

UNIONBANC INVESTMENT SERVICES LLC

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Managed Account Solutions

Form ADV Part 2A “Brochure”

July 1, 2016

This Form ADV Part 2A Brochure provides information about the qualifications and business practices of UnionBanc Investment Services LLC. If you have any questions about the contents of this Brochure, please contact us at (800) 634-1100. 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.

UnionBanc Investment Services LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about UnionBanc Investment Services LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Below is a summary of material changes made to the prior version of the Brochure dated March 30, 2016:

- Julian Jacolev was appointed on June 2, 2016 as the Chief Financial Officer of UnionBanc Investment Services LLC, replacing Daniel Caneva who continues to serve as the Chief Operating Officer.
- Item 4 – Advisory Business - Financial Plan – the Financial Plan section is deleted in its entirety as this service is no longer offered by UnionBanc Investment Services in its capacity as a registered investment adviser.
- Item 10 – Other Financial Industry Activities and Affiliations. Financial plans are offered by UnionBanc Investment Services in its capacity as a registered broker-dealer.

Additional non-material changes that update, enhance or further clarify existing language have also been incorporated throughout this Brochure since its prior version.

The UBIS Brochure may be requested by contacting your Financial Advisor (“FA”) or the UBIS Help Desk at 800.634.1100. It is also available on our web site at [www.unionbank.com/invest](http://www.unionbank.com/invest).

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#### Item 4 – Advisory Business

UnionBanc Investment Services LLC ("UBIS") is an investment adviser registered with the Securities and Exchange Commission ("SEC") and is a subsidiary of MUFG Union Bank, N.A. ("MUFG Union Bank"), a national bank regulated by the Office of the Comptroller of the Currency. The ultimate parent company of UBIS and MUFG Union Bank is Mitsubishi UFJ Financial Group, Inc. ("MUFG"), a Japanese-based financial institution. Please refer to Item 10, Other Financial Industries and Affiliations, for additional information regarding UBIS' affiliates.

UBIS provides investment advisory services to clients through two programs; the Managed Account Solutions Program ("MAS Program") and the Personal Portfolio Solutions Wrap Fee Program ("PPS Program").

This UBIS Brochure applies only to the MAS Program. UBIS Financial Advisors authorized to provide services include Financial Advisors or Senior Financial Advisors, collectively referred to as Financial Advisors ("FAs").

UBIS and its FAs may be referred to as "us," "we" or "our," while clients may be referred to as "you" and "your" throughout this UBIS Brochure.

Envestnet Asset Management, Inc. ("Envestnet"), a SEC-registered investment adviser that is not affiliated with UBIS, is the sponsor for the MAS Program. The MAS Program is a discretionary wrap fee program for which clients pay a single fee (or "wrap fee") for both investment advisory services and the associated brokerage transactions and custody. In the MAS Program, UBIS generally does not exercise investment discretion although UBIS is permitted to do so under the terms and conditions of its agreement with clients. Any applicable sub-adviser(s), which may include Envestnet or its subsidiary Portfolio Management Consultants ("PMC") (also referred to as "sub-managers"), generally exercise investment discretion over the client account. UBIS receives a portion of this fee for its investment advisory services. Please refer to Envestnet's disclosure document for more information.

For clients who obtain investment management services through the MAS Program, UBIS is able to present a selection of MAS sub-program investment strategies to the client for the client's approval. Once the client's assets are invested in the respective MAS sub-program, Envestnet PMC, and any applicable sub-adviser(s) or model provider(s) (also referred to as "sub-managers"), are granted the authority by the client to manage the account on a discretionary basis. The MAS Program is described in more detail below.

UBIS has engaged National Financial Services LLC ("NFS"), a brokerage clearing firm not affiliated with UBIS to provide transaction execution, clearance, settlement, custody and related services in connection with the MAS Program.

Including its predecessor organizations, UBIS has been in business as a broker-dealer since 1983 and began offering investment advisory services as a registered investment adviser in 1999. UBIS' registration with the SEC as a registered investment adviser became effective in August 2009. As of December 31, 2015, client assets managed on a discretionary basis under the MAS Program were \$634,875,570.00 for 2,859 client accounts. There are no client assets managed on a non-discretionary basis under the MAS Program.

## **MANAGED ACCOUNT SOLUTIONS PROGRAM**

### **Overview**

UBIS clients may choose one or more of the following investment advisory sub-programs from the following four (4) sub-programs offered under the MAS Program:

- (1) the Fund Strategist Portfolio ("FSP") Sub-program;
- (2) the Multi-Manager Account ("MMA) Sub-Program;
- (3) the Separately Managed Account ("SMA") Sub-Program; and
- (4) the Unified Managed Account ("UMA") Sub-Program

With respect to all of the sub-programs described below, UBIS FAs assist clients in their selection of one or more of the MAS sub-programs through a review of certain client investment criteria, including, among other information, the client's investment goals, income requirements, time horizon, and risk tolerance. UBIS FAs enter the relevant client-provided criteria information into an Envestnet proprietary platform tools program that analyzes the information and assigns an investor profile for the client including a corresponding risk tolerance rating, and offers a selection of investment strategies.

Utilizing the Envestnet platform tools, UBIS FAs review the selection of investment strategies and recommend for the client's approval, an investment strategy that allocates the client's assets among one or more of the different sub-programs based on the client's investor profile. Clients may also request reasonable investment restrictions, which are subject to approval based upon UBIS', Envestnet's and any applicable sub-manager's ability to implement the restriction. UBIS FAs recommended investment strategy, including the recommended sub-program(s) and portfolio investments within the sub-program, will generally be based on a combination of both Envestnet's and UBIS' recommendations, and in all cases is subject to the client's investor profile.

UBIS FAs present the recommended investment strategy to the client for the client's approval. After the client's initial approval, Envestnet and sub-managers manage the portfolios in the respective sub-program(s) on a fully discretionary basis and are not required to seek client approval. Under certain circumstances, UBIS may exercise its discretionary authority, pursuant to the MAS Program Terms and Conditions to replace any sub-manager and/or investment(s) held in client accounts that are no longer eligible for participation in Envestnet's Approved Product List, with an approved sub-manager and/or investment(s) without client consultation or the client's verbal or written authorization. A taxable event may occur as a result of changing sub-managers and/or investment(s) and clients are solely responsible for any resulting tax liabilities. Clients are encouraged to consult with their tax professionals regarding these types of events. In the normal course of investment management, when UBIS FAs determine to recommend a change(s) in the client's investment strategy, including, but not limited to, changes to asset classes and portfolio investments, UBIS FAs present its recommendation(s) to the client for approval before implementing the changes.

For all sub-programs, the client directly owns the underlying securities, mutual funds, or exchange traded funds in each of the sub-program's investment strategies.

The available MAS sub-programs are described below:

### **Fund Strategist Portfolio (FSP) Sub-Program**

The FSP Sub-Program is a discretionary asset allocation program that offers clients diversified model portfolios generally using exchange traded funds (each fund an "ETF") and mutual funds. Each FSP model portfolio seeks to achieve a specific investment objective while striving to maintain a level of risk that is appropriate for the client's investor profile. The FSP model portfolios are designed and are actively managed by Envestnet or

investment advisers that provide their model portfolios to Envestnet, including UBIS' affiliate, HighMark Capital Management, Inc. ("HCM"). FSP model providers may also use alternative mutual funds, leveraged ETFs and inverse ETFs in the portfolios as appropriate, and in a manner that is consistent with the client's investor profile and investment strategy. The use of alternative mutual funds, leveraged ETFs and inverse ETFs can result in higher volatility and decreased or increased performance and involves significant risks. Please refer to Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, for additional information. Clients are provided with an initial allocation that corresponds to the client's investor profile. After the client's initial approval of the selected portfolio, Envestnet and the FSP model provider manage the portfolio and/or model portfolio, respectively on a discretionary basis, without prior client approval. Generally, if the FSP model portfolio consists of only one (1) fund strategist manager, the manager will rebalance the portfolio; however, if the portfolio consists of multiple fund strategist managers, and the allocation drifts from the initial allocation, the FA will re-allocate back to the initial allocation, if needed. When UBIS FAs recommend a change, he/she usually presents the recommendation to the client for approval before implementing the change.

