

# Ameritas Investment Partners, Inc.

## Part 2A of Form ADV Firm Brochure

August 28, 2020

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This brochure provides information about the qualifications and business practices of Ameritas Investment Partners, Inc. If you have any questions about the content of this brochure, please contact us at:

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**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.**

**Ameritas Investment Partners is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information by which you may determine to hire or retain an Adviser.**

**Additional information about Ameritas Investment Partners also is available on our website at [www.ameritas.com](http://www.ameritas.com) or the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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**ITEM 2 - MATERIAL CHANGES**

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The last annual update of Form ADV Part 2A was filed on March 26, 2020. Since that date, Ameritas Investment Partners opted to not renew its Investment Management Agreement with Ameritas Investment Company, LLC an affiliated registered investment adviser and broker-dealer (“AIC”) in conjunction with a wrap fee program sponsored by AIC, the Ameritas Investment Strategies Program (“AIS Program”) effective July 31, 2020.

Pursuant to SEC Rules, AIP will ensure that clients receive a summary of any material changes to all annual Brochure updates within 120 days of the close of our business’ fiscal year or as required for material changes related to Item 9 – Disciplinary Information. We may further provide other ongoing disclosure information about material changes as necessary.

Upon request, AIP will further provide clients with such amended Brochure, at any time, without charge.

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## ITEM 4 - ADVISORY BUSINESS

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### About AIP

Ameritas Investment Partners, Inc. (AIP), is an investment adviser registered under the Investment Advisers Act of 1940. AIP was formed as a Nebraska corporation in 1984 and is a wholly owned subsidiary of Ameritas Holding Company (AHC), which is wholly owned by Ameritas Mutual Holding Company (collectively, Ameritas Companies or Ameritas). See Item 10 of this document for an additional discussion concerning AIP's affiliates.

AIP has offices in Lincoln, Nebraska and Cincinnati, Ohio and has 51 designated associates as of December 31, 2019. There are 28 associates involved in advisory operations and support in Investment Securities Management and Wealth Management departments and 17 in Commercial Mortgage & Real Estate management and servicing departments. Six AIP associates are Registered Securities Representatives with our affiliated broker dealer, AIC. References in this document to AIC relate to their brokerage business and their legal name. AIC is conducting its advisory business under the name Ameritas Advisory Services, "AAS" (References to AAS relate to their advisory business), and seven are Investment Advisor Representatives.

### Types of Advisory Services Offered

AIP provides investment supervisory services and manages investment portfolios tailored to achieve its clients' objectives and risk tolerances by managing various asset classes with in-house personnel that have education, training, and experience with these assets.

AIP's Investment Securities departments primarily provide management in the following areas:

- actively managed equity securities,
- passively managed equity and fixed income securities,
- actively managed fixed income securities, including United States Government and Agency securities, municipal securities, investment grade and high yield public and privately placed corporate securities,
- mortgage and asset-backed securities,
- asset allocation and fund selection portfolios, and
- derivative securities (options, futures contracts, swaps, etc.) used to hedge risks associated with securities portfolios, insurance reserves and other asset and liability risks.

The Commercial Mortgage and Real Estate Management and Servicing departments originate and manage portfolios of commercial mortgage loans (including construction and bridge loans) and real estate investments for AIP's affiliated companies. For affiliated insurance companies, this department also manages and oversees a portfolio of residential mortgage loans on properties primarily located in the Washington D.C. Metro area. There are no current plans to originate new residential mortgages for any client.

AIP also acts as a non-discretionary investment advisor on behalf of ALIC and an unaffiliated third-party client as it relates to the investment and asset management of alternative real estate investments, including:

- real estate joint venture investments; and
- revolving credit lines to facilitate the acquisition of real estate assets.

### How Advisory Services are Tailored to Individual Client Needs

AIP manages portfolios in a manner consistent with each advisory contract and each client's investment policies. The contract will indicate the asset class or classes and related exposure permitted in the portfolio, and the policies typically include restrictions or limitations on certain securities or types of securities. These restrictions often are based on the client's investment objectives, goals and risk profile and are driven by the nature of the operations of institutional clients (investment companies, pension plans, charitable organizations, insurance companies, etc.) and by the investment goals and risk profile of individual clients (retirement, college, general savings, etc.). Once these conditions are known, the portfolio manager can design an appropriate investment strategy to manage the account. AIP generally manages investments on a discretionary basis.

## Investment Companies

AIP is the investment sub-adviser to the following eight portfolios (Portfolios) of the Calvert Variable Products, Inc. registered open-end investment company. On December 30, 2016, Calvert Research and Management, Inc. (“CRM” an indirect subsidiary of Eaton Vance Corp.) acquired substantially all Calvert Investment Management’s (CIM) business assets and was named manager of all Calvert Funds. CIM, a former wholly owned subsidiary of ALIC, ceased operations after the sale and was liquidated after completion of the terms and certification of compliance with outstanding SEC orders. AIP continues as the sub-adviser for the Portfolios under Agreements with CRM subject to the annual approval of the Portfolios’ Board of Directors (including a majority of the “disinterested” Directors) or by a majority vote of the outstanding voting securities of each Portfolio.

Additional information about these funds can be found in their prospectus and statement of additional information.

Fund Name	Investment Objective
S&P 500 Index Portfolio	Seek investment results that correspond with the S&P 500 Index.
S&P MidCap 400 Index Portfolio	Seek investment results that correspond with the S&P MidCap 400 Index.
Nasdaq-100 Index Portfolio	Seek investment results that correspond with the NASDAQ-100 Index.
Russell 2000 Small Cap Index Portfolio	Seek investment results that correspond with the Russell 2000 Index.
Investment Grade Bond Index Portfolio	Seek investment results that correspond with the Bloomberg Barclays Capital US Aggregate Bond Index.
Volatility Managed Moderate Portfolio	Pursues current income and modest growth potential by investing primarily in exchange-traded funds representing fixed income, equity, and other sector indices in a manner consistent with these objectives. Another subadvisor executes a volatility management strategy using derivative instruments to hedge against changes in equity market volatility with an annual volatility target of 8%.
Volatility Managed Moderate Growth Portfolio	Pursues a balance of current income and growth potential by investing primarily in exchange-traded funds representing equity, fixed income, and other sector indices in a manner consistent with these objectives. Another subadvisor executes a volatility management strategy using derivative instruments to hedge against changes in equity market volatility with an annual volatility target of 10%.
Volatility Managed Growth Portfolio	Pursues growth potential and some current income by investing primarily in exchange-traded funds representing equity, fixed income, and other sector indices in a manner consistent with these objectives. Another subadvisor executes a volatility management strategy using derivative instruments to hedge against changes in equity market volatility with an annual volatility target of 12%.

## Wrap Fee Accounts

### Jointly Sponsored Programs

AIP and AIC co-sponsor three separate investment programs offering investors opportunities to obtain customized professional investment and brokerage services for one all-inclusive fee based on assets under management (“Wrap Fee” or “Program”). Any account within the Programs shall be referred to as “Wrap Fee Accounts” or “Program Accounts.” AIC’s Investment Advisor Representatives (IAR) introduce potential investors (Investor(s)) to the particular Program that they determine to be suitable following AIC’s policies and suggested account minimums. The IAR may recommend co-sponsored Programs, or they may recommend AIC sponsored or unaffiliated advisory programs if they believe such other programs would be more suitable. The IAR also assists investors in completing required new account paperwork to obtain necessary information concerning their financial condition, risk tolerance,

cash flow expectations, etc. Using this information, the IAR will help the Investor determine the Program Account's investment objectives, asset allocation strategy and any related portfolio restrictions or limitations. The IAR may ask for additional information to assist in determining the prudence of investing in a Program and to recommend an investment strategy. The Investor is expected to inform their IAR of any material changes in this information during the term of this Agreement, and the IAR will make recommendations based on the information provided, but the ultimate decision on an investment policy rests with the Investor. AIP's Wealth Management team reviews the IAR's analysis and recommendations and will follow-up accordingly to ensure that it is exercising its fiduciary duty to provide personalized advice that is suitable for and in the best interest of the client. The IAR will review these objectives annually to assist in maintaining their alignment with Investor needs. AIP and AIC (including the IAR) each receive a portion of the fee for the services they provide.

