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# **Fuller & Thaler Asset Management, Inc.**

411 Borel Avenue, Suite 300

San Mateo, CA 94402

Tel: (650) 931-1500

[www.fullerthaler.com](http://www.fullerthaler.com)

March 30, 2020

This brochure provides information about the qualifications and business practices of Fuller & Thaler Asset Management, Inc. ("Fuller & Thaler"). If you have any questions about the contents of this brochure, please contact Ms. Hanna W. Zaroni, Chief Compliance Officer, at (650) 931-1500 or [hzanoni@fullerthaler.com](mailto:hzanoni@fullerthaler.com). 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.

Fuller & Thaler 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 about which you determine to hire or retain an adviser.

Additional information about Fuller & Thaler is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 2 – Material Changes

This brochure dated March 30, 2020 notes the following changes since our last annual brochure dated March 28, 2019 that is or may be considered material:

- **Item 4 – Advisory Business** – This section has been updated with changes in Fuller & Thaler’s product line-up and Fuller & Thaler’s assets under management as of December 31, 2019.
- **Items 5, 6, and 7 – Fees and Compensation; Performance-Based Fees and Side-By-Side Management; Types of Clients** – These sections have been updated with changes in Fuller & Thaler’s product line-up.
- **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss** – The Investment Strategies and Risk of Loss sections have been updated and supplemented.
- **Item 10 - Other Financial Industry Activities and Affiliations** – This section has been updated to reflect that Fuller & Thaler is no longer registered as a commodity trading advisor.
- **Item 11 - Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading** – This section has been updated.
- **Additional Disclosures** – The Global Investment Performance Standards section has been updated.

We encourage all recipients of this brochure to read it carefully in its entirety.

We will provide clients with a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year. We will provide clients other ongoing disclosures about any material changes as necessary.

Our brochure can be requested by contacting Ms. Hanna W. Zaroni, Chief Compliance Officer, at (650) 931-1500 or hzanoni@fullerthaler.com.

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#### Item 4 – Advisory Business

Fuller & Thaler Asset Management, Inc. ("Fuller & Thaler") was organized as a California corporation in April 1993. It has been registered with the United States Securities and Exchange Commission as an investment adviser since May 1993. Fuller & Thaler is 100% beneficially owned by employees. Its largest beneficial owner is Russell J. Fuller, CFA, PhD, as a co-trustee of the Fuller Revocable Trust and a trustee of the Fuller Family Voting Trust. Since founding the firm, Dr. Fuller has systematically redistributed his shares to the firm's other key employees and directors and currently beneficially owns a little more than 25% of the firm. Notwithstanding the foregoing, actual control and management of Fuller & Thaler is effected solely through a management group comprised of direct and indirect shareholders of Fuller & Thaler, who are also Fuller & Thaler employees and members of Fuller & Thaler's Board of Directors (the "Management Group"). The Management Group's primary function is to oversee the business affairs and day-to-day operations of Fuller & Thaler.

Fuller & Thaler provides specialized investment management services, primarily on a discretionary basis, that focus on exploiting market inefficiencies drawn from insights from behavioral finance. The firm's strategies include a variety of U.S. equity strategies. It offers primarily behavioral-based strategies as opposed to quantitative or traditional fundamental strategies. Strategies are managed primarily in a long-only format.

Fuller & Thaler works with clients to tailor its investment strategies to meet the individual needs of each client such as by imposing restrictions on investing in certain securities or types of securities or by expanding the universe of securities or types of securities. Clients are encouraged to discuss their specific needs with Fuller & Thaler.

Fuller & Thaler provides non-discretionary and discretionary model-delivery portfolio management services to wrap fee programs where Fuller & Thaler provides ongoing investment recommendations in the form of one or more "model" portfolios, and the wrap program sponsor, rather than Fuller & Thaler, executes trades on behalf of its underlying clients. In a non-discretionary model-delivery arrangement, the wrap program sponsor, and not Fuller & Thaler, is the investment adviser for the accounts in the model-delivery programs. In a discretionary model-delivery arrangement, Fuller & Thaler, is an investment adviser for the accounts of clients in the model-delivery programs. Fuller & Thaler also provides discretionary portfolio management services to traditional wrap fee programs. Such discretionary wrap fee programs are managed similar to the typical Fuller & Thaler separate account whereby Fuller & Thaler is an investment adviser for the account, makes the investment decisions, and executes the trades. However, Fuller & Thaler typically has no contact with the underlying wrap fee program clients and

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communicates only with the intermediary sponsor. Fuller & Thaler does not serve as a sponsor to any wrap or similar managed account programs and receives a portion of the wrap fee from the sponsor for its services. The wrap programs to which Fuller & Thaler is a portfolio manager are identified under Item 5 of its Form ADV, Part 1A.