#### **Multi-Manager Account (MMA) Sub-Program**

The MMA Sub-Program offers clients a single investment portfolio created and managed by Envestnet that accesses multiple sub-managers, mutual funds and ETFs that represent various asset classes. Envestnet may invest assets within the portfolio in mutual funds or other securities, including the PMC Funds for which Envestnet serves as investment adviser. Envestnet and PMC are affiliated entities. After the client's initial approval of the recommended portfolio, Envestnet manages the account on a discretionary basis, without prior client approval. Envestnet periodically rebalances the assets in the client's portfolio among the asset classes in the client's account. When UBIS FAs recommend a change, he/she usually presents the recommendation to the client for approval before implementing the change.

#### **Separately Managed Account (SMA) Sub-Program**

The SMA Sub-Program offers clients an investment portfolio that consists of actively managed separate accounts of individual securities that correspond to specific asset classes that are each managed by an investment adviser ("Separate Account Manager"). Separate Account Managers serve as sub-advisers and/or model providers to Envestnet. Envestnet may use mutual funds and/or ETFs in lieu of Separate Account Managers. Envestnet and the Separate Account Managers manage the portfolio or each respective separate account or model portfolio respectively, on a discretionary basis, without prior client approval. Since each Separate Account Manager manages the individual asset classes in the client's portfolio as a separate account, each Separate Account Manager does not coordinate management of the account with any other Separate Account Manager for the client's assets or rebalance assets in the client's accounts in the aggregate with other assets. Instead, if the SMA model portfolio consists of multiple Separate Account Managers, and the allocation drifts from the initial allocation, the FA will re-allocate back to the initial allocation, if needed. When UBIS FAs recommend a change, he/she usually presents the recommendation to the client for approval before implementing the change.

#### **Unified Managed Account (UMA) Sub-Program**

The UMA Sub-Program offers clients an investment portfolio that accesses Separate Account Managers, Fund Strategist Portfolios, mutual funds and/or ETFs within one integrated managed account. To implement the client's investment strategy, Envestnet will recommend a suitable asset allocation model for the client and a selection of sub-managers, Fund Strategist Portfolios, mutual funds, and ETFs from which UBIS FAs can select and recommend to the client for each asset class within the model. Subject to client's investor profile and risk tolerance, UBIS FAs may customize the Envestnet-recommended asset allocation model for the client. UBIS FAs present the recommended investment portfolio to the client for approval, subject to reasonable investment restrictions that the client requests and that UBIS approves. Envestnet rebalances the assets among the asset classes in each client portfolio periodically, or at least annually, to remain consistent with the client's investor

profile, and as investment risks and opportunities are identified. After the client's initial approval of the selected portfolio, Envestnet and the sub-manager(s) manage the portfolio on a discretionary basis, without prior client approval. When UBIS FAs recommend a change, he/she usually presents the recommendation to the client for approval before implementing the change.

## **Item 5 – Fees and Compensation**

### **MAS Program Fee Schedule**

Clients who participate in the MAS Program are charged a quarterly fee for the combined clearing and custody fee, platform fee and adviser fee under the MAS Program ("Program Fee"). Clients must pay the quarterly Program Fee in advance of the quarter to which the fees apply. Envestnet determines the quarterly Program Fee at the beginning of each quarter by applying the applicable sub-program fee schedule to the value of such assets on the last business day of the prior calendar quarter. Envestnet determines the value of client assets invested in each sub-program or account using readily available values from a nationally recognized pricing service. Envestnet determines and applies the applicable sub-program fee schedule to the value of the client's assets in each sub-program or account separately and not to all of client's assets invested in the MAS Program in the aggregate. Please refer to Additional Information About Fees and Related Conflicts of Interest, Non-Aggregation of Client Fees for Multiple Programs or Accounts below and to the MAS Program Terms and Conditions for additional information about fees on assets invested in multiple programs and sub-programs.

Envestnet will calculate the initial Program Fee for the first calendar quarter (or part thereof) in which the client participates in the MAS Program on a pro-rated basis based on the number of calendar days in the partial quarter and depending on when in the calendar quarter the account is opened. The Program Fee will be allocated to UBIS, Envestnet and NFS pursuant to an agreement between them. Please note that although the Program Fee varies between the sub-programs, UBIS' portion of the Program Fee remains the same regardless of the sub-program recommended to a client. In certain circumstances, at UBIS' discretion, the Program Fee may be negotiated. If the client account does not have a sufficient cash balance to pay the Program Fee or other expenses, securities positions in the account may be liquidated to pay the Program Fee without client consent. Clients may incur transaction costs and there may be tax consequences when securities positions in the account are liquidated to pay the Program Fee or other expenses. Clients are solely responsible for any resulting tax liabilities and are encouraged to consult with their tax professionals regarding these types of events. The client's Program Fee for the MAS Program is described in the client's agreement with UBIS and Envestnet.

The Program Fee in the schedules below do not cover other charges, including commissions, dealer mark-ups or fees for portfolio transactions executed away from NFS, fees for certain service requests such as wire or delivery instructions, check handling, legal processing, outgoing transfers and other fees described in Envestnet's disclosure document, that would apply separately. Please refer to Item 12, Brokerage Practices for additional information.

The UnionBanc Investment Services Commission and Fee Schedule discloses the account custodial fee, termination fee, various fees and charges, and account minimums that apply to your accounts with UBIS. Please refer to the UnionBanc Investment Services Commission & Fee Schedule, Disclosures, and Services Agreement available on our website at <https://www.unionbank.com/Images/UBIS-Fee-Schedule-Disclosures-and-Services-Agreements-2016.pdf>.

Except as required by law, UBIS reserves the right to change any of the information contained in each fee schedule upon a 30 day written notification.

If the value of the client's account in a sub-program falls below a certain dollar amount, a Minimum Annual Account Fee will apply, which could result in a fee that is higher than the Standard Annual Fee noted below.

The Minimum Annual Account Fee, which is typically charged to the client for any applicable minimum clearing and custody fee and/or any minimum platform fee, is in addition to the adviser fee. The Minimum Annual Account Fee noted in the schedules below may be lower depending on the specific sub-manager used within each sub-program or account.

#### Fund Strategist Portfolio (FSP) Sub-Program

Account Size	Standard Annual Fee (billed quarterly in advance)	UBIS Portion of Annual Fee
First \$250,000	2.50%	1.75%
Next \$250,000	2.25%	1.50%
Next \$500,000	2.00%	1.25%
Next \$1,000,000+	1.75%	1.00%
For accounts established prior to May 8, 2014, the Minimum Annual Account Fee - \$425 (will be applicable if the balance of your account is less than \$174,000); for accounts established after May 8, 2014, the Minimum Annual Account Fee - \$250 (will be applicable if the balance of your account is less than \$157,000.).		

#### Multi Manager Account (MMA) Sub-Program

Account Size	Standard Annual Fee (billed quarterly in advance)	UBIS Portion of Annual Fee
First \$250,000	3.00%	1.75%
Next \$250,000	2.75%	1.50%
Next \$500,000	2.50%	1.25%
Next \$1,000,000+	2.25%	1.00%
Minimum Annual Account Fee - \$525 (will be applicable if the balance of your account is less than \$175,000).		

#### Separately Managed Account (SMA) Sub-Program Equity/Balanced Portfolios

Account Size	Standard Annual Fee (billed quarterly in advance)	UBIS Portion of Annual Fee
First \$250,000	3.25%	1.75%
Next \$250,000	3.00%	1.50%
Next \$500,000	2.75%	1.25%
Next \$1,000,000+	2.50%	1.00%
For accounts established prior to May 8, 2014, the Minimum Annual Account Fee - \$800 (will be applicable if the balance of your account is less than \$200,000); for accounts established after May 8, 2014, the Minimum Annual Account Fee - \$490 (will be applicable if the balance of your account is less than \$234,000.).		