AIC acts as the introducing broker-dealer for these Programs and with its IARs are considered co-advisers. AIC generally introduces Program Accounts to National Financial Services LLC (NFS), 82 Devonshire Street, Boston, MA, as the clearing broker-dealer and custodian on a fully disclosed basis. On a limited basis, an alternate qualified custodian may be employed at the client's request and expense, and in these cases, NFS will remain the clearing broker. Such investors will not pay additional brokerage commissions than other clients who utilize NFS as the qualified custodian for their accounts.

AIP provides programs of investment advisory services for **Private Clients (not accepting new investors), Gemini and Mercury Accounts** that are tailored to each client's investment objectives. Once a strategy is determined as discussed above, an AIC brokerage account is opened and funded, and an Investment Advisory Agreement is executed between the client, AIC and AIP. AIP then develops and manages, on a discretionary basis, a customized portfolio using individual securities, exchange-traded funds (ETFs), mutual funds, and other pooled investments consistent with the Program and the strategy. AIC, through its Trading Department, directs all purchase and sale orders placed by AIP to its correspondent broker-dealer (NFS) to clear the same. NFS also maintains custody of all Program Account assets and performs normal custodial and record keeping functions with respect to such Accounts.

### **AIC-Sponsored Program**

AIC has engaged AIP as a subadvisor for its individually sponsored wrap fee program (the Constellation Program ("**Constellation**")). AIP provides recommendations to AIC's Investment Committee on the composition of model portfolios for Constellation and participates in AIC's Investment Committee (Committee). The Committee, which is comprised of associates from both AIP and AIC, makes the final decision as to the composition of model portfolios including asset allocation, fund selection, and investment criteria. The Committee also monitors the holdings within each model portfolio to help ensure that they continue to meet the selection criteria developed for each model. AIC also has engaged AIP to execute trades to maintain each account's model composition selected by the Investor, provide performance composites for each model, and provide certain administrative duties including preparing quarterly investor reports and billing details.

**Constellation** provides investors a program that utilizes six professionally managed strategies, each with model allocations for tax advantaged and taxable accounts. Each strategy targets risk and reward objectives ranging from Conservative to Aggressive. The AIC Investment Committee is solely responsible for the portfolio design, monitoring and management of the strategies and underlying models in Constellation.

AIP opted to not renew its sub advisory contract for AIC's **Ameritas Investment Strategies Program effective July 31, 2020**

AIC selects the broker dealer and trading platform for Constellation. Similar to Mercury, Gemini and Private Clients, Constellation Accounts are introduced by AIC to its clearing firm, NFS. AIP will execute all **Constellation** trades electronically through AIC's trading desk.

**Constellation** Program investors complete a Risk Assessment Questionnaire that assists in determining which model best suits their needs, and the investor's IAR assists them in this process in the same manner as described above for the jointly sponsored Programs. The team maintains current client profiles and adjusts portfolios accordingly. The IAR will recommend the appropriate Program and investment strategy based on the investor's responses and other information provided. The ultimate decision to invest in a Program and the particular strategy rests with the investor.

Investment opportunities for all Wrap Fee Program Accounts differ from those for Institutional Accounts, due to (1) different brokerage arrangements for Institutional Accounts and (2) time constraints of processing offerings. (3) AIP may consider certain other investments as unavailable for Program Accounts that are suitable for institutional accounts (i.e. real estate); and (4) Institutional accounts' investments in initial public offerings of stock generally are not available for Program Accounts because initial public offerings are not available through AIC's clearing firms. Initial bond offerings may not be available for Program Accounts for the same reason or because an account or accounts may not meet required minimum allotments for opportunities that also fit with accounts' investment strategies, including maintaining a diversified portfolio.

Further information about the Programs listed below is included in each of the Wrap Fee Program Brochures for **Private Clients**, **Gemini** and **Mercury** that AIP prepares and for **Constellation** that AIC prepares. These brochures are available on request and are provided before an account is established.

Investment Program	Model Portfolios	Investment Types	Minimum Account Size
<b>Private Clients</b>	Customized portfolios	Individual securities and ETFs.	\$100,000
<b>Gemini</b>	Customized portfolios	Individual securities and ETFs.	\$500,000
<b>Mercury</b>	Customized portfolios	ETFs and mutual funds	\$100,000
<b>Constellation</b>	Six dynamic strategies from conservative to aggressive.	No-load and load-waived mutual funds and ETFs	\$25,000

## Institutional Accounts

### Affiliated

AIP provides investment management services to individual accounts of affiliates, including insurance companies, charitable institutions, pension and employee benefit plans, an unregistered Insurance Company Separate Account (A Separate Account is a fund held by a life insurance company that is maintained separately from their general assets and generally used for variable products' investment options. In the event of insolvency of the insurer, separate accounts may be protected from claims by creditors and other insureds.), etc. for a negotiated fee generally based on the size and complexity of the account and its investment objectives. Each account invests in a wide variety of investments in customized portfolios whose strategies are based on objectives, restrictions and limitations included in detailed investment policies and derivative use plans approved by appropriate management and Boards (or other governing committees). These investment advisory contracts can be terminated at any time by advance written notice (not to exceed 90 days) by either party.

Because mutual funds, exchange-traded funds, and private investment companies (hedge funds) may be recommended as part of advisory services provided to affiliated clients, and the value of these funds may be included for the purposes of calculating certain account fees, clients are advised that funds included in their account pay advisory fees to the fund manager, which are in addition to account-level advisory fees paid to AIP.

### Unaffiliated

AIP also provides investment advisory services to unaffiliated Institutional accounts. These advisory services include development and execution of investment strategies that adhere to client investment policies, restrictions, or limitations. Although AIP may recommend changes, the clients' investment objectives and policies remain the responsibility of the clients' Board of Directors or Investment Committee.

### **Total Assets Under Management**

As of December 31, 2019, AIP managed \$16,721,256,863 for 1,394 discretionary accounts and \$3,040,215,739 for 2 non-discretionary accounts.



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## ITEM 5 - FEES AND COMPENSATION

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### Wrap Fee Accounts

Clients are charged an account fee calculated based on a percentage of the assets managed in their accounts. The standard fee schedules for **Private Clients**, **Mercury**, **Gemini**, and **Constellation Program** accounts appear below. Such fees for all Programs are all inclusive, and no fees for custody, brokerage commissions, transaction costs, IAR advice, or other fees or expenses are charged. Transaction based assessments or taxes imposed by governments, self-regulatory organizations, exchanges, etc. are not included in the wrap fee and will be passed through to the account holder. A portion of Account fees is paid to AIP for portfolio management and the remaining portion is paid to AIC and its IAR. In certain cases, the portion of the account fee payable to AIC may be reduced and, as a result, a lower fee may be available to the account holder.

Account fees generally are payable quarterly in advance, as of the last business day of the previous quarter. If an Agreement is terminated within five (5) business days from the date of inception, all fees paid in advance will be immediately refunded. If an account is terminated during a quarter, fees will be prorated, and a refund issued to the client. Such accounts may be terminated at any time on written notice. Fees generally are deducted from client assets by AIC and allocated to each affiliate based on an agreed-upon percentage for the services provided.