As of December 31, 2019, Fuller & Thaler managed the following net assets on a discretionary and non-discretionary basis:

	U.S. Dollar Amount
Discretionary	\$9,620,100,000
Non-Discretionary*	\$912,700,000
Total Net Assets	\$10,532,800,000

\*Includes assets not treated as Regulatory Assets Under Management ("RAUM") in Item 5.F. of its Form ADV Part 1A

## **Item 5 – Fees and Compensation**

Advisory fees are dependent upon the strategy managed. Management fees are typically payable quarterly and calculated on the value of assets under management as of the end of each calendar quarter, after adjusting for contributions and withdrawals of capital. Fees are pro-rated depending upon the date of contribution and/or withdrawal. Normal policy is that such fees are billed and paid in arrears. However, fees may be paid in advance at the client's request (up to one quarter in advance). In the event of termination, any management fees paid in advance are prorated to the date of termination and any unearned fees are returned to the client. In general, Fuller & Thaler does not deduct fees directly from separately managed accounts, rather, most separately managed account clients remit fees after an invoice is presented by Fuller & Thaler.

In some circumstances fees are negotiable under any specific or combined strategy. The fee will depend upon, among other things, the size of the assets, number of accounts, type of client or account, whether a client is seeding a new strategy, and the complexity (for example, if hedging or leverage is involved) or level of service provided. Fuller & Thaler will consider performance-based fees if a client prefers them. Performance fees are based on absolute performance or performance relative to an agreed upon benchmark subject to a high watermark. The performance-based fee includes realized capital gains less realized

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capital losses, unrealized capital appreciation less unrealized capital depreciation, and interest and dividend income for all portfolio assets for typically an annual calendar period.

Fuller & Thaler, in its discretion, may waive or reduce all or part of the fees of a client account. Fuller & Thaler waives the fees charged affiliated accounts.

Provided below is Fuller & Thaler's current standard fee schedule by strategy.

SMALL-CAP GROWTH, SMALL-CAP VALUE, SMALL-CAP CORE, BEHAVIORAL SMALL-CAP EQUITY, BEHAVIORAL SMALL-MID CORE EQUITY, BEHAVIORAL ALL-CAP EQUITY, and BEHAVIORAL MID-CAP VALUE:

<u>Account Market Value</u>	<u>Annual Management Fee Rate</u>
First \$5,000,000	1.10%
Next \$10,000,000	1.00%
Next \$10,000,000	0.90%
Amounts over \$25,000,000	0.70%

BEHAVIORAL UNCONSTRAINED EQUITY:

<u>Account Market Value</u>	<u>Annual Management Fee Rate</u>
First \$5,000,000	1.20%
Next \$10,000,000	1.10%
Amounts over \$15,000,000	1.00%

MICRO-CAP:

<u>Account Market Value</u>	<u>Annual Management Fee Rate</u>
First \$5,000,000	1.30%
Next \$10,000,000	1.15%
Amounts over \$15,000,000	1.05%

Mutual Funds

Fuller & Thaler is the sub-adviser to the Undiscovered Managers Behavioral Value Fund and is the investment adviser of the Fuller & Thaler Behavioral Small-Cap Equity Fund, the Fuller & Thaler Behavioral Small-Cap Growth Fund, the Fuller & Thaler Behavioral Mid-Cap Value Fund, the Fuller & Thaler Behavioral Unconstrained Equity Fund, the Fuller & Thaler Behavioral Small-Mid Core Equity Fund, and the Fuller & Thaler Behavioral Micro-Cap Equity Fund. J.P. Morgan Investment Management, Inc. is the investment adviser of the Undiscovered Managers Behavioral Value Fund.