#### Fixed Income Portfolios and Mutual Funds

Account Size	Standard Annual Fee (billed quarterly in advance)	UBIS Portion of Annual Fee
First \$250,000	2.50%	1.75%
Next \$250,000	2.25%	1.50%
Next \$500,000	2.00%	1.25%
Next \$1,000,000+	1.75%	1.00%
For accounts established prior to May 8, 2014, the Minimum Annual Account Fee -		



\$650 (will be applicable if the balance of your account is less than \$271,000); for accounts established after May 8, 2014, the Minimum Annual Account Fee - \$390 (will be applicable if the balance of your account is less than \$250,000.).
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#### Unified Managed Account (UMA) Sub-Program

Account Size	Standard Annual Fee (billed quarterly in advance)	UBIS Portion of Annual Fee
First \$250,000	3.25%	1.75%
Next \$250,000	3.00%	1.50%
Next \$500,000	2.75%	1.25%
Next \$1,000,000+	2.50%	1.00%
The Minimum Annual Account Fee will vary depending on the investments used in your account. Please refer to your Statement of Investment Selection for a detailed description of the fees applicable to your account.		

The MAS Program Fee is deducted from the client's account. For this purpose, clients must authorize NFS to deduct the Program Fee from their account as part of the client's investment advisory agreement. NFS will deduct the Program Fee from the client's account and pay the fees to Envestnet and UBIS as applicable upon NFS' receipt of instructions from Envestnet to do so.

#### Reporting Only Services

Clients may elect to receive reporting services with respect to their assets held in securities accounts outside of the MAS Program, which are maintained with certain custodians Envestnet has established interfaces for reporting purposes. This service allows clients to receive a single statement that includes their assets that are invested through the MAS Program and assets held elsewhere for which advice through the MAS Program is not provided. Fee rates for this service are listed below. UBIS has no obligation to provide, and does not provide, any investment advice, asset allocation or rebalancing services with regard to assets covered by the separate reporting services feature. Clients have no obligation to choose the reporting services to participate in the MAS Program.

#### Fees for Reporting Only Services:

Separate Account Assets in Account(s)	Fee (billed quarterly in advance)
For All Assets	0.06%
Minimum Quarterly Fee	\$22.50
Miscellaneous Fees	
Manual entry of cost basis data at set-up	\$1.00 per tax lot
Manual entry of historical data	\$100.00 per hour
Minimum Annual Account Fee	\$90.00
Pricing is effective as of May 8, 2014.	

#### Fee Refunds upon Termination of Client Participation in MAS Program

If the client, UBIS or Envestnet terminates the client's account, a refund of any prepaid, unearned Program Fee and other fees will be made to the client, and any unpaid, earned Program Fee and other fees will be due and payable by the client. The client is responsible for paying fees associated with any transactions that are executed before UBIS' receipt of the client's written notice of cancellation.

## ADDITIONAL INFORMATION ABOUT FEES AND RELATED CONFLICTS OF INTEREST

### Non-Aggregation of Client Fees for Multiple Programs or Accounts

Because advisory fees are assessed on assets invested in each UBIS investment advisory program or account separately and assets are generally not aggregated for fee assessment purposes, it is possible that a client's total fees may be greater and a client's overall return less, when a client invests in more than one type of UBIS investment advisory program or account than if a client invested all of their assets in a single program or account. This also means that UBIS' compensation may be greater when clients invest in more than one type of program or account than if a client invested in a single program or account.

### Additional Client Fees Related to Mutual Funds, ETFs, and Bundled Services

MAS Program assets may be invested in mutual funds or ETFs that also charge fees (such as operating expenses, management fees, redemption fees, distribution and shareholder servicing fees or "12b-1" fees and other fees and expenses) as described in each applicable prospectus or in the related disclosure document. These fees and expenses are in addition to the Program Fee and other applicable fees described in this section; however, UBIS rebates to client accounts, distribution and shareholder servicing fees or "12b-1" fees.

Individual Retirement Accounts (each an "IRA") that are subject to the Internal Revenue Code of 1986, as amended (the "IR Code") and certain retirement plan assets that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the IR Code may be invested in securities products that pay UBIS distribution or shareholder servicing fees or "12b-1" fees. UBIS will waive, offset, or refund these fees, or portions thereof, for such IRAs and retirement plan assets in a MAS Program account to the extent required by ERISA, the IR Code or any other applicable law.

Envestnet may also invest assets within a client's portfolio in mutual funds or other securities, including Envestnet's proprietary mutual funds, the PMC Funds. To address the economic incentive that Envestnet may have in investing assets in the PMC Funds, Envestnet makes a corresponding fee reduction to the fee that Envestnet charges on the Multi Manager Account (MMA) Sub-Program invested in the PMC Funds. Please refer to Envestnet's and the respective sub-manager's disclosure document for information regarding fee adjustments, if any, when investments are made in Envestnet's or the sub-manager's proprietary products. Envestnet may still recognize other benefits from the investment of client assets in the PMC Funds.

It is possible that UBIS will have greater financial incentives and will receive higher fees where a UBIS FA recommends that a client invest through the MAS Program rather than through the purchase(s) of a security, investment product or investment service on a separate and 'unbundled' basis, or rather than through an alternative investment advisory program, either through UBIS as a broker-dealer or another financial services firm. Investment Advisory programs and brokerage services are separate and distinct, with different fees and expenses, and each is governed by different laws and legal agreements. UBIS's disclosure ***Brokerage or Advisory Account: Which is the Best Fit for You*** is included in this Brochure.

In addition, if client assets are invested in a model portfolio for which UBIS' affiliate, HCM, is the model provider, HCM will earn a fee that is paid by Envestnet pursuant to the model licensing agreement between HCM and Envestnet. It is also possible that a UBIS FA will have greater financial incentives and will receive higher fees where the UBIS FA recommends that a client participate in MUFG Union Bank's asset management programs such as Investment Management and Trust ("IM&T"), which also uses HCM's customized or model portfolios.

Differential compensation presents an inherent potential conflict of interest because it could incentivize an FA to recommend a program based on a possibility of higher compensation rather than on client needs. UBIS mitigates this conflict through supervision and its compliance program.

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

UBIS does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7 – Types of Clients

UBIS generally provides advisory services to individuals, high net worth individuals, businesses, and corporate pension and profit-sharing plans. The MAS Program is intended for clients seeking discretionary investment management for a bundled or wrap fee.

For clients that invest through the MAS Program, UBIS requires a minimum account size of \$50,000 for the Fund Strategist Portfolio (FSP) Sub-Program, \$100,000 for the Separately Managed Account (SMA) Sub-Program, \$150,000 for the Unified Managed Account (UMA) Sub-Program, and \$250,000 for the Multi-Manager Account (MMA) Sub-Program. Clients should also be aware that a Minimum Annual Account Fee will be assessed to accounts that do not meet the required minimum account balance. Clients should consult with their FA to determine if an underlying sub-manager or investment has a specific investment minimum that is different from what UBIS requires. If the market value of the client's assets in an account falls below the applicable minimum, UBIS may require the client to provide additional money or securities for the account. In certain circumstances, at UBIS' discretion and with the applicable sub-manager's approval, account minimums may be negotiated. If a client does not meet the account minimum, UBIS may terminate the advisory relationship and close the account or convert it to a commission-based brokerage account. In some circumstances, UBIS may waive the minimum account size requirement based on its determination of the client's circumstances. If the account is converted to a commission-based brokerage account, it will be subject to the UnionBanc Investment Services Commission & Fee Schedule, Disclosures, and Services Agreement available on our website at <https://www.unionbank.com/Images/UBIS-Fee-Schedule-Disclosures-and-Services-Agreements-2016.pdf>. A client may experience losses if securities are sold during a market downturn or during other circumstances that impact the sale.

Certain mutual funds may impose short-term trading restrictions that could impact UBIS' ability to rebalance, liquidate, deposit or conduct other transactions that may otherwise be appropriate or requested by a client. Certain mutual funds also may impose redemption fees that are additional costs to the client to discourage short-term trading. Clients should review each applicable mutual fund prospectus or disclosure document for policies regarding short-term trading and redemption fees. Clients should also understand that extended periods of inactivity in MAS Program accounts could lead to higher fees than if commissions were paid for each transaction through a brokerage account. UBIS reserves the right, but is not obligated to close a MAS Program account or convert it to a commission-based brokerage account based on trading activity in the account.

