAM had \$4,476,326,364.08 in assets under management. This total includes approximately \$1,210,710,828.89 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	0.80%
Next \$10,000,000	0.70%
Next \$30,000,000	0.60%
Over \$50,000,000	0.55%
<i>Minimum Account Size</i>	<i>\$1 million</i>

<b>Global Dividend Growth (ADR) and International Dividend Growth (ADR) Strategies</b>	
<u>Assets Under Management</u>	<u>Annual Fee Schedule</u>
First \$5,000,000	0.80%
Next \$15,000,000	0.75%
Next \$30,000,000	0.65%
Over \$50,000,000	0.50%
<i>Minimum Account Size</i>	<i>\$1 million</i>

<b>Global Dividend Growth (ORD) and International Dividend Growth (ORD) Strategies</b>	
<u>Assets Under Management</u>	<u>Annual Fee Schedule</u>
First \$10,000,000	0.80%
Next \$20,000,000	0.75%
Next \$20,000,000	0.65%
Over \$50,000,000	0.50%
<i>Minimum Account Size</i>	<i>\$5 million</i>

For more information on strategies, see Item 8.

For Institutional Separate Accounts 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 initial 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 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 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 3.00% 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. 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 SMA 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 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 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.

## **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 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 amount of \$1,000,000. 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

General descriptions of SBAM's investment strategies are included below. Additionally, SBAM may provide other strategies from time to time.

**The Dividend Growth** strategy primarily invests 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 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 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 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 (including companies located in emerging markets).

**The International Dividend Growth** strategy primarily invests 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 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 (including companies located in emerging markets), although investment in U.S. companies is permitted.

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 Global Dividend Growth and International Dividend Growth strategies.

*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.

*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.

*Growth Style 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. Companies experiencing high rates of current growth may be more volatile than other types of investments.

*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.

*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.

*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.

*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.

*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.

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 ("NAM"), Nuveen Fund Advisors, LLC ("NFA"), Nuveen Investments Advisers Inc. ("NIA"), NWQ Investment Management Company, LLC ("NWQ"), Tradewinds Global Investors, LLC ("Tradewinds"), Winslow Capital Management, LLC ("Winslow"), Symphony Asset Management LLC ("Symphony"), and Gresham Investment Management, LLC ("Gresham"), 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). Gresham is also a commodity pool operator (CPO) and a commodity trading advisor (CTA), and NFA is also a CPO. “Nuveen Investments” is sometimes used to refer collectively to the advisory businesses of Nuveen Investments, Inc. SBAM is also under common control with Nuveen Securities, LLC, a registered broker-dealer. SBAM is also under common control with Nuveen Global Operations, a division of Nuveen Investments Holdings, Inc., which performs administrative services for SBAM and certain affiliates. SBAM is also under common control with Nuveen Investments Canada Co., which markets certain investment advisory services of its affiliated investment advisers in Canada. SBAM is also under common control with Nuveen Global Investments Limited, an exempt CAD firm registered with the U.K. Financial Services Authority, which markets certain products and services of its affiliated investment advisers in certain jurisdictions outside the U.S. SBAM is also affiliated with Nuveen Commodities Asset Management, LLC, a CPO and CTA. 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.

From time to time, certain employees of SBAM also may be affiliated with Nuveen Securities, 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 these 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 human resources, 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**

**Code of Ethics and Personal Trading**

SBAM is governed by Nuveen's Code of Ethics (the "Code"). The purpose of the Code is to demonstrate the firm's commitment to the highest legal and ethical standards, to ensure that SBAM personnel place the interest of SBAM's clients ahead of their own personal interests, 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 monitoring 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 trading is monitored for adherence to the Code and any covered person who violates the code is subject to remedial actions.

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

**Participation or Interest in Client Transactions**

Initially and from time to time, employees of SBAM and its related persons may invest in an affiliated fund of SBAM or its related persons. 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 has adopted a policy intended to address the potential conflicts of interest resulting from this situation. Under the policy, such affiliated funds or proprietary accounts are managed in a manner consistent with SBAM's fiduciary duty to its other clients. Affiliated funds or proprietary accounts shall receive neither special advantages nor disadvantages.

Although employees of SBAM may maintain a material position or percentage interest in affiliated funds and/or proprietary separate accounts, and the interests of SBAM may represent all, or a significant percentage, of such affiliated funds or proprietary 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 and sequencing of transactions 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 7 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. See Item 12. 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 also 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, 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. 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 as set forth above.

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 discussion of trade error conflicts and SBAM's 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.

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**

SBAM has established a Best Execution 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 and trading. Non-voting members include representatives from legal and compliance. The Committee meets periodically as needed.

When selecting broker-dealers to execute client securities transactions, 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 brokers SBAM may select to execute the client's transactions. In selecting brokers to execute transactions, SBAM takes into consideration best price 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, responsiveness of the broker-dealer, and operational capabilities (including clearance and settlement). Further, SBAM considers the value, nature, and quality of the research services provided. The determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution under the circumstances.

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 involved usually entail higher commissions than would be the case with other transactions requiring more routine services.

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.

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. 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 may use the specified brokerage firm, although it is permitted to trade away/step-out from the firm. However, if SBAM places client trades with another firm, the client may incur 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 may charge additional fees for settling step-out transactions.



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**

Certain brokers and dealers who provide quality brokerage and execution services also furnish research services to SBAM. Consistent with SBAM's policy of seeking best price and execution, and 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 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 does not receive from broker-dealers any brokerage or research products or services that it also uses for business purposes unrelated to brokerage or research (commonly referred to as "mixed use" products or services). 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. Research service 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, including wrap fee and partially-bundled dual contract managed 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.

### **Brokerage for Client Referrals**

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 may receive 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 selection process. SBAM will not compensate any broker either directly or indirectly by directing brokerage transactions for consideration of the aforementioned services.

### **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 such as 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 affect 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. 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.

### **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 trade 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 may be employed and exceptions to the rotational protocol made (with appropriate documentation) in certain circumstances.

Allocations of block trades for clients participating in the execution under the same trading circumstances (i.e., price limits, time of entry, etc.) are generally done at the average price for the day. Aggregated orders filled in their entirety typically 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 (to the nearest round lot of 100 shares) 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.

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 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.

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.

### **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.

### **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 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 wrap fee programs and partially-bundled dual-contract 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**

#### 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 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 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 internal policies and procedures.

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 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.

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 or relevant offering document 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 a 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, SBAM 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, SBAM 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), SBAM 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 SBAM's Proxy Voting Policy and Procedures. 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.

It is the responsibility of the custodian appointed by the client, or the program sponsor in the case of the SMA 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 foreign issuers (such as in POA markets), or based on particular contractual arrangements with clients or SMA program sponsors. A SMA 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 regarding the voting of securities for a client 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: Institutional Account Administration  
2049 Century Park East, 18<sup>th</sup> Floor  
Los Angeles, CA 90067

**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, 18<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, 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.

### **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.

### **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 Fair 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.

## **PRIVACY STATEMENT**

Santa Barbara Asset Management, LLC is a wholly owned subsidiary of Nuveen Investments, Inc. and its affiliated investment advisers, funds, and broker dealer, 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 Nuveen Investments 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.