Mutual funds, exchange traded funds, and other pooled investment companies ("collectively, Acquired Funds") are recommended for certain of these accounts and their value is included for purposes of calculating the account fee. Clients should understand that these Acquired Funds also pay advisory fees to their investment advisers and incur operating expenses that reduce the total return of Acquired Funds. These indirect fees and expenses are in addition to the clients' Account fee.

The Constellation Program may pass through miscellaneous custodian charges for reorganization fees, transfer fees, IRA and Qualified Retirement Plan Account Custodian fees, and/or termination fees.

AIP seeks mutual fund share classes for Program accounts that do not charge 12b-1 distribution fees. However, to the extent that AIC, as the Programs' broker-dealer, receives 12b-1 fees in advisory accounts, such fees will be reimbursed to client accounts.

AIP and AIC consider the jointly sponsored Programs to be co-managed accounts based on the full scope of services each party provides and structured such that AIP and AIC share the single account fee. Such fees are allocated to each affiliate based on an agreed-upon percentage for the services provided. The IAR receives compensation for providing various services to Program Investors, including: recommending the Program, assisting them in developing and maintaining investment objectives and asset allocation limits, and ongoing financial planning. The amount of this compensation may be more than would be received if the Investor participated in other programs of the sponsor or paid separately for investment advice, brokerage, and other services. Therefore, the person recommending the Program to you may have a financial incentive to recommend this investment Program over other programs or services.

AIP has arranged for Chicago Clearing Corporation (CCC) to provide class action litigation monitoring and securities claim filing administration for client accounts in Mercury, Gemini and Private Client accounts that chose to participate in this service. CCC charges a contingency fee of 15% of the amount of each claim settlement award, which is deducted from the client's award at the time of payment. There are no minimum fees or other fees deducted from an account related to this service.

The minimum size for a **Private Clients** account is \$100,000, and the annualized maximum fee based on a standard account value are as follows:

Private Clients Account Balance	Annual Fee
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First \$200,000	2.00%
\$200,001 to \$1,000,000	1.00%
\$1,000,001 to \$2,000,000	0.75%
Over \$2,000,000	0.50%

The fees listed above will be reduced by 50% for accounts consisting entirely of fixed income securities.

The minimum size for a **Gemini** account is \$500,000 but may be waived at AIP's sole discretion, and the annualized maximum fees based on a standard account value are as follows:

Gemini Account Balance	Annual Fee
\$500,001 to \$5,000,000	2.00%
Over \$5,000,000	Negotiable

The maximum fee for an account consisting of all fixed income securities is 1.5%.

The minimum size for a **Mercury** account is \$100,000 but may be waived at AIP's sole discretion, and the annualized maximum fees based on a standard account value are as follows:

Mercury Account Balance	Annual Fee
\$100,00 to \$5,000,000	1.50%
Over \$5,000,000	Negotiable

Please refer to the Constellation Wrap Fee Program Brochure for fee details.

## Investment Companies

Compensation is determined by negotiations with the Funds and CRM and approved annually by the Portfolios' Board of Directors (including a majority of the "disinterested" Directors) or by a majority vote of the outstanding voting securities of each Portfolio. Current fees are payable monthly in arrears and are based on a fixed percentage of 0.05% of the average daily net assets of the Portfolios. Contracts are terminable in accordance with the Investment Company Act of 1940 that provides that such termination cannot be with more than a 60-day notice and must be without penalties.

## Institutional Accounts

### Affiliated

Compensation is determined through negotiations with management. Generally, fees are payable on a quarterly basis and are based on a percentage of the net assets under management; although affiliated pension and benefit plans are charged a flat fee, real estate includes a 1.0% fee upon disposition, and bridge loans are charged a one-time placement fee for each loan. Asset-based fees range from 2.0 basis points to 50 basis points. Contracts are typically terminable upon 30 days' notice without penalty. However, for some clients, a longer notice period is required for termination. Affiliated fees generally are paid in advance based on balances at the end of the prior quarter. No fees are deducted from client assets. AIP's advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, ETFs and other pooled investments also charge internal management and operating fees, which are disclosed in a fund's prospectus or other disclosure documents. Such charges, fees and commissions are exclusive of and in addition to AIP's fee, and AIP does not receive any portion of these commissions, fees, and costs.

AIP charges its clients' Commercial Mortgage borrowers and real estate joint venture partners a placement fee that generally ranges from \$8,000 to \$15,000 to compensate for legal fees, property inspection and other costs associated with underwriting the loan.

### **Unaffiliated**

Compensation is determined through negotiations with the companies' management. Generally, fees are payable on a quarterly basis, based on a percentage of the net assets under management. Fees range from 15.0 basis points to 30.0 basis points and are paid in arrears generally based on the average assets under management during the quarter. Contracts are typically terminable upon 30 days' notice without penalty. However, for some clients, a longer notice period is required for termination. No fees are deducted from client assets. AIP's advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Compensation for the Real Estate program consists of a one-time 0.50% placement fee based on the dollar value of each commitment plus a tiered asset management fee based on Aggregate Project Commitments, as follows:

	Annual Fee
Tier 1 (below \$25,000,000)	1.00%
Tier 2 (\$25,000,000 to \$50,000,000)	0.75%
Tier 3 (above \$50,000,000)	0.65%

Also, there is a quarterly servicing fee charged at an annual rate of 0.25% on any associated Aggregate Mortgage Loan Participations with unaffiliated clients.

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

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

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**ITEM 7 - TYPES OF CLIENTS**

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AIP provides investment advisory services to:

- Affiliated and unaffiliated institutional clients, including:
  - General Accounts of insurance companies,
  - Separate Accounts of insurance companies,
  - Corporations,
  - Pension plans, Benefit Associations, and retirement accounts (including Taft-Hartley Plans), and
  - Charitable Organizations
- Registered investment companies of Calvert Variable Products, Inc.,
- Other Registered Investment Advisers, and
- Discretionary Investment (Wrap Fee) Program Accounts, including:
  - Individuals,
  - High net worth individuals,
  - Retirement Accounts (including IRAs)
  - Pension and Profit-Sharing Plans,
  - Trusts,
  - Estates,
  - Charitable organizations,
  - State and local government entities, and
  - Small businesses and others.

See Item 5, Fees and Compensation, for information regarding minimum account sizes.

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

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AIP employs various methods of investment analysis. Our primary approach is to conduct fundamental and technical analysis of data, but we also may consider charts and cyclical data or other trend and statistical analysis. The main sources of information include: inspection of corporate activities, securities filings (such as, annual and quarterly reports, prospectuses, and other filings), press releases, financial newspaper and other periodical articles, research materials prepared by brokers or others and rating agency reports. In addition to such traditional research sources, AIP also may use a variety of electronic databases (e.g. Value Line, Empirical Research Partners, Dorsey Wright, and Bloomberg, etc.), or telephone and personal communications with management of companies and/or analysts of securities under consideration.

AIP seeks to identify investments that will achieve clients' investment objectives within the parameters of established investment policies, restrictions, and limitations.

### **Investment Strategies for actively managed equity portfolios**

AIP manages diversified portfolios of equity securities for its clients under several disciplines. Its core discipline focuses on large company securities with combined attractive growth potential and valuation metrics. Its dividend discipline seeks attractive large and mid-sized companies offering consistent dividend payouts with a history and potential for dividend growth. Its midcap portfolio utilizes two disciplines: a quantitative value-oriented screen, and a fundamental-based strategy. The combined disciplines can capture a range of attractively growing companies as well as those out of favor and undervalued compared to their peers. Integral to constructing portfolios of attractive securities, AIP actively manages portfolio risk through diversification across sectors, maintaining a broad industry base, and avoiding single security or risk exposure concentrations.