Clients may request reasonable instructions and/or restrictions on their accounts subject to UBIS', Envestnet's, or other applicable sub-manager's approval and acceptance. Restrictions cannot be imposed on the management of a specific mutual fund, ETF or the applicable investment company ("asset managers"), including the selection of underlying securities within each investment company.

UBIS, at its sole discretion, may decline to enter an advisory relationship or terminate the advisory relationship and close or convert an account to a commission-based brokerage account at any time and for any reason including but not limited to the reasons outlined in the client's agreement with UBIS. Either UBIS or the client can terminate an advisory relationship and/or close an account upon 30 days prior written notification to the other party.

Under certain circumstances, clients may elect to pledge or grant a security interest in the account and the assets credited thereto as collateral for an extension of credit by UBIS' affiliate, MUFG Union Bank (collectively, the "Lending Arrangements"). In the event that a client's account assets are pledged as collateral in connection

with the Lending Arrangements, MUFG Union Bank may exercise certain rights and powers over the assets in the account, including the disposition and sale of any and all assets pledged as collateral for the obligations under the Lending Arrangements, which may be contrary to a client's interests and the investment objective of the account under the MAS Program. In the event of a collateral call on the account, securities may be liquidated and the proceeds thereof withdrawn from the account and, as a result, the investment strategy for the MAS Program may become disrupted because positions may be redeemed more rapidly, at significantly lower prices, at higher transaction costs, and in a less tax-efficient manner than might otherwise be desirable. Clients and their FAs may not be provided with prior notice of such a liquidation of the assets in the account and may not be entitled to choose the assets which are to be liquidated by the lender.

The costs associated with the Lending Arrangements are not included in the fees that clients pay under the MAS Program and may result in additional compensation to UBIS, MUFG Union Bank, and FAs. Clients should carefully review the materials provided when entering into the Lending Arrangements and consult with their own independent tax professionals in order to fully understand the tax implications associated with the Lending Arrangements. Neither UBIS nor MUFG Union Bank, provides legal, tax or accounting advice to clients. Before using account assets as collateral in the Lending Arrangement, clients should take the time to understand the associated risks and how this type of Lending Arrangement could impact long-term investment goals. Any action taken by UBIS, MUFG Union Bank or any of their respective affiliates against the assets held in the account pursuant to the Lending Arrangements will not constitute a breach of UBIS' fiduciary duties as an investment adviser to the client under the MAS Program.

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

UBIS FAs interview each prospective client for the MAS Program and reviews information provided by the client, such as the client's investment objectives, goals and income needs; time horizon; risk tolerances and other client information to create an investor profile. UBIS FAs use the investor profile to assist the client in selecting an investment advisory program and implementation strategy within the respective program that is suitable to the client's investment needs. On a periodic basis, UBIS reviews the overall performance of client's investments and the ongoing appropriateness of the client's selected program by reviewing the client's investor profile, including updated information provided by the client. UBIS, Envestnet or sub-managers render investment advice to a client based on each client's unique investor profile. As a result, UBIS, Envestnet or sub-managers may recommend the purchase of certain investments to one client and recommend the sale of the same investments to another client.

For all Programs, the client and UBIS FAs compile pertinent financial and demographic information to develop an investment program that will meet the client's goals and objectives. Utilizing the Envestnet platform tools, UBIS FAs will allocate the client's assets among the different options in the program and determine the suitability of the asset allocation and investment options for each client, based on the client's needs and objectives, investment time horizon, risk tolerance and any other pertinent factors provided by the client. Envestnet uses a number of proprietary analytical tools and commercially available optimization software applications in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums. For all Programs, client directly owns the underlying securities, mutual funds or ETFs in each of the Program's investment strategies.

The Envestnet platform tool is not an interactive technology tool utilized by investors, but rather it is an interactive tool utilized by UBIS FAs to generate for the client's consideration a proposed Statement of Investment Selection (SIS) report based upon investor profile data provided by the client. The purpose of the SIS is to establish an understanding between the client, UBIS, and the manager of the sub-program ("Platform Manager") regarding the investment objectives, goals, and guidelines for the client's managed program, and to

recommend, subject to client acceptance, a sub-manager, third party model or UBIS-directed model program in which the client selects a recommended program.

The Envestnet platform tool's investment methodology utilizes core fundamentals to recommend asset allocation models, sub-manager selection, index products (typically Exchange Traded Products) and/or mutual funds which provide advanced portfolio solutions and applied research utilizing an established methodology. The methodology is based on deeply rooted investment principles including asset allocation, vehicle and investment selection and monitoring, and portfolio construction and rebalancing. Envestnet's process incorporates qualitative and quantitative analysis, including capital market assumptions and quantitative ranking models. Envestnet's full range of investment approaches includes strategic, dynamic, tactical, style-specific, and overlays.

Clients should be aware that investment analysis tools and programs are subject to the investment analysis tool's limitation and assumptions and may vary with each use, a modified investor profile, and over time. Investments considered in the Envestnet program analysis undergo a rigorous screening process wherein Envestnet ranks all mutual funds and Separately Managed Account portfolios quarterly within each Envestnet peer group over trailing periods. For ETFs, Envestnet identifies a list of best in-class beta exposures. The platform tool selects certain securities, asset allocation models, and sub-managers based upon their current participation in the Envestnet program. It is possible that other investments, asset allocation models, or sub-managers not participating in Envestnet's program may have characteristics similar or superior to those being analyzed. **IMPORTANT: Projections or other information generated by the Envestnet platform tool regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.**

Envestnet provides access to Separate Account Managers, third party models, mutual funds, ETFs and other asset managers for client investment through the MAS Program: Envestnet "Approved" and Envestnet "Available." Envestnet uses a variety of metrics and evaluation processes, as described in Envestnet's Wrap Fee Program Brochure, to evaluate investment products or strategies that are Envestnet Approved. Envestnet does not perform due diligence reviews of Separate Account Managers, third party models, mutual funds, ETFs or other asset managers that are Envestnet Available. HCM and its model investment strategies that can be accessed in the MAS Program are Envestnet Available.

UBIS will recommend that clients invest in a Separate Account Manager, Fund Strategist Portfolio model, mutual fund, ETF or other asset manager that is Envestnet Available only after UBIS has performed its own due diligence review of such investments and determined that the respective Separate Account Manager, third party model, mutual fund, ETF or other asset manager is approved for recommendation by UBIS. UBIS performs its due diligence review using a variety of information and evaluation processes to make this determination. UBIS has performed its due diligence review of HCM and other Envestnet Available model providers and their respective portfolios that UBIS has approved for recommendation to UBIS clients.

On a periodic basis, UBIS also reviews the investment advisory programs of Envestnet, sub-managers that UBIS retains directly and Envestnet Available sub-managers and asset managers that UBIS recommends. This includes UBIS' review of aspects of their respective programs such as investment management processes and performance. UBIS also reviews their disciplinary history and compliance policies and practices. Envestnet, sub-advisers that UBIS hires directly and Envestnet Available sub-managers and asset managers that UBIS recommends perform their own investment analyses, research, implementation strategies, and other portfolio management activities for UBIS client accounts sub-program or investment strategy. Please refer to the sub-manager's or asset manager's disclosure documents for more information.

For MAS Program accounts, Envestnet or the specific sub-manager for the client's account selects and/or recommends the specific investments in the MAS Program based on the particular method of analysis described in the respective Envestnet or sub-manager disclosure document and other materials. In general, the types of investments available under the MAS Program include, but are not limited to ETFs (including inverse and leveraged ETFs), mutual funds or equities (domestic or foreign, and alternative mutual funds), warrants, corporate debt, commercial paper, certificates of deposit, municipal securities, real estate investment trusts, government securities, and options.