Fund Annual Management Fee Rate

Undiscovered Managers Behavioral Value Fund	0.75%
Fuller & Thaler Behavioral Small-Cap Equity Fund	0.60%
Fuller & Thaler Behavioral Small-Cap Growth Fund	0.85%
Fuller & Thaler Behavioral Mid-Cap Value Fund	0.75%
Fuller & Thaler Behavioral Unconstrained Equity Fund	0.85%

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Fuller & Thaler Behavioral Small-Mid Core Equity Fund	0.80%
Fuller & Thaler Behavioral Micro-Cap Equity Fund	1.50%

Fuller & Thaler receives a management fee based on a percent of each fund's average daily net assets. The fees above represent the aggregate management fees charged by a fund. In the case of the Undiscovered Managers Behavioral Value Fund, Fuller & Thaler receives a portion of the above fee from the investment adviser. Fuller & Thaler waives certain of the fees it receives from the funds to assist the funds in maintaining their expense caps at the levels disclosed in the funds' prospectuses. Please refer to the funds' prospectuses for more information.

#### Collective Investment Fund

Fuller & Thaler is the sub-adviser to the Fuller & Thaler Small-Cap Core Equity Collective Fund. Comerica Bank & Trust, N.A. is the sponsor. Fuller & Thaler's fee depends on the share class in which one invests and is based on a percent of the fund's average daily net assets sub-advised by Fuller & Thaler. Fuller & Thaler's management fee is paid by the sponsor. Fee information will be in an investor's Participation Agreement.

#### Wrap and Managed Account Programs

Fuller & Thaler's fee is determined by an agreement between a wrap or managed account program sponsor and Fuller & Thaler and is based on a percent of the net assets sub-advised by Fuller & Thaler. Fuller & Thaler's management fee is paid directly by a sponsor. Fuller & Thaler does not serve as a sponsor to any wrap or managed account programs. Each program sponsor has prepared a brochure which contains detailed information about its wrap fee program, including the wrap fee charged. Please refer to the sponsors' disclosures for more information. The wrap programs to which Fuller & Thaler is a portfolio manager are identified under Item 5 of its Form ADV, Part 1A.

#### Other Fees and Expenses

Fuller & Thaler's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may also incur custodial fees, odd-lot differentials, wire transfer and electronic fund fees, transfer agent, fund accounting and administration, 12b-1, shareholder servicing, investment management fees and other expenses associated with any third-party fund, and other fees,

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expenses, and taxes on brokerage accounts and securities transactions. Please refer to Item 12 for information regarding Fuller & Thaler's brokerage practices.

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

Fuller & Thaler will consider performance-based fees if a client prefers them and structure any performance or incentive fee arrangement in accordance with the requirements of the Investment Advisers Act of 1940, as amended. Performance fees are based on absolute performance or performance relative to an agreed upon benchmark subject to a high watermark. The performance-based fee includes realized capital gains less realized capital losses, unrealized capital appreciation less unrealized capital depreciation, and interest and dividend income for all portfolio assets for typically an annual calendar period.

A performance-based fee arrangement may create an incentive to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee and in some circumstances Fuller & Thaler may receive increased compensation with regard to unrealized appreciation as well as realized gains in a client's account. Such fee arrangements also create an incentive to favor performance-based fee paying accounts over other accounts in the allocation of investment opportunities. Fuller & Thaler has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 – Types of Clients**

Fuller & Thaler provides portfolio management services to individuals, corporate and public pension plans, Taft-Hartley plans, corporations and other businesses, unions, charitable institutions, foundations, endowments, mutual funds, collective investment funds, private investment funds, family offices, wrap programs, and other U.S. and international entities.

Fuller & Thaler has established the following minimum dollar values to open and maintain client accounts:



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- Non-wrap/SMA separately managed Small-Cap Value, Small-Cap Growth, Small-Cap Core, Micro-Cap, Behavioral Small-Mid Core Equity, Behavioral Mid-Cap Value, Behavioral Unconstrained Equity, Behavioral All-Cap Equity, and Behavioral Small-Cap Equity accounts require \$5,000,000.
  - Wrap/SMA accounts through platforms require between \$75,000 to \$1,000,000 depending on the platform and strategy.