**For actively managed corporate fixed income portfolios** (including U.S. Government and Agency securities, investment grade and high yield corporate securities, private placement securities and short-term securities), AIP's strategy begins by determining the benchmark based on client investment policies, including asset liability matching strategies for insurance portfolios. AIP begins its credit process with a periodic evaluation of the economy, the absolute level and direction of interest rates, and the shape of the yield and credit curves and how we believe they will change. This macro view on the economy impacts the allocation of assets relative to the benchmark. Views on individual sectors are based on proprietary fundamental research to overweight those sectors that we believe will outperform the market and underweight those sectors that we believe will underperform the market. The individual security selection process considers the client's objective, our sector weightings, our proprietary credit analysis, and our preferred placement on the yield curve while maintaining duration neutrality. AIP's credit analysis is designed to identify bonds that offer "relative value," or those that offer the best risk/reward characteristics in a given sector. The process is dynamic and continuous. For example, credit spreads are monitored daily, returns are analyzed monthly to better understand performance, and credit reviews are updated periodically for each portfolio holding. Buy decisions are based on identifying securities with attractive credit fundamentals, that offer compelling relative value, and are included in targeted market sectors or themes. Sell criteria include identifying securities whose credit fundamentals have deteriorated, that have become fully valued as other buyers recognized the relative value, and our evolving outlook of a sector or the overall economy.

**For actively managed mortgage and asset-backed securities portfolios**, AIP applies top-down and bottom-up analysis on every security that is a candidate for investment based on clients' investment policies and restrictions and limitations. Top-down analysis is done on a quarterly and annual basis to establish the sector outlook, originator/servicer profile and relative value. The mortgage and asset-backed securities team uses bottom-up analysis to review the individual characteristics of a given security. These characteristics include the type of collateral supporting the security, the prepayment and default characteristics of the underlying collateral, and the deal structure. AIP reviews various interest rate scenarios to estimate how a given security will react and the risk that the security's average life will extend or shorten. For non-agency mortgage and asset-backed securities, the team examines: distributions to identify any outliers in distribution; collateral characteristics to identify any underwriting "drift;" and collateral characteristics to peer deals to determine if risk is adequately priced in the market.

The goal is to determine: what level of loss results in reduced yield and lost principal; historical experience of the sector and originator, whether the level of credit enhancement appears consistent with collateral risk and consistent with peers, and what combination of characteristics and scenarios impact ratings. AIP also applies quantitative and qualitative methods to ensure performance of the portfolio, including analyzing trends, monitoring commentary, investigating discrepancies in remittance reports, and monitoring collateral characteristics.

**For asset allocation and fund selection accounts** investing in mutual funds, ETFs and other investment companies, AIP utilizes a variety of strategies depending on the type of account. The accounts consist of the three volatility-managed mutual funds, the Wrap Fee Program Accounts, and the Advantage Adviser Program marketed by ALIC's Retirement Plan.

**For the mutual funds**, AIP considers the risk and return characteristics of the various asset classes represented by the indices named in the Prospectus, and the correlation of those characteristics between the various asset classes, in determining a range of possible allocations for each asset class given prevailing market conditions. AIP then reviews the historical returns and the current holdings of the ETFs and uses that information to select ETF weightings that are consistent with each Portfolio's overall volatility target. The weighting of the Portfolio's ETF investments representing U.S. and international equity indices and fixed income indices will typically range above and below the targeted asset allocation for each such asset class reported in each Portfolio's Prospectus

AIP may reallocate net assets among the various ETFs as market conditions warrant.

The ETFs represent a variety of asset categories and investment styles. The Equity ETFs are based on indices comprised of the common stock of U.S. and non-U.S. issuers whose fundamentals appeal to growth and value-oriented investors, as well as indices comprised of real estate investment trusts ("REITs") and natural resource-related stocks. The Fixed Income ETFs are based on indices comprised of fixed income securities of U.S. and non-U.S. issuers, corporate, mortgage-backed and government securities, investment grade securities, and securities rated below investment grade (commonly known as "junk bonds").

In its selection of investments for the three Portfolios, AIP seeks ETFs that are representative of the desired asset class and whose underlying fundamentals appear to have the potential for above-average long-term performance. These may include ETFs that are expected to show above-average growth over the long-term as well as those that appear to AIP to be undervalued.

The Portfolio may sell or reduce its position in an ETF when, in AIP's opinion, the macroeconomic outlook changes, valuation issues arise, the Portfolio needs to be rebalanced, or there is better opportunity elsewhere.

**For Wrap Fee Program Accounts**, Portfolio managers develop specific fund recommendations based on each client's investment policies, financial situation, cash flow expectations, risk tolerance, income tax exposure, complimentary investment exposure and other factors using a proprietary asset allocation process designed to align client needs, expectations, and constraints with investment market opportunities for custom diversified investment portfolios. Investments are selected that have both attractive expected returns and complimentary characteristics when held within a diversified investment portfolio. For the **Constellation** Program, AIC provides a universe of funds list from which AIP will recommend specific funds for inclusion in the various models based on each model's strategy. Periodically and when appropriate, asset allocation models are evaluated and updated. AIP circulates an annual survey to Mercury, Gemini, and Private Client Program account investors to inquire about changes in circumstances that may indicate the need for a modification to the client's investment objectives. If the possibility of a change is indicated, AIP would contact the IAR to determine if any portfolio changes are necessary.

Accordingly, the portfolio manager will reallocate investment values for discretionary accounts and update recommendations for non-discretionary accounts. Additionally, for portfolios that include a portion of actively managed assets, AIP's Wealth Management team consults and collaborates with other departments within AIP common stocks and fixed income securities as appropriate.

**For the Advantage Adviser Program,** AIP selects specific mutual funds for model portfolios using provided asset class weightings. These model portfolios are used in the Advantage Advisory Program (AAP) that is marketed in coordination with Ameritas' retirement plans division. AAP provides fiduciaries of participant directed retirement plans with investment advisory services to prudently select and monitor their plan's designated investment alternatives. Calvert Funds are not available in the AAP. AIP utilizes internally developed methodologies and periodically reviews and updates such model portfolio recommendations.

**For a passively managed equity, fixed income or balanced portfolio,** AIP seeks to substantially replicate the total return of securities comprising the targeted index, taking into consideration redemptions, sales, and other adjustments. An index is a statistical indicator providing a representation of the value of securities in a sector of the market (e.g., large, middle, or small capitalization domestic common stocks, aggregate U.S. Bonds, large non-financial common stocks, etc.). AIP manages these portfolios by investing in the same securities in the same weightings as the targeted index either in a full replication or a representative sample. Additionally, AIP may invest in ETFs, derivative contracts (futures, options, etc.) or other investments that have economic characteristics similar to the securities represented in the targeted index.

**For derivative hedging accounts,** AIP seeks to manage equity and interest rate risks identified in clients' investment portfolios and liabilities within specified limits by executing strategies that have a high correlation with the targeted risk. AIP's management strategies will include monitoring changes in cash flows to determine the size of clients' identified risks and executing long and short derivative contracts of appropriate size and term to effectively address the risks within the limits. Derivative types used must be included and within limitations established in the clients' investment policies or derivative use plans, and generally include exchange traded and over-the counter put and call options, futures contracts, swaps, collars, caps, etc.

**For non-qualified employee benefit plans,** AIP constructs portfolios for affiliated clients consisting of open-ended mutual funds and ETFs designed to closely match the total return performance of the associated non-qualified plans employees' investment options. AIP invests in plan-matching mutual fund investments for the majority of the portfolio holdings and includes ETFs to provide liquidity.