**Investments in securities involve the risk of loss.** Some of the more common risks involved in the types of investments that are generally available through the MAS Program are listed below. Depending on the sub-manager, mutual fund, ETF or other asset manager used in an account, clients may be exposed to additional and/or heightened risks. Clients should review each applicable mutual fund prospectus or disclosure document for the specific risks related to their investments. The following are some principal risks of investing in securities, both directly in a mutual fund or ETF or indirectly through a fund's investment in securities:

**Market Risk:** The risk that a security's market value may decline, especially rapidly and unpredictably for short or extended periods. These fluctuations may cause a security to be worth less than the price the investor originally paid for it. Market risk may affect a single issuer, industrial sector or the market as a whole.

**Liquidity Risk:** The risk that a security may be difficult or impossible to sell at the time and price the seller wishes. The seller may have to accept a lower price for the security, sell other securities instead, or forego a more attractive investment opportunity.

**Credit Risk:** The risk that the issuer of a security or the counterparty to a contract will default or otherwise become unable to honor a financial obligation. Generally speaking, the lower a security's credit rating, the higher its credit risk. If a security's credit rating is downgraded, its price tends to decline sharply, especially as it becomes more probable that the issuer will default.

**Interest Rate Risk:** The risk that debt prices overall will decline over short or even long periods due to rising interest rates. Interest rate risk usually is modest for shorter-term securities, moderate for intermediate-term securities, and high for longer-term securities. Changes in interest rates also may affect an underlying fund's or security's share price: a sharp rise in interest rates could cause the fund's share price to fall. The longer an underlying fund's or debt security's duration, the more sensitive to interest rate movements its share price is likely to be. A change in a central bank's monetary policy or improving economic conditions may result in an increase in interest rates. Rising interest rates may decrease liquidity in the fixed income securities markets, making it more difficult for the underlying fund to sell its fixed income securities holdings at a time when the investment adviser might wish to sell such securities. In addition, decreased market liquidity also may make it more difficult to value some or all of an underlying fund's fixed income securities holdings.

**Reinvestment Risk:** The risk that the proceeds, dividends, or interest that may be generated from an investment are reinvested in a security that offers a lower rate of return compared to the returns generated by the original investment.

**Counterparty Risk:** The risk that the counterparty to a repurchase agreement, futures contract, swap agreement or other similar instrument may not fulfill its obligation which may cause the income and the value of the investment to decline sharply.

**Non-diversification Risk:** The risk involved with excessive exposure to securities in any one issuer, industry or sector.

**Foreign Investments:** Compared with investing in the United States, investing in foreign markets involves a greater degree and variety of risk including the possibility of delayed settlements, currency controls, adverse economic developments, and higher overall transaction costs. In addition, fluctuations in the U.S. dollar's value may erode or reverse gains from investments denominated in foreign currencies or widen losses.

**Exchange-Traded Funds (ETFs):** ETFs charge their own fees and expenses; thus, mutual funds that invest in ETFs will bear extra costs, such as duplicative management fees, brokerage commissions and related charges. In addition, there may from time to time be a significant discrepancy between its net asset value calculated at the end of each trading day and the price at which the ETF trades on an exchange. There can be no guarantee that an ETF will achieve a high degree of correlation with its index which could prevent an ETF from achieving its objective.

**Leveraged/Inverse ETFs:** Leveraged and Inverse ETFs use investment techniques and derivatives (i.e. futures contracts, swap agreements and similar instruments) that can result in higher volatility and increased or decreased performance. The correlation or performance characteristics of the ETF will likely vary in relation to the intended inverse or multiple returns and the index tracked by the ETF, therefore the objectives of the ETF may not be achieved from time to time.

**Alternative Investments:** Alternative mutual funds and other managers that employ alternative investment strategies primarily invest in non-traditional asset classes and implement speculative investment techniques. Alternative investments may offer investment return characteristics that are non-correlated to traditional investments, but also present greater and/or unique risks to investors. Such risks include: loss of all or a substantial portion of the investment due to leveraging, short selling or other speculative practices; management risk; lack of liquidity; restrictions on transferring interests; higher or excessive volatility; absence of information for valuations and pricing; less transparency on underlying investments, complex tax structures and delays in tax reporting; less regulation; and potentially higher fees than traditional investments.

**Management Risk:** The risk that a strategy or investment technique used by UBIS, Envestnet, a sub-manager or asset manager (or recommended by an FA to a client) may fail to produce the intended result or achieve its investment objective.

**Tax Risk:** The risk of unfavorable tax consequences to a client that could result from the administration of a client account pursuant to the advisory services described in this Brochure and the Managed Account Solutions Program Terms and Conditions.

**Unapproved Product Risk:** The risk that a previously approved mutual fund, ETF, or sub-manager no longer meets listing requirements established by PMC Envestnet. If a product or sub-manager is delisted from the PMC Envestnet Approved List, clients must select a replacement which may result in a taxable event to the client; if no replacement is selected or the client refuses to select a replacement, UBIS may close the account or convert it to a brokerage account.

There is a possibility that investments will not successfully achieve their objectives or expectations notwithstanding the financial assumptions, investment strategies, securities selection and due diligence research that UBIS, Envestnet, sub-manager or any asset manager, as applicable, implement.

Clients who execute a security agreement with MUFG Union Bank should read and be aware of the associated risks when pledging assets in a securities-backed line of credit agreement as disclosed in the collateral addendum. This type of collateral loan allows clients to borrow money using securities held in a UBIS managed account as collateral for the loan. This type of loan carries a number of risks such as tax consequences, declining account value no longer supports the line of credit and additional collateral must be deposited or repayment of the loan or the Bank can instruct UBIS to sell investments and keep the cash to satisfy maintenance calls. Retirement and ERISA-Qualified accounts are not eligible for participation in a securities-backed line of credit agreement.

Occasionally errors occur in the execution of transactions for client accounts. When an error occurs, UBIS will place the affected account(s) in the same position it would have been in had the error not occurred. Client accounts will not bear any losses or costs associated with corrections. If a trade error results in a net gain, UBIS will retain such gains in a UBIS trade error account to offset any losses that could result from future UBIS trade errors.

Clients should understand that the submission of new account documentation and the request to establish an account under the MAS Program is not considered a market order. While UBIS strives to process every new account promptly, the establishment of a client account is subject to the approval of UBIS and customary administrative processes that could delay the investment of client funds.

Clients may choose to invest only in specific asset classes or use non-diversified strategies within the MAS Program to complement additional assets held by the client at another financial institution. The FA will not be responsible for assets held or managed outside of UBIS which could significantly impact the client's overall investment portfolio and compromise overall portfolio performance. Clients should immediately inform their FA if changes are made to such complementary assets held at another financial institution.

***Investments in the MAS Program are: 1) NOT insured by the FDIC or by any other government agency; 2) NOT Bank deposits; 3) NOT guaranteed by MUFG Union Bank or any of its affiliates; and, 4) involve risks, including the possible loss of principal, a risk that clients should be prepared to bear.***

## **Item 9 – Disciplinary Information**

On December 23, 2013, UBIS was censured and fined \$51,000 by the Financial Industry Regulatory Authority ("FINRA") involving UBIS' activities as a broker-dealer. UBIS consented to a finding without admitting or denying allegations that UBIS' broker-dealer trading desk purchased and/or sold agency securities for its own account to customers at an aggregate price that was not fair and reasonable, and in doing so, UBIS failed to observe just and equitable principles of trade in violation of FINRA Rule 2010.

## **Item 10 – Other Financial Industry Activities and Affiliations**

UBIS is also registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Municipal Securities Rulemaking Board ("MSRB"). As a broker-dealer, UBIS may offer asset allocation services and buy or sell for its clients a variety of securities and securities products, including common stocks, bonds, and mutual funds. Certain FAs of UBIS may also sell fixed annuities and variable annuities through an affiliated insurance agency, UnionBanc Insurance Services, which is a division of MUFG Union Bank. UBIS does not believe that its dual registration as a registered investment adviser and broker-dealer creates a material conflict of interest with clients.