The size of the minimum investment may be reduced or waived at the discretion of Fuller & Thaler.

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

### Methods of Analysis

Fuller & Thaler uses both fundamental and quantitative research as methods of analysis for its investment strategies, however, its investment approach does not fall into either the traditional fundamental or quantitative categories. The market anomalies and inefficiencies the firm is trying to capture are based on principles of behavioral finance, which explores how fundamental human psychology sometimes causes market participants to behave differently than what classical economics models predict. Fuller & Thaler believes that while stock markets are efficient most of the time, behavioral anomalies can arise under certain circumstances, resulting in exploitable mis-pricing opportunities.

Fuller & Thaler's investment philosophy draws upon a large body of academic research in the field of behavioral finance, including the works of scholars such as the 2002 Nobel Prize Winner, Dr. Daniel Kahneman (Director Emeritus on Fuller & Thaler's Board of Directors) and the 2017 Nobel Prize Winner, Dr. Richard Thaler (a co-founder of Fuller & Thaler). We actively monitor new findings from academics in psychology, economics, and finance, as well as produce our own proprietary research in devising new strategies and in the ongoing management of existing strategies.

### Investment Strategies

Fuller & Thaler's strategies primarily invest in US listed companies and are long only in stocks that Fuller & Thaler believes, based on its analysis, are undervalued. When taking positions, Fuller & Thaler will apply principles based on behavioral finance. In order to

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take advantage of behavioral biases, Fuller & Thaler generally focuses on certain markers of possible under- and over-reaction. Information from these and other variables are combined with measures of expectations and valuation, which ultimately lead to the selection of long positions. Fuller & Thaler strategies may employ futures, ETFs, and leverage. Fuller & Thaler's investment strategies are listed below.

- Small-Cap Growth primarily invests in the equities of growth-oriented U.S. companies with market capitalizations generally in the range of companies included in the Russell 2000 Index at the time of purchase. The benchmark is the Russell 2000 Growth Index.
- Small-Cap Value primarily invests in the equities of value-oriented U.S. companies with market capitalizations generally in the range of companies included in the Russell 2000 Index at the time of purchase. The benchmark is the Russell 2000 Value Index.
- Small-Cap Core is a combination of the Small-Cap Growth and Small-Cap Value strategies and its benchmark is the Russell 2000 Index.
- Behavioral Small-Cap Equity primarily invests in the equities of U.S. companies generally in the range of companies included in its benchmark, the Russell 2000 Index, at the time of purchase.
- Behavioral Mid-Cap Value primarily invests in the equities of value-oriented U.S. companies with market capitalizations generally in the range of companies included in the Russell Mid-Cap Index at the time of purchase. The benchmark is the Russell Mid-Cap Value Index.
- Micro-Cap primarily invests in the equities of U.S. companies with market capitalizations generally in the range of companies included in its benchmark, the Russell Micro-Cap Index, at the time of purchase.
- Behavioral Unconstrained Equity is a concentrated, non-diversified strategy that primarily invests in the equities of U.S. companies with all market capitalizations. The benchmark is the Russell 3000 Index.

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- Behavioral Small-Mid Core Equity primarily invests in the equities of U.S. companies with market capitalizations generally smaller than the largest company in its benchmark, the Russell 2500 Index, at the time of purchase.
  - Behavioral All-Cap Equity is a diversified strategy that primarily invests in the equities of U.S. companies with all market capitalizations. The benchmark is the Russell 3000 Index.

### Risk of Loss

Investing in securities involves the risk of loss that clients should be prepared to bear. An investment in any Fuller & Thaler strategy is suitable only for those who can afford fluctuations in the value of their investments and the potential loss of their entire investment and who have limited need for liquidity in their investment. An investment in any Fuller & Thaler strategy is not intended as a complete investment program. There can be no assurance that the investment objective of any Fuller & Thaler strategy will be successful.

Unless otherwise stated, each of the risks discussed below apply to all Fuller & Thaler strategies.