**For commercial mortgage loan and real estate accounts,** AIP provides advice on direct origination and management of commercial mortgage loans and equity real estate investments for institutional client portfolios. The objective for mortgage loan clients is to provide diversified and well-balanced portfolios that provide attractive risk-adjusted returns. The objectives for equity real estate are to identify commercial real estate opportunities that maximize cash flow and capital appreciation for the client. These objectives are achieved in a manner that is consistent with clients' policies, restrictions, and limitations. We employ a conservative approach that aligns the interests of the borrower with those of the client/lender. For real estate opportunities, we focus on industrial, office and multifamily properties in strong markets where opportunities exist to improve value by implementing new management and/or leasing strategies. AIP utilizes a national network of carefully selected mortgage banking intermediaries to identify mortgage and real estate opportunities throughout the country primarily for office, industrial, apartment, retail and other property types that are consistent with our clients' programs. These programs address loan size, term, amortization, geographic location, property type, loan to value ratios and debt coverage among other criteria. The intermediaries also provide us with local market expertise to augment that of our own associates and assist in initial and ongoing due diligence processing of loans.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Principal risks in securities portfolios include:

- **Management Risk.** Individual securities or model portfolios may not perform as expected, and the portfolio management practices may not achieve the desired results.



- **Market Risk.** Securities valuations may fall for a variety of reasons, including economic, political, social, financial, widespread business continuity events (e.g. natural disasters, pandemics, etc.) and issuer-based factors, causing prices of stocks, bonds, and other securities in investment portfolios to fall.
- **Valuation Risk.** A security judged to be undervalued by the Adviser may actually be appropriately priced, and it may not appreciate as anticipated.
- **Index Tracking Risk.** An index fund has operating expenses; a market index does not. The index portfolio while expected to track its target index as closely as possible, will not be able to match performance of the index exactly.
- **Sector Risk.** Some sectors may be more volatile than others. Small to medium capitalization stocks can be more volatile than larger, more established companies. Sectors that focus on narrower sections of the overall market (e.g. technology, natural resources, etc.) can be more volatile than broad based sectors.
- **Foreign & Emerging Markets Risk.** Investment in these types of securities have considerable risks, including fluctuating foreign currency exchange rates, greater price volatility caused by political and economic uncertainty, less public information about security's issuers, different securities regulation, different accounting and reporting standards, and less liquidity than in U.S. markets.
- **Asset Allocation Risk.** The selection of underlying securities, mutual funds or exchange-traded funds and the allocation of portfolio assets to those investments may cause the portfolio to underperform. The portfolio's possible over-allocation to equity or other higher-risk securities may make it more susceptible to risks associated with such investments than fixed income investments.
- **Investments in Other Investment Companies.** The risk of investing in other investment companies (mutual funds, ETFs, UITs, etc.) typically reflect the risks of the types of securities in which those investment companies invest and other attending management risks. Additionally, there is the risk that the mutual fund or ETF may not achieve its investment objectives. ETFs also may trade at a premium or discount to underlying net asset value and are subject to secondary market trading risks. When a portfolio invests in another investment company, clients bear their proportionate share of the investment company's fees and expenses as well as their account's fees and expenses.
- **Hedging Risk.** Using derivative securities (such as, options, swaps, and futures) to hedge portfolio and other risks may increase volatility and may expose a portfolio to a greater level of market risk than the amount of cash utilized. If the changes in a derivative's value do not correspond to changes in the value of hedge target as intended, the account may not fully benefit from or could lose money on the derivative position. Derivatives that are not exchange traded can involve risk of loss if the counterparty to the contract defaults on its obligation. Derivatives may also be less liquid and more difficult to value.

Hedging affiliates' non-qualified plan liabilities with a portfolio of investments may not closely correlate with changes in the liability balances because of inexact matching of the portfolio with the underlying investment options used to adjust the liabilities, liquidity needs of the plans for transfers and withdrawals, and the time differential between plan or participant transactions and investing transactions in the hedging portfolio.

- **Credit Risk.** There is a chance that an issuer of a fixed income security may fail to pay interest and/or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of the security to decline. These risks are greater for securities that are rated below investment grade (junk bonds) which may be considered speculative and are more volatile than investment grade securities.
- **Interest Rate Risk.** A change in market interest rates may adversely affect the value of fixed income securities. When interest rates increase, the value of fixed income securities generally will fall, and longer-term securities will be affected to a greater degree. In a lower interest rate environment, proceeds from investment income or sales may have to be reinvested at a lower yield.
- **Mortgage-Backed and Asset-Backed Risk.** The value of investments in mortgage-backed (MBS) and asset-backed (ABS) securities is subject to interest rate and credit risk. In addition, these securities also are subject to the risk that the borrowers of the underlying loans may repay the principal on their loans more quickly than expected (prepayment risk), more slowly than expected (extension risk) or may default on their obligation (default risk). Additionally, the value of the collateral supporting the underlying loans could drop in value and may be worth less than the principal balance of the related loan. These events will affect the yield

and price of the securities. Some MBS are issued by U.S. Government-Sponsored Enterprises (GSE) and depending on the issuer, may include some level of support or guarantee as to the timely payment of principal and interest on underlying mortgage loans. This support may be solely provided by the GSE (e.g., Federal National Mortgage Association “FNMA”, Federal Home Loan Mortgage Association “FHLMC” among others) or may be backed by the full faith and credit of the U.S. Government (e.g., Government National Mortgage Association “GNMA”). Privately issued MBS and ABS include no governmental support or guarantee.

Investing in mortgage loans and real estate involves risk of loss that clients should be prepared to bear. Principal risks in mortgage loan and real estate portfolios include:

- **Liquidity Risk.** Mortgage loans and real estate generally are considered illiquid investments relative to securities that can be traded in established markets or on an exchange. Transactions in these investments may take an extended period to execute and settle.
- **Credit Risk.** There is a chance that a borrower may fail to pay interest and/or principal when due and may default on the loan which could result in foreclosure on the mortgaged property. Such property may have a value lower than the remaining loan balance.
- **Interest Rate Risk.** A change in market interest rates may adversely affect the value of mortgage loans with fixed interest rates. When interest rates increase, the value of fixed income mortgages generally will fall, and longer-term loans will be affected to a greater degree.
- **Market Risk.** A property may be located in an area that is deteriorating economically which increases the risk of vacancy and downward pressure on value. A property’s value may fall for a variety of reasons, including economic, political, social, financial, widespread business continuity events (e.g. natural disasters, pandemics, etc.) and borrower-related and building management factors.
- **Management Risk.** Individual investments may not perform as expected, and management practices may not achieve the desired results.
- **Valuation Risk.** There is an adverse change in the property’s value, or the property does not appreciate as anticipated.
- **Concentration Risk.** Mortgage loans and real estate portfolios concentrated by region or property type may present a risk if that region or property type falls out of favor or experiences a natural disaster or a supply and demand imbalance which could put downward pressure on values.

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## ITEM 9 - DISCIPLINARY INFORMATION

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of AIP or the integrity of AIP's management. AIP has no material legal or disciplinary events applicable to this Item.

AIC is a *Related Person* to AIP and a co-sponsor of the Mercury, Gemini and Private Clients Wrap Fee Programs and sponsor of the Constellation and Ameritas Investment Strategies wrap fee programs for which AIP acts as sub-advisor discussed in Item 4.

On April 30, 2019, AIC entered into a Stipulation and Waiver with the California Department of Insurance under which AIC was issued a restricted license. AIC may petition to have such restrictions removed on or after January 1, 2022 provided there has not been justified complaint against AIC or any pending investigations or disciplinary actions against AIC. AIC further agreed to reimburse the Commission for costs associated with the issuance of the restricted license.