## **Related Persons and Material Arrangements**

As noted in Item 4, Advisory Business, UBIS is a subsidiary of MUFG Union Bank. MUFG Union Bank is a principal subsidiary of MUFG Americas Holdings Corporation (MUAH), a bank holding company regulated by the Federal Reserve Board. MUAH is wholly owned by The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU")



headquartered in Tokyo, Japan. BTMU, in turn, is a wholly owned subsidiary of MUFG. UBIS is a limited liability company of which MUFG Union Bank is the sole member.

UBIS' ultimate parent company, MUFG, beneficially owns approximately 22.5 percent of the common stock of Morgan Stanley as of December 31, 2015 and is also represented by two seats on Morgan Stanley's Board of Directors. Morgan Stanley is the parent company of several registered broker-dealers, among other businesses. If UBIS manages your account, the fact of MUFG's beneficial ownership in Morgan Stanley may limit UBIS' ability to recommend purchases of an interest in a Morgan Stanley sponsored or advised asset or use Morgan Stanley brokerage services for client accounts, without the client's written consent, and in some cases may wholly prevent such recommendations and the use of Morgan Stanley brokerage services. Notwithstanding the foregoing, UBIS does not consider MUFG's investment in Morgan Stanley an arrangement that is material to its advisory business or clients, and UBIS does not believe that the relationship creates a material conflict of interest with UBIS investment advisory clients. Envestnet and sub-managers may invest in and/or may recommend mutual funds, ETFs, or other investment products of Morgan Stanley companies or its affiliates if such securities or products meet applicable investment criteria, and may use Morgan Stanley brokerage services or one of its related persons as the broker-dealer for securities trades in seeking best execution or when they otherwise deem it appropriate. UBIS FAs are prohibited from taking any action with respect to investments in Morgan Stanley products that are made by Envestnet, sub-managers or asset managers.

HCM is a model provider in the MAS Program. Under a model licensing arrangement, HCM receives a quarterly fee from Envestnet based on the assets invested pursuant to the investment model. HCM is a SEC registered investment adviser and is a wholly owned subsidiary of MUFG Union Bank, and as such is under common control with UBIS. MUFG Union Bank may serve as the custodian for accounts for which HCM provides advisory services. In addition, MUFG may refer clients to HCM for advisory services; and HCM may refer clients to MUFG Union Bank for banking services. Neither MUFG Union Bank nor HCM currently pay cash referral fees to the other for such referrals. HCM sub-advised mutual funds may pay UBIS in its capacity as a broker-dealer for marketing support, sale, distribution or servicing of shares of HCM sub-advised mutual funds. All employees of HCM including its Board of Directors are also employees of MUFG Union Bank. The employees of HCM generally perform work for HCM only. Some HCM employees perform work as MUFG Union Bank employees in connection with MUFG Union Bank's collective investment funds. Officers of HCM may also be officers of UBIS. UBIS currently has no arrangements with HCM or any of its registered representatives or principals to provide broker-dealer services to HCM or its advisory clients. UBIS may refer clients to HCM for advisory services, but HCM does not pay UBIS a cash referral fee.

UBIS' Board of Managers is comprised of UBIS and MUFG Union Bank employees and it manages the business affairs of UBIS and exercises all of its powers. UBIS employees are also employees of MUFG Union Bank. MUFG Union Bank provides a variety of administrative services to UBIS, such as human resources and corporate accounting functions. MUFG Union Bank serves as the custodian for certain UBIS brokerage accounts, and individual retirement accounts and ERISA retirement accounts that are invested through the MAS Program. MUFG Union Bank also provides safekeeping services with respect to UBIS' institutional broker-dealer business. MUFG Union Bank may also make general client referrals to UBIS and UBIS may refer clients to MUFG Union Bank for banking-related services.

MUFG Union Bank is licensed to sell certain types of insurance through its UnionBanc Insurance Services division. This activity by UnionBanc Insurance Services is not connected to UBIS' advisory business.

UBIS does not, as principal, broker, or agent, effect securities transactions for MAS Program accounts. MAS Program clients may also be broker-dealer clients of UBIS, and UBIS may effect securities transactions as principal, broker, or agent for such broker-dealer clients with respect to assets that are outside of the MAS

Program. In addition, certain related persons of UBIS, such as BTMU, Mitsubishi UFJ Securities (USA), Inc. ("MUS") and MUFG Union Bank may, from time to time, buy securities from or sell securities to mutual clients pursuant to the separate relationships that the related persons may have with such clients. Furthermore, UBIS may enter into referral agreements with its related persons whereby such related persons may compensate UBIS for the referral of clients to such related persons. The related persons engage in these activities in a manner that is consistent with customary commercial practice and applicable federal and state regulations. These activities of UBIS' related persons are not connected to UBIS' investment advisory business.

### **General Partner of Investment Partnership**

UBIS does not generally serve as a general partner of any investment related partnership, and UBIS does not solicit clients to invest in any partnership in which it may serve as a general partner. UBIS also does not solicit its clients to invest in any partnership in which a related person, such as MUFG Union Bank or BTMU, is a general partner. The related person could, however, solicit someone, who may also be a client of UBIS, to invest in one of these partnerships due to the separate relationship that the related person may have with the client.

### **Investnet Asset Management, Inc.**

Investnet is an investment management firm founded in 1999 that provides investment management and investment advisory services through independent investment advisers for use with the advisers' clients. Investnet also serves institutional clients and provides advisory and research services directly to advisers. Investnet is a wholly owned subsidiary of its parent company Investnet, Inc. (NYSE:ENV), a publically held company. Investnet is under common control with Investnet Portfolio Solutions, Inc. ("EPS"), a registered investment adviser; Investnet Retirement Solutions, LLC ("ERS"), a registered investment adviser; Portfolio Brokerage Services, Inc. ("PBS"), a registered broker/dealer; Portfolio Management Consultants, Inc. ("PMC"), a registered investment adviser. For additional information regarding Investnet, clients should read Investnet's Form ADV Part 2A. UBIS is not an affiliated entity of Investnet.

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

UBIS employees' personal securities transactions and certain activities may raise potential conflicts with the interests of UBIS clients. In compliance with the Investment Advisers Act of 1940, UBIS has adopted a Code of Ethics ("Code") to mitigate such potential conflicts of interest. The Code establishes rules of conduct for all employees of UBIS and is designed to among other things govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that UBIS and its employees owe a fiduciary duty to UBIS' clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. All of UBIS' officers, directors and employees are subject to UBIS' Code provisions requiring that they place the interests of UBIS' clients before their own personal interests. UBIS will provide a copy of the UBIS Code to clients who request it. You may request a copy of UBIS' Code by contacting your FA or the UBIS Help Desk at 800.634.1100.

### **Interest in Client Transactions and Personal Trading**

It is possible that UBIS, its related persons and/or its employees will have a material financial interest in the securities and securities products that are recommended for clients' accounts by Investnet and sub-managers. Similarly, it is possible that UBIS, its related persons and/or its employees will purchase and sell securities and securities products that may be recommended to clients under the MAS Program. These securities products may include mutual funds that HCM sub-advises. UBIS and its related persons thus may benefit from the recommendation and purchase of HCM sub-advised mutual funds in MAS Program accounts by Investnet or

sub-managers. UBIS does not recommend direct investments in the HCM sub-advised mutual funds to clients in the MAS Program. Although Envestnet, sub-managers or asset managers select and execute investments in underlying individual securities, and Envestnet primarily maintains a list of Envestnet Approved asset managers that an FA can recommend, a conflict of interest may exist, UBIS' employee's compliance with UBIS' Code and UBIS' implementation of policies and procedures help identify and address actual or potential conflicts of interest resulting from securities transactions for UBIS clients. These policies generally require UBIS employees to maintain their brokerage accounts at UBIS so that they can be reviewed by the UBIS Compliance Department. In addition, UBIS' Code requires UBIS employees with access to UBIS' advisory clients' accounts to submit periodic reports of their personal brokerage accounts and those of certain family members to the UBIS' Compliance Department for review of transactions and holdings in their accounts.