*General Investment Risks.* The prices of the securities and other instruments in any Fuller & Thaler strategy may be volatile. Market movements are difficult to predict and are influenced by, among other matters, government trade, fiscal, monetary and exchange rate and control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; natural disasters or events; pandemics; terrorism; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly. No assurance can be given that the investment strategies will be successful under all or any market conditions.

*Equity Securities.* The value of the equity securities held by a Fuller & Thaler strategy are subject to market risk, including changes in economic conditions, growth rates, profits,

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interest rates and the market's perception of these securities. While offering greater potential for long-term growth, equity securities are more volatile and riskier than some other forms of investment.

*Behavioral Strategy Risk.* When taking investment positions, Fuller & Thaler will apply principles based on behavioral finance. Fuller & Thaler seeks to capitalize on behavioral biases that may cause the market to over-react or under-react. Securities identified using this type of strategy may perform differently from the market as a whole as a result of the factors used in the analysis, the weight placed on each factor, and changes in the factor's historical trends. The factors used in implementing this strategy and the weight placed on those factors may not be predictive of a security exposure's value, and the effectiveness of the factors can change over time. These changes may not be reflected in the current analytical approach used to implement a behavioral strategy.

*Growth Investing Risk.* To the extent that a strategy invests in growth-oriented securities, Fuller & Thaler's perception of the underlying companies' growth potentials may be wrong, or the securities purchased may not perform as expected.

*Value Investing Risk.* The determination that a security is undervalued is subjective. The market may not agree with Fuller & Thaler's determination and the security's price may not rise to what Fuller & Thaler believes is its full fair value.

*Issuer Risk.* A strategy will be affected by factors specific to the issuers of securities and other instruments in which the strategy invests, including actual or perceived changes in the financial condition or business prospects of such issuers.

*Management Risk.* A strategy will be affected by the allocation determinations, investment decisions and techniques of Fuller & Thaler's management.

*Regulatory Risk.* Changes in government regulations may adversely affect the operations and value of a strategy or the companies in which it invests. Industries and markets that are not adequately regulated may be susceptible to the initiation of inappropriate practices that adversely affect the strategy or the companies in which it invests.

*Potential Impact of a Limited Number of Investments.* A Fuller & Thaler strategy may invest in a limited number of securities and other instruments. Accordingly, a strategy could

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become highly concentrated in certain securities and other instruments at any given time, particularly at inception and immediately prior to liquidation. As a result of the foregoing, the aggregate return of a strategy could be derived from a relatively undiversified, limited number of securities and other instruments.

*Investments in Companies with Smaller Capitalizations or Limited Coverage.* A Fuller & Thaler strategy may invest in the securities of companies with smaller capitalizations or that are the subject of little or no analysis or coverage by Wall Street or similar overseas firms. Investments in such companies may involve greater risk than is customarily associated with investments in the securities of companies with larger capitalizations or with greater Wall Street or similar coverage. For example, smaller companies often have limited product lines, markets, and/or financial resources, may be dependent on management with one or a few key persons, may lack substantial capital reserves, may not have established performance records and may be more susceptible to losses. Also, the securities of companies with smaller capitalizations or limited Wall Street or similar coverage may be thinly traded (and therefore may have to be sold at a discount from then-current market prices or in small lots over an extended period of time) and may be subject to wider and more abrupt price swings, thus creating the potential for greater losses than investments in the securities of companies with larger capitalizations or greater Wall Street or similar coverage. In addition, in connection with such reduced liquidity, transaction costs incurred by a Fuller & Thaler strategy with respect to investments in the securities of companies with smaller capitalizations or limited Wall Street, analyst or similar coverage may be higher than the transaction costs the Fuller & Thaler strategy would have incurred if it had invested only in the securities of larger capitalization companies or companies with greater Wall Street, analyst or similar coverage.

*Potentially High Transaction Costs.* A Fuller & Thaler strategy's investment program may involve active management of a strategy's portfolio. This could result in a strategy taking frequent trading positions. Consequently, a Fuller & Thaler strategy's portfolio turnover and brokerage commission expenses could be higher than a strategy of comparable size and may ultimately affect the return achieved by a Fuller & Thaler strategy. In addition, to the extent that a strategy holds its investments for only a short period of time, a strategy is unlikely to be eligible for long-term capital gains treatment with respect to such investments.