On March 11, 2019, AIC consented to an SEC order stating that AIC willfully violated Section 206(2) and Section 207 of the Advisers Act by failing to explicitly disclose AIC's conflicts of interest related to receipt of 12b-1 fees and its recommendation or selection of 12b-1 fee paying mutual funds in advisory accounts. AIC self-reported this conduct to the SEC pursuant to the Share Class Selection and Disclosure ("SCDC") Initiative. AIC was censured, agreed to cease and desist from committing or causing any violations or future violations of Sections 206(2) and 207 of the Advisers Act, ordered to pay disgorgement of \$3,056,804 and prejudgment interest of \$332,370 to affected investors, and to comply with certain undertakings including reviewing and updating, where necessary, the adequacy of all relevant disclosure documents concerning mutual fund share class selection and 12b-1 fees; evaluating whether existing clients should be moved to lower cost share classes; as well as reviewing its policies and procedures to ensure they are reasonably designed to prevent violations of the Advisers Act in connection with disclosures regarding mutual fund share class selection. The SCDC Initiative was a voluntary initiative in which the SEC encouraged investment advisers to self-report violations involving receipt of 12b-1 fees and adequacy of the disclosures arising from the resulting conflicts of interest. Additional information regarding the SCDC Initiative may be found at <https://www.sec.gov/enforce/announcement/scsd-initiative>.

AIC has disclosed all Disciplinary Information on its Form ADV. You can review it by downloading their Form ADV at [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx).

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

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AIP is part of the Ameritas Mutual Holding Company family of companies (Ameritas or Ameritas Companies, see the Organization Chart below). AIP is wholly owned by Ameritas Holding Company (AHC), which also has direct 100% ownership of Ameritas Life Insurance Corp. (ALIC or Ameritas Life) which in turn has direct 100% ownership of Ameritas Life Insurance Corp. of New York (Ameritas Life of NY), Ameritas Investment Company, LLC (AIC), Variable Contracts Agency, LLC and Griffin Realty, LLC. AIP is adviser to the affiliated insurance companies for general account investments and an unregistered Separate Account. AIP consults with and makes recommendations to the Ameritas Benefits Committee, as Trustee and Administrator of the Ameritas Defined Benefit Pension Plan (Plan), concerning the Plan's investment objectives and policies and for investments held for the Plan's benefit in an Ameritas group variable annuity. AIP also provides recommendations to ALIC on the selection of specific funds used in one model portfolio available in the Advantage Advisory Program marketed by Ameritas' retirement plans division.

As previously discussed, AIP continues to sub-advise eight Portfolios in Calvert Variable Products, Inc. Certain Portfolios of Calvert Variable Products, Inc. and Calvert Variable Series, Inc. (including funds sub-advised by AIP) remain available investment options in the Ameritas Life of NY and ALIC variable insurance products and are included in fund specific model portfolios.

AIC is a dual registered broker/dealer and investment adviser and a member of FINRA (Financial Industry Regulatory Authority) and SIPC (Securities Investor Protection Corp.). AIC is the principal underwriter and distributor for ALIC and Ameritas Life of NY's registered variable insurance products. AIC also underwrites and markets public bonds for municipalities, school, and utility districts, etc. in Nebraska and throughout the Midwest. Most of AIC's registered representatives and investment advisor representatives are appointed insurance agents for ALIC and Ameritas Life of NY. Six AIP associates are registered representatives of AIC, and two of them would be considered Management Persons of AIP.

AIC provides brokerage services (all securities transactions are cleared through and most accounts are custodied by National Financial Services, LLC) and AIP provides investment advisory services to clients who establish jointly sponsored Wrap Fee Program Accounts and the AIC sponsored **Constellation** wrap fee program (see Items 4 and 5). AIP and AIC share the fees generated by these Wrap Fee Program Accounts identified as suitable for the co-managed Programs by AIC's network of Investment Adviser Representatives. AIC also provides such brokerage services to other accounts unrelated to these Wrap Fee Accounts.

ALIC, Ameritas Life of New York, AIP, AIC, and other affiliated companies have entered into a general administrative services agreement which permits AIP to have access to and utilize shared administrative services and equipment in the performance of advisory services to clients. Associates working for AIP are legal employees of ALIC; however, they are designated AIP Associates and are covered by AIP's Code of Ethics, Insider Trading and other Compliance policies and procedures of AIP.

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## ITEM 11 - CODE OF ETHICS

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AIP's Code of Ethics (COE or Code) outlines the standards of business conduct that shall govern Supervised Persons, including placing the interest of Clients first at all times, requiring that all personal securities transactions be conducted consistent with the Code, prohibiting Supervised Persons from taking inappropriate advantage of their positions and requiring compliance with applicable federal securities laws. The Code further defines prohibited Business Conduct for Access Persons (any director, officer or associate of AIP or a Supervised Person that has access to non-public information or is involved in making securities recommendations to clients), including engaging in any business transaction or arrangement for personal profit based on confidential information, communicating non-public information about Clients' securities transactions, accepting a gift, favor or service of significant value from a Client or Vendor, buying or selling securities or any other property from or to a Client. Prohibited purchases and sales, short-term trading restrictions, exempted transactions, pre-clearance requirements and initial, quarterly, and annual reporting requirements are also detailed in the COE. All Supervised Persons at AIP must acknowledge the terms of the Code annually, or as amended. AIP will provide a copy of the Code to any client or prospective client upon request or a copy may be downloaded at AIP's website – [www.ameritas.com](http://www.ameritas.com).

AIP anticipates that it may, in the appropriate circumstances, affect or recommend trading a security in a client account in which AIP, its affiliates, and/or other clients have an existing material direct or indirect financial interest. AIP's employees and persons associated with AIP are required to follow AIP's COE. Subject to satisfying the Code and applicable laws, officers, directors and employees of AIP and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for AIP's clients. The COE is designed to assure that the personal securities transactions, activities, and interests of the employees of AIP will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions or exceptions to prohibited purchases and sales, based upon a determination that these would not materially interfere with the best interest of AIP's clients. In addition, the Code requires pre-clearance of most securities transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the COE in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the COE to reasonably prevent conflicts of interest between AIP and its clients.

As described elsewhere in this brochure, certain primarily affiliated, accounts may trade in the same securities with client accounts on an aggregated basis when consistent with AIP's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. AIP will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

### **Participation or Interest in Client Transactions and Other Conflicts of Interest**

#### **Principal Trades and Agency Cross Trades**

It is AIP's policy that the firm will not execute any principal trades or Agency Cross Trades for client accounts. Under certain circumstances AIP, as advisor to Ameritas or other affiliated institutional accounts, may recommend or, at the client's request, facilitate a direct cross trade between two or more affiliated accounts. Generally, these would not involve a broker acting as an intermediary, and the client(s) would direct custodians to transfer the current value of the securities between accounts as a free receipt / free delivery transaction.

Such cross trades would be driven by the affiliated clients' desire to re-balance portfolios across affiliated accounts and better position the portfolios strategically. Under these circumstances, we would ensure that the cross trades were executed in accordance with clients' Investment Policies and that they would be in all clients' best interest.

AIP will not execute cross trades involving unaffiliated client accounts.

### **Affiliated Variable Annuity Contracts in Client Accounts**

AIP clients may be advised by AIP's affiliates to purchase variable insurance products issued by ALIC or Ameritas Life of NY and underwritten by AIC. Such variable insurance products may not be acquired or held in a Private Clients, Gemini, or Mercury Wrap Fee Program Account, but they may be acquired separately by a common client in an AIC account under the advice of one of AIC's registered representatives. Such purchases would, if approved by the client, be cleared through the broker-dealer (AIC), which would be compensated in connection with that transaction.

These affiliated variable annuities may contain a Guaranteed Lifetime Withdrawal Benefit "GLWB" rider which, if acquired before May 1, 2013, requires participation in either (i) any one of three static Asset Allocation models which may include Calvert Funds, including a Fund where AIP is the sub-advisor, or (ii) one of the three Calvert volatility managed funds where AIP is the sub-adviser for managing exchange-traded funds in the Portfolios. For these affiliated variable annuities with GLWB riders dated on or after May 1, 2013, contract holders are required to choose one of the Calvert volatility managed funds as the sole investment.