### **Conflicts of Interests**

UBIS and its employees, as referenced above owe a fiduciary duty to clients and to place our clients' interests ahead of our own interests. To fulfill this obligation, UBIS' Compliance has objectively evaluated our firm, employees, business activities, multiple fee structures, and our affiliates in order to mitigate, and if not eliminate identified conflicts, to disclose to our prospects and clients inherent conflicts between the investment adviser, broker-dealer, affiliated insurance agency, MUFG Union Bank, and HCM. It is for this very reason that we provide this disclosure document before or at the time a client engages the programs and services of UBIS so that a client can make an informed decision to exclusively engage UBIS for the products and services they need or to engage the services of multiple financial institutions. Clients who engage UBIS and its affiliates will pay fees and commissions that may be higher or lower than other UBIS clients or fees and commissions charged for the same services and products offered through other financial institutions.

### **Item 12 – Brokerage Practices**

UBIS does not itself execute securities transactions on behalf of clients in the MAS Program. For the MAS Program, clients authorize UBIS and Envestnet to designate NFS to provide custody and trade execution services for MAS Program accounts. By authorizing UBIS, Envestnet and any sub-manager to direct brokerage, the client may not receive best execution for transactions for its accounts. Not all investment advisory programs, including those offered through other financial services firms, require clients to direct brokerage. NFS provides a full range of brokerage services that are integrated with existing UBIS back-office systems and account administration processes. While NFS conducts regular reviews of client transactions for purposes of seeking best execution, their execution may not always result in best execution for advisory accounts that may otherwise be available through other custody and brokerage service providers. MAS Program clients additionally authorize UBIS, Envestnet and any separate account manager or model provider to effect transactions for MAS Program client accounts with or through another broker if Envestnet, or the separate account manager or model provider believes that best execution for such transactions may be obtained through such other broker, dealer or bank, including any affiliated broker-dealer or bank.

UBIS does not receive soft dollar benefits or IPO allocations in connection with client accounts invested through the MAS Program, although sub-managers and asset managers used in the MAS Program may receive these benefits as described in their respective prospectuses or other disclosures. Please refer to the respective sub-managers' or asset managers' disclosure documents for additional information regarding brokerage practices.

### **Item 13 – Review of Accounts**

The FA for the respective client account reviews each MAS Program client account periodically to confirm that the account's investments are consistent with the client's investment objectives, guidelines, and restrictions. The FA for the client account contacts the client at least annually to confirm, among other things, that the client's investment objectives and restrictions and financial circumstances have not changed and/or to allow the client to place reasonable restrictions as UBIS may approve. More frequent reviews may be triggered by

factors such as material changes in the client's circumstances, the securities markets, or the political and economic environments. On a periodic basis, UBIS also reviews Envestnet, sub-managers that UBIS hires directly, and Envestnet Available sub-managers and asset managers that UBIS recommends to confirm that they continue to be appropriate for UBIS' respective investment advisory clients. This includes UBIS' review of these sub-advisers', sub-managers' and asset managers' disciplinary history, compliance policies and practices, and investment management processes and performance. Please refer to Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, for additional information regarding UBIS' review of sub-managers and asset managers.

## **Reports to Clients**

NFS, the custodian for client accounts invested through the MAS Program, send clients trade confirmations on a quarterly basis and a written custodial account statement at least quarterly. The custodial account statement shows an inventory of trade executions, securities, including as-of-date market values, cash balances, fees and expenses charged to the client's account and account activities during the most recent quarter or applicable period.

UBIS provides each MAS Program client with a written quarterly performance report with investment commentary and investment performance information.

UBIS urges advisory clients to carefully review their trade confirmations and custodial account statements and to compare the information on the statements from the custodian with the information on the performance reports they receive from UBIS. Differences in investment positions and valuations may be caused by differences in the use of accounting methods, reporting dates, and sources of information. Clients may request additional information and/or assistance by contacting your FA or the UBIS Help Desk at 800.634.1100.

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

### **UBIS Compensation and Incentives from Other Parties**

UBIS and its related persons, have arrangements with mutual funds and other product sponsors or their affiliates pursuant to which UBIS or its related persons will receive one or more of the following types of compensation: sales commissions, shared revenue (or other payment) for sales of certain investment products and/or fees for selling mutual funds or providing services to mutual funds shareholders. UBIS, Envestnet or sub-managers, including HCM, may recommend some of these mutual funds or securities products to an advisory client or include them in a client's MAS Program account. These financial incentives create a conflict between the interests of UBIS, Envestnet and/or HCM and the interests of the client. UBIS makes investment recommendations independently and not based on the interest of any related person. Clients may be able to purchase some of the investment products that UBIS recommends through other brokers or agents that are not affiliated with UBIS.

NFS charges UBIS fees to provide transaction execution, clearance, settlement, custody and other related services for UBIS' advisory clients. NFS will reduce the amount of these fees when the collective amount of UBIS client's assets under management increases and reaches pre-determined dollar amounts. There would be modest financial benefits to UBIS as the amount of assets under management increase to the pre-determined amounts. This financial benefit may create a conflict of interest.

### **Sales Contests**

UBIS will occasionally offer sales contest incentives to FAs for opening new advisory business. To be eligible for these incentives the UBIS FA must consider the new advisory relationship suitable for the client and in the client's best interest. In general the FA must also generate a minimum amount of new investment advisory business during a specified period of time to be eligible for incentives. Eligibility for these incentives is not

based on requirements that third parties impose on UBIS or with respect to UBIS FAs. UBIS FAs who qualify for these incentives will receive UBIS-sponsored trips, monetary compensation, gifts and other prizes. Certain third parties will pay for permissible non-cash compensation, such as business entertainment, in the course of the UBIS-sponsored trip or event.

### **Non-Cash Compensation**

UBIS employees occasionally receive gifts of nominal value (limited to less than \$100 each calendar year) from product or service vendors including their affiliates. Certain vendors may also invite UBIS employees to training/educational events or host reasonable business entertainment that is deemed necessary and/or customary industry practices. These product or service vendors may be recommended to a UBIS client.

### **Compensation for Client Referrals to UBIS**

Certain MUFG Union Bank employees who are also employees of UBIS and who have obtained certain securities licenses ("licensed bankers") receive referral compensation with respect to their referrals of new clients to UBIS for broker-dealer, investment advisory, or other financial services ("Licensed Banker Program"). If a referred client establishes an advisory account, the licensed banker will receive compensation from UBIS based on the amount of the advisory fees paid by the client for a specified period of time. The referral fees paid to the licensed banker do not entail an additional cost to the client; the same investment advisory fee schedules, as described above, apply to the new client's account as when there is no referral incentive. These referrals are conducted pursuant to a written agreement between UBIS and each licensed banker and in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940. The referral fee incentive may create a conflict between the interests of the licensed banker, UBIS, and the client. UBIS addresses this conflict by reviewing the suitability of the respective advisory program for the client.

MUFG Union Bank also maintains a program which compensates bank employees with a one-time fixed nominal fee for their client referrals to UBIS. This referral compensation is not based on whether a prospective client establishes a relationship with UBIS.

### **Compensation for Client Referrals to MUFG Union Bank and Relationship Management of Clients Participating in MUFG Union Bank Services**

MUFG Union Bank generally compensates certain employees and employees of its affiliates, such as UBIS and HighMark Capital Management, when clients they refer to the Bank establish an account, relationship or service. In addition, MUFG Union Bank generally pays certain MUFG Union Bank employees and employees of the MUFG Union Bank's affiliates compensation for providing relationship management services that facilitate the coordination of the review, recommendation and integration of suitable products and services of MUFG Union Bank and its affiliates, including UBIS and HighMark that are relevant to the client's overall financial situation. Such compensation can vary depending on the account, relationship or service. UBIS does not provide investment advisory services to client assets managed by MUFG Union Bank.

UBIS FAs, in their capacity as registered representatives of the broker-dealer, provide financial planning at no fee or commission; however, UBIS and any registered representative who provides a separate service for a client, such as the purchase of a security or other asset, managed account, or insurance product, as a result of implementing the financial plan will receive the applicable compensation for such service. If a client engages MUFG Union Bank for financial planning services, MUFG Union Bank may charge a fee for certain types of financial plans that generally involve more complexity. UBIS FAs will receive normal and customary commission or fee compensation if the client who is referred to MUFG Union Bank obtains a financial plan which is then implemented by the UBIS FA for either a brokerage or advisory service or product.