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*Securities Lending Risk.* An account may make secured loans of its portfolio securities, with client approval. The risks in lending portfolio securities, as with other extensions of credit, consist of possible delay in recovery of the securities and possible loss of rights in the collateral should the borrower fail financially, including possible impairment of an account's ability to vote the securities on loan. If a loan is collateralized by cash, an account typically will invest the cash collateral and may pay a fee to the borrower that normally represents a portion of an account's earnings on the collateral. Because an account may invest collateral in any investments in accordance with its investment objective, an account's securities lending transactions will result in investment leverage. An account bears the risk that the value of the investments made with collateral may decline.

*Derivatives Risk.* An account may use derivatives, such as put options, in connection with its investment strategies, with client approval. Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed an account's original investment. Derivatives are subject to the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. The use of derivatives may not be successful, resulting in losses to an account and the cost of such strategies may reduce an account's returns. Certain derivatives also expose an account to counterparty risk (the risk that the derivative counterparty will not fulfill its contractual obligations), including credit risk of the derivative counterparty. In addition, an account may use derivatives for non-hedging purposes, which increases an account's potential for loss. Certain derivatives are synthetic instruments that attempt to replicate the performance of certain reference assets. With regard to such derivatives, an account does not have a claim on the reference assets and is subject to enhanced counterparty risk.

*Investments in ETFs.* Investments in equity ETFs are generally subject to the risks described above. The value of an ETF can fluctuate based on the prices of the securities owned by the ETF, and ETFs are also subject to the following additional risks: (i) the ETF's market price may be less than its net asset value; (ii) an active market for the ETF may not develop; and (iii) market trading in the ETF may be halted under certain circumstances. Such investments will also increase the fees and expenses payable by a Fuller & Thaler strategy, since an ETF also generally bears fees and expenses in connection with its operations and investment activities in addition to the fees and expenses borne by a Fuller & Thaler strategy.

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*REIT and Real Estate-Related Investment Risk.* Adverse changes in the real estate markets may affect the value of REIT investments.

*Turnover Risk.* High levels of portfolio turnover increase transaction costs and taxes and may lower investment performance.

*Liquidity Risk.* The lack of an active market for investments may cause delay in disposition or force a sale below fair value.

**The above represents only material risks of Fuller & Thaler's significant investment strategies and methods of analysis. There are other risks that clients should consider. With respect to a mutual fund, see the risk factors set out in such mutual fund's prospectus and statement of additional information. With respect to a wrap or managed account program, see the risk factors set out in such wrap or managed account program sponsor's disclosures.**

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Fuller & Thaler or the integrity of Fuller & Thaler's management. Fuller & Thaler has no information applicable to this item.

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

Fuller & Thaler has no information applicable to this Item.

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

Fuller & Thaler has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. Its

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supervised persons generally include its directors, officers, and employees. The Code of Ethics includes provisions relating to the prohibition on insider trading, restrictions on the acceptance and giving of gifts and the reporting of certain gifts and business entertainment, restrictions and the reporting of charitable and political contributions, and personal securities trading procedures, among other things. All supervised persons at Fuller & Thaler must acknowledge and abide by the terms of the Code of Ethics.

Fuller & Thaler strictly prohibits any supervised persons from trading based on material non-public information or tipping others so that they can trade on material non-public information. The Code describes what constitutes material non-public information and outlines the procedures to be followed in the event a supervised person comes into possession of material non-public information.

Employees are allowed to trade securities for their personal accounts, subject to certain restrictions. However, prior to entering an order for certain personal securities transactions, each access person must obtain the pre-approval of the Chief Compliance Officer or her designee.

Generally, no employee of Fuller & Thaler shall be permitted to:

- Purchase or short publicly traded stocks, bonds, and derivatives (such as options, futures, forwards, swaps) of the aforementioned
- Sell a Reportable Security within three (3) trading days before a client account sells the same security
- Sell a Reportable Security within three (3) trading days after a client account purchases that security

Fuller & Thaler anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Fuller & Thaler has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities (including affiliated mutual funds) in which Fuller & Thaler, its affiliates and/or clients, directly or indirectly, have a position of interest. Fuller & Thaler's employees and persons associated with Fuller & Thaler are required to follow Fuller & Thaler's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Fuller & Thaler and its affiliates are allowed to trade for their own accounts in securities which are recommended to and/or purchased for



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Fuller & Thaler's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Fuller & Thaler 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. In addition to being able to transact in individual securities held in client accounts in limited instances, Fuller & Thaler employees are permitted to invest in Fuller & Thaler products and strategies.