Additionally, other investment options available in affiliated variable insurance products may be invested in Calvert Funds, including those where AIP continues to earn sub-advisory fees. In cases where AIP and AIC both earn advisory fees for assets in no-load annuity contracts issued by ALIC, the advisory fee billed to a client account by AIC will be reduced by the amount of sub-advisory fees earned by AIP.

Investors should always read the variable annuity prospectus carefully before sending money.

### **Asset Allocation and Fund Selection Recommendations**

AIP selects specific mutual funds to recommend for model portfolios using provided asset class allocations. These model portfolios are used in the Advantage Advisory Program (AAP) marketed by Ameritas' retirement plans division. AAP provides fiduciaries of participant directed retirement plans with investment advisory services to prudently select and monitor their plan's designated investment alternatives. Calvert Funds currently are not included in AAP.

### **Other Conflicts of Interest**

AIP associates who provide investment advice on behalf of the Adviser may purchase or own variable insurance products issued by ALIC or Ameritas Life of NY. Securities underwritten by AIC may also be recommended to AIP clients.

AIP has been engaged by affiliated sponsors of certain pension plans and employee benefit associations to: 1) support and assist in establishing and maintaining investment policies; 2) analyze and recommend securities and mutual fund selections within an Ameritas group variable annuity; and 3) monitor and report on performance. Funds recommended for these accounts may include Calvert Funds sub-advised by AIP. As such, a conflict of interest exists.

Associates of AIP may, from time to time, make recommendations to AIP advisory clients relating to securities in which such associates have a personal investment. Although such recommendations are not specifically reported, AIP associates are required to obtain pre-transaction approval for personal securities transactions, initial public offerings, and private placement securities.

Certain directors and officers of AIP are also directors or officers of AHC, AIC, ALIC, Ameritas Life of New York, and Griffin Realty, LLC. Also, certain associates and directors of affiliated companies are clients of AIP under Wrap Fee Programs.

In addition, and as noted above, AIP is part of a family of companies engaged in the financial services and insurance industries. These companies, some of which may be regarded as "related persons" of AIP, may have direct or indirect interests in securities about which AIP and/or AIP's associates who provide investment advice on behalf of the Adviser may provide investment advice.

Additional information about AIP's brokerage practices, including the placing of securities transactions through AIC, appears later in this document.

AIP will disclose all material conflicts of interest so that existing and prospective clients may evaluate their impact on any relationship.

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## ITEM 12 - BROKERAGE PRACTICES

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### Wrap Fee Accounts

Clients in the Wrap Fee Accounts sponsored by AIP and AIC (**Private Clients, Gemini, and Mercury**) authorize AIP to act on a discretionary basis and to place transactions for their account through AIC and its fully disclosed clearing broker, NFS. Commissions charged by AIC and NFS may be higher than those charged by other brokers.

In the **Constellation** program that also uses NFS as a clearing broker, AIC will automatically rebalance a client's portfolio on an annual basis. Also, AIC will automatically reallocate client portfolios when AIC's Investment Committee determines that a model allocation requires adjustment. Reallocation is expected to occur infrequently. In all cases where AIC is acting with discretion, such discretion is limited to buying and selling securities or other investments and does not give AIC the authority to withdraw or transfer any money, securities, or property either in the name of Client or otherwise.

Wrap fee program clients are not charged brokerage commissions or ticket charges in addition to their wrap fee.

### Institutional Accounts

AIP manages the portfolios of its registered investment company sub-advisory accounts based on stated investment objectives and limitations in the respective Registration Statement and investment advisory agreements, consistent with regulations and requirements of the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934 and Subchapter M and Section 817(h) of the Internal Revenue Code of 1986.

AIP provides investment advice in the management of affiliated and unaffiliated institutional separate account portfolios in accordance with each investment advisory contract and any investment policies specified, consistent with securities laws and regulations.

Securities transactions for mutual fund and Institutional Accounts are placed through brokers/dealers that specialize in institutional orders and who, in AIP's opinion, will offer the best execution for each transaction. In selecting institutional brokers, AIP will consider many factors, including: the price and dealer's spread and commission to affect the transaction; the broker's trading ability and expertise to execute a specific transaction; research provided; the reliability, integrity, and financial condition of the broker; and coverage and service provided to the Firm. In selecting a broker for a particular transaction, AIP may decide to pay a commission that is higher than other brokers may offer for a similar transaction if, after considering all factors noted above, AIP believes that the client will receive best execution on the trade. These practices are in accordance with Section 28(e) of the Securities Exchange Act of 1934 and with formal and informal SEC staff opinions. AIP will also consider the value and quality of any research, statistical, quotation or valuation services provided by the broker or dealer. Brokerage and research services provided by brokers and dealers include advice, either directly or through publications or writings, as to value of securities, the advisability of purchasing or selling securities, the availability of securities or purchasers or sellers of securities, and analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. The receipt of such research and related services described above presents a potential conflict of interest because AIP does not pay the broker for the research and related services out of its own accounts. As such, AIP may have an incentive to select brokers based on its interest in receiving the research.

AIP will aggregate orders at times when it reasonably believes that doing so will allow for lower transaction charges and more efficient execution, consistent with its obligation to follow clients' investment policies and restrictions and seek best execution. In some cases, orders for more than one client will be placed on an aggregated basis. Because institutional and wrap fee account trades use separate electronic trading systems and networks of brokers, it is not possible to aggregate trades between these classes of customers. As such, trades in the same security may be executed on the same day in an institutional account and a wrap fee account at different prices.



In connection with each aggregated securities transaction, securities obtained as a result of the aggregated order will be allocated among participating accounts such that each participating account will participate at the average share price for all transactions included in the aggregated transaction. Securities transactions for accounts of AIP affiliates may, from time to time, be aggregated with those of other AIP clients as long as the foregoing requirements are met.

Due to differences in the investment objectives and financial situations of the various clients, investment advice and related services provided to various clients may differ. In addition, actions taken on behalf of various clients may differ with respect to the nature of the advice or the timing of transactions. AIP has no obligation to purchase or sell, or to recommend the purchase or sale, of any security that AIP, or any affiliate purchases or sells for itself or themselves, or for any other client.

### **Conflict of Interest**

As co-sponsor of the **Private Clients, Gemini and Mercury Programs**, AIC provides all brokerage services for these accounts and AIP provides all investment advisory services. For the AIC-sponsored **Constellation Programs**, AIC also provides all brokerage services and AIP provides recommendations to AIC's Investment Committee on the composition of the related model portfolios. In choosing to open one of these Wrap Fee Program accounts, the client also has chosen AIC as their broker and AIP as their investment adviser or sub-adviser. AIP offers other asset management services for larger accounts who are not interested in a Wrap Fee Program. These arrangements would be structured more like those described in the Institutional Account sections where AIC generally is not used as a broker.

In recommending participation in a Wrap Fee Program, AIC and its Investment Adviser Representatives (IARs) are recommending AIC as the broker. If a client chooses to implement securities transactions through one of these Programs, a conflict of interest exists since AIC and its associates might receive commissions or other compensation, including 12b-1 distribution fees, conference credits or educational opportunities. To the extent that AIC receives 12b-1 fees in advisory accounts, such fees will be rebated back to clients. A client is under no obligation to open a Wrap Fee Program account and use AIC as their broker. If a client chooses another arrangement, they may pay more or less for implementation and ongoing operations of the account. For additional information on AIC's brokerage practices, please refer to the AIC Form ADV, Part 2A Firm Brochure.