## **Item 15 – Custody**

NFS, the qualified custodian for the MAS Program, send clients who participate in the MAS Program trade confirmations on a quarterly basis and a custodial account statement at least quarterly. The account statements will show an inventory of trade executions, securities, including as-of-date market values, fees and expenses charged to the account and account activities during the most recent quarter or applicable period.

UBIS, Envestnet or the respective sub-manager will also provide quarterly performance reports to clients. UBIS urges advisory clients to carefully review their trade confirmations and custodial account statements and to compare the information on the statements from the custodian with the information on the performance reports they receive from UBIS, Envestnet or the sub-managers. Differences in investment positions and valuations may be caused by differences in the use of accounting methods, reporting dates, and sources of information. Clients may request additional information and/or assistance by contacting your FA or the UBIS Help Desk at 800.634.1100.

## **Item 16 – Investment Discretion**

Clients in the MAS Program grant to UBIS, Envestnet and sub-managers full discretionary authority with respect to the purchase and sale of securities in their advisory accounts. If clients intend to place limitations on this grant of discretionary authority, such as by placing restrictions on investments for their accounts, clients must do so in writing. In general, UBIS does not exercise discretionary trading or investment authority on behalf of advisory clients; however, under certain circumstances, UBIS may exercise its discretionary authority, pursuant to the MAS Program Terms and Conditions to replace any sub-manager and/or investment(s) held in client accounts that are no longer eligible for participation in Envestnet's Approved Product List, with an approved sub-manager and/or investment(s) after notice to the client and upon receiving no objection, such consent being presumed without further client consultation or the client's verbal or written authorization. A taxable event may occur as a result of changing sub-managers and/or investment(s) and clients are solely responsible for any resulting tax liabilities. Clients are encouraged to consult with their tax professionals regarding these types of events. In the normal course of investment management, when UBIS FAs determine to recommend a change(s) in the client's investment strategy, including, but not limited to, changes to asset classes and portfolio investments, UBIS FAs present their recommendation(s) to the client for approval before implementing the changes. Envestnet and sub-managers exercise discretion with respect to MAS advisory accounts and model portfolios, respectively. UBIS reserves the right to close a MAS Program account or convert it to a commission-based brokerage account, without prior notification or approval by the client based on various events in or affecting the account. Please refer to Item 7, Types of Clients for additional information.

## **Item 17 – Voting Client Securities**

UBIS or the client generally delegates proxy voting responsibility to Envestnet or the respective sub-manager for the client account.

In the MAS Program, Envestnet generally delegates proxy voting to the sub-manager to whom client assets are allocated. Envestnet has established policies for voting proxies in the interests of clients. Envestnet's proxy voting policies, including its use of an independent proxy voting service and its policies for addressing conflicts of interest between Envestnet and the client, are described more fully in Envestnet's Form ADV Part 2A Appendix I Item 6 Portfolio Manager Selection and Evaluation. Clients can obtain a record of how a proxy vote was cast by contacting the individuals at Envestnet as specified in Envestnet's Form ADV Part 2A Appendix I Item 6 Portfolio Manager Selection and Evaluation for this purpose.

A copy of UBIS' proxy voting policy and procedures may be requested by contacting your FA or the UBIS Help Desk at 800.634.1100.

## **Item 18 – Financial Information**

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

# Brokerage or Advisory Account: Which is the best fit for you?

As a broker-dealer member of the Financial Industry Regulatory Authority ("FINRA") and a U.S. Securities and Exchange Commission ("SEC") registered investment adviser, UnionBanc Investment Services® LLC ("UBIS") can offer you both retail brokerage and investment advisory accounts.

To help you decide which type of account best meets your individual financial needs and goals, we've outlined some key differences between these two types of accounts to assist you in your decision-making process.

## Understanding your brokerage relationship

As a broker-dealer, our primary role is to accept orders and execute trades in your account at your direction. The decision to buy, sell, hold, or exchange any security is solely your decision, and we will not use discretion when placing any trade for you.

In our brokerage capacity, we have an obligation to treat you fairly. In this capacity, if we recommend that you buy, sell, hold, or exchange a security, we must first determine that the recommendation is suitable and appropriate for you based on your investment objectives, time horizon, tolerance for risk, and other financial considerations, such as tax status. We provide our services when you request them and when we have an opportunity or idea that we want to bring to your attention. It is your responsibility to monitor your account on an ongoing basis and to keep us informed of any changes that could affect your investment profile.

In a brokerage relationship, you will typically pay a commission for each transaction and/or we will receive compensation from the issuer or sponsor of the product. Additionally, depending on the type of investment you select, you might also incur other fees and expenses charged by the issuers, product sponsors, and each account custodian. The amount of the commission varies and is dependent on the type of investment you select. We do not charge a separate fee for any recommendation that we may provide to you because they are a part of, and considered to be incidental to, the brokerage services that we provide.



## FOR MORE INFORMATION:

If you have questions and would like to talk to a UBIS representative in person, visit the Investment Center in your local Union Bank® branch or call 800-634-1100. We're always here to help.

*(continued)*



## Understanding your advisory relationship

As an investment adviser, our primary role is the delivery of our investment advisory services and/or management or sub-management of your investment advisory account.

In our investment advisory capacity, UBIS has a fiduciary relationship with you and is obligated to act solely in your best interests, put your interests above our own, and to disclose and avoid incurring material conflicts of interest. It is important to note that our fiduciary duty under the Investment Advisers Act of 1940 does not mean we assume responsibility as a fiduciary under the Employee Retirement Income Security Act ("ERISA") or the prohibited transactions provisions under the Internal Revenue Code. We provide investment advice and we monitor your portfolio on an ongoing basis. In our role as an investment adviser, we meet with you at least annually to review your investments and confirm with you that they are still appropriate for your needs and goals, and if necessary, together we can make any needed changes.

UBIS offers several discretionary investment management services through the Managed Account Solutions Program including the Unified Managed Account, Separately Managed Account, Multi-Manager Account and Portfolio Strategist Account. These services provide discretionary investment management which means the sub-managers, if applicable, do not obtain client approval for specific trades. UBIS sponsors and offers a non-discretionary investment service through the Personal Portfolio Solutions Program where the UBIS Senior Financial Advisor must obtain client approval for specific trades.

In an advisory relationship, you will pay an annual fee, billed quarterly in advance of each quarter that covers clearing and custody by a qualified custodian, platform fees and the investment advisory fee for your account. The fee is typically a percentage based on the value of the assets in your account.

## Which type of account is right for you?

**Here are a few questions to help you decide whether a brokerage or advisory account best meets your needs.**

If you can answer "yes" to one or more questions below, a **brokerage relationship** may be the right choice for you:

- Do you prefer to make investment decisions yourself and only need a registered broker to execute the trades?
- Do you require only limited or occasional advice and prefer to independently trade and monitor your account?
- Do you plan to buy and hold your securities for a long period of time?

If you can answer "yes" to one or more questions below, an **advisory relationship** may be the right choice for you:

- Do you want or need a financial advisor to manage your investment portfolio?
- Do you want to engage a financial advisor in a fiduciary capacity to provide ongoing investment advice?
- Do you anticipate the number and size of your holdings to require active trading?

**It is important to note that if you do not have, or anticipate having, active trading within your investment advisory account on an ongoing basis, it may be more cost-effective for you to establish or maintain a retail brokerage account.**

In making your decision, keep in mind that your financial needs and goals may change as you move from one stage of life to the next. An effective way to make sure that the type of account you select is the right choice for you is to review your situation with your Senior Financial Advisor or broker at least annually over the course of your relationship with UBIS.

The disclosure documents for our investment advisory services are available on request and provide valuable information about our advisory services.

Brokerage and investment advisory services available through UnionBanc Investment Services LLC, a registered broker-dealer, investment adviser, member FINRA/SIPC, and subsidiary of MUFG Union Bank, N.A. Non-deposit investment and insurance products:

• NOT FDIC Insured	• NO Bank Guarantee	• May Lose Value
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