#### Mixed Accounts

A "Mixed Account" is a pooled investment vehicle (such as a hedge fund or collective investment fund) advised by Fuller & Thaler (and of which Fuller & Thaler may be the managing member, general partner, investment manager, investment adviser, sub-adviser, or the like) in which employees of Fuller & Thaler and/or members of their family/household own or hold beneficial interests along with interests owned by unaffiliated clients or investors. Because securities traded for Mixed Accounts may also be suitable for unaffiliated client accounts, Fuller & Thaler must take special care to prevent transactions on behalf of Mixed Accounts from unfairly advantaging employees over clients. To manage those potential conflicts, Mixed Accounts are treated as client accounts and their activities are subject to the full supervision and procedures applicable in the ordinary course of Fuller & Thaler's business to all client accounts, including Fuller & Thaler's Trade Allocation Policy. Mixed Accounts, therefore, generally will not be subject to the regular pre-clearance process and other securities trading restrictions applicable to the trading of personal accounts. The Chief Compliance Officer, in consultation with senior management, may determine otherwise in certain circumstances (such as, for example, if perceived conflicts are not efficiently mitigated by regular client account procedures). Employees' (and members of their family/households') beneficial interests in Mixed Accounts are covered by regulatory reporting requirements set forth in Reporting, below.

#### Incubated Accounts

An "Incubated Account" is a proprietary account used to test and incubate a new firm strategy before it is made available to unaffiliated investors and clients. Incubated strategies are initially operated and managed with one or more employees of Fuller & Thaler and/or members of his/her family/household as the owners of beneficial interests

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in the account. However, Incubated Accounts are treated as client accounts to allow for seamless transition to offering the strategy to unaffiliated investors and clients. These accounts are required to enter into a client investment advisory agreement with Fuller & Thaler and to execute all trades through Fuller & Thaler's trading desk in accordance with Fuller & Thaler's Trade Allocation Policy. Because (among other factors) Incubated Account activities are subject to the full supervision and procedures applicable in the ordinary course of Fuller & Thaler's business to all client accounts, Incubated Accounts generally will not be subject to the regular pre-clearance process and other securities trading restrictions applicable to the trading of personal accounts. **However, Incubated Accounts must pre-clear any transactions in IPOs and private placements (a.k.a. limited offerings).** Fuller & Thaler has concluded that it would significantly hinder the effective implementation of a new strategy if, during the incubation process, they were not generally treated as a client account. However, the Chief Compliance Officer, in consultation with senior management, may determine otherwise in certain circumstances (such as, for example, if perceived conflicts are not efficiently mitigated by regular client account procedures). Employees' (and members of their family/households') beneficial interests in Incubated Accounts are covered by regulatory reporting requirements set forth in Reporting, below.

#### Reporting

All access persons of Fuller & Thaler must submit quarterly transactions and annual holdings reports which are reviewed by the Chief Compliance Officer. Transactions and holdings of members of employees' family/households' beneficial interests in Reportable Securities are covered by these regulatory reporting requirements. Employee trading is monitored under the Code of Ethics.

A complete copy of Fuller & Thaler's Code of Ethics is available upon request.

#### Principal Transactions and Agency Cross Transactions

Fuller & Thaler does not effect any principal transactions with client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells a security to an advisory client. A principal transaction can also occur if a security is bought/sold between an affiliated (proprietary) account and a client account.

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Fuller & Thaler does not effect agency cross transactions between client accounts. An agency cross transaction is defined as a transaction where an investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Fuller & Thaler has no broker-dealer affiliates.

## **Item 12 – Brokerage Practices**

### *Selection of Brokers*

Typically, Fuller & Thaler will determine the broker to be used and the commission rates at which transactions for client accounts will be effected, with the objective of attaining the most favorable price and market execution for each transaction.