IARs receive compensation from AIC in various ways that may create conflicts. Clients should be aware of these conflicts and take them into consideration when making a decision whether to establish or maintain a relationship with AIC. For additional information about AIC's compensation practices and related conflicts, please refer to AIC's Form ADV, Part 2A Firm Brochure.

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**ITEM 13 - REVIEW OF ACCOUNTS**

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**AIP reviews client accounts as described below.****Wrap Fee Accounts**

Transactions placed through AIC accounts are reviewed daily by AIC associates processing such trades, and AIP reviews each account on an ongoing basis to ensure that the account is managed in accordance with stated investment objectives. AIP uses the Envestnet | Tamarac system's Trading and Reporting modules that continuously monitor compliance with and alert the investment manager to possible violations of or drift from clients' investment strategies that have been programmed into the system. Annually AIC's Introducing Investment Advisor Representative meets with each of their clients, and AIP will survey accounts for any changes in the Investment Questionnaire and Asset Allocation Worksheet. AIP reviews these updates to determine whether changes may impact the current suitability of investments in clients' portfolios or would cause a revision to investment strategies. Further information about reviews and reports with respect to these Wrap Fee Accounts is included in the related Brochures, which are available upon request.

**Affiliated company accounts**

General account insurance investments (and certain unregistered Separate Accounts) are reviewed daily by AIP's assigned managers and investment staff, and continuously by the Bloomberg Compliance Manager system (CMGR) that monitors compliance with and alerts managers and officers to possible violations of investment policies, restrictions, and limitations. Each month, investment performance and transactions also are reviewed for preparation of Board reports.

AIP selects specific mutual funds for model portfolios using provided asset class weightings. These model portfolios are used in the Advantage Advisory Program (AAP) that is marketed in coordination with Ameritas' retirement plans division. AAP provides fiduciaries of participant directed retirement plans with investment advisory services to prudently select and monitor their plan's designated investment alternatives. Calvert Funds are not available in the AAP. AIP utilizes internally developed methodologies and periodically reviews and updates such model portfolio recommendations.

For the Ameritas defined benefit pension plan and other employees benefit plans, AIP's assigned managers and investment staff review holdings and transactions within the group variable annuity monthly to determine that they are consistent with the investment guidelines, asset allocation targets and cash flow expectations communicated by the Ameritas Benefits Committee.

**Sub-advised Mutual Funds and Unaffiliated Institutional Accounts**

All securities portfolios are reviewed daily by assigned managers and investment staff and continuously by the Bloomberg Compliance Manager system (CMGR) that monitors compliance with and alerts managers and officers to possible violations of investment policies, restrictions, and limitations.

**The nature and frequency of regular reports to clients regarding their account is described below.****Wrap Fee Accounts**

AIP provides all clients with written quarterly performance evaluation reports. They are intended to inform clients about how their investments have performed over various periods, both on an absolute basis and as compared to a customized benchmark (a calculated weighted average of the performance of leading investment indices that correspond with the portfolio's objectives) and its components. The client's custodian (usually NFS) sends monthly custody statements reflecting all transactions and realized and unrealized gains and losses directly to clients for any month during which a transaction was executed (or quarterly regardless if a transaction was executed). In addition, clients also receive directly from the clearing broker, confirmations whenever transactions are executed. All securities transactions will be placed through AIC as executing broker and are cleared through NFS.

### **Affiliated company accounts**

Each month, AIP provides written reports on performance, holdings, and transactions for investment in the general accounts of insurance companies and reviews them with Committees of the Board.

As requested by ALIC, AIP will utilize internally developed methodologies and consult with ALIC concerning updates of one model portfolio for the Advantage Advisory Program (AAP) and provide a written report on recommended model portfolio composition and reviews the rationale and support for the recommendation with AAP managers and others.

AIP provides written reports and reviews performance, holdings, and asset allocation weighting for investments in the defined benefit pension plan and employee benefit plan on a quarterly basis to the Ameritas Benefits Committee (the Committee retains discretionary authority to modify investment guidelines and execute transactions).

### **Sub-advised Mutual Funds and Unaffiliated Institutional Accounts**

Calvert Funds' Board of Directors receives a written investment report, including asset summaries, transactions, and performance at each meeting (generally quarterly) and shareholders receive semi-annual reports that include commentary from AIP.

Other unaffiliated accounts (depending on client preference) receive a written report on a monthly or quarterly basis, and AIP will meet with them as requested. When AIP acts as a sub-adviser, we report as requested by the Adviser.

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

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The jointly sponsored Wrap Fee Account Programs are co-managed accounts and structured such that AIP will share with AIC the single account fee. Such fees generally are deducted from client assets by AIC and allocated to each affiliate based on an agreed-upon percentage for the services provided. AIC pays the IAR a portion of the fee for recommending the Program to Investors, assisting them in developing and maintaining investment objectives and asset allocation limits, and assisting Investors in completing required account opening documents. AIP does not currently pay any finder's fee or otherwise compensate any person for client referrals. AIP may, however, in the future enter into arrangements whereby it makes cash payments for client referrals.

IARs may receive compensation in a variety of ways and clients should be aware that the receipt of additional compensation itself creates a conflict of interest. For additional information about AIC's compensation practices and related conflicts, please refer to AIC's Form ADV, Part 2A Firm Brochure.

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**ITEM 15 - CUSTODY**

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Clients will receive custodians' statements at least quarterly directly from their broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. AIP urges each client to carefully review such statements and compare such official custodial records to the account statements that AIP provides to clients. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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**ITEM 16 - INVESTMENT DISCRETION**

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AIP usually receives written discretionary authority from the client to select the identity and amount of securities to be bought or sold at the outset of an advisory relationship. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, AIP observes the investment policies, limitations, and restrictions of the clients for which it advises. For registered investment companies, AIP's authority to trade securities may also be limited in order to comply with certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. For accounts that hold certain types of investments (such as certain commercial mortgage loans, real estate, or limited partnership interests), AIP typically does not receive full discretionary authority and must obtain client pre-approval or ratification to complete purchase or sale transactions. Certain Wrap Fee Accounts may hold securities or other investments over which the client has withheld discretionary authority for a variety of reasons.

Investment guidelines and restrictions must be provided to AIP in writing.

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**ITEM 17 - VOTING CLIENT SECURITIES**

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AIP has engaged Broadridge Investor Communication Solutions, Inc. to vote and administer actively managed equity accounts' proxies. AIP does not vote proxies for AAS-sponsored wrap fee programs. Also, clients may decide to vote proxies themselves and should contact AIP to communicate their intentions to opt out of this service. Clients also may request a report on how their securities were voted by contacting AIP. Passively managed accounts are voted in accordance with management's recommendations, except where AIP is engaged as the sub-adviser for Calvert Funds, and the Manager exercises all voting authority with respect to Calvert Funds' securities. AIP has adopted the Glass Lewis & Co. U.S. Proxy Voting Guidelines as its proxy voting policy – clients may obtain a copy of such guidelines upon request or download a copy from our website at [www.ameritas.com](http://www.ameritas.com).

AIP votes proxies for affiliated and unaffiliated institutional accounts and jointly sponsored Wrap Fee Account clients and has requested Broadridge to apply the aforementioned proxy voting policy automatically. Any material conflicts between the interests of AIP and those of clients will be resolved to protect the clients' interest. AIP personnel have been instructed to report potential material conflicts are to be reported to the CCO or AIP officers as AIP personnel become aware of them. If we become aware that an issuer that is the subject of a Glass Lewis voting recommendation has filed or intends to file additional soliciting materials with the Commission setting forth the issuer's views regarding the voting recommendation and the Portfolio Manager does not agree with a position that Glass Lewis has taken on a proposal, they will over-ride that position and document their reasoning accordingly.

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**ITEM 18 - FINANCIAL INFORMATION**

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Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about AIP's financial condition. AIP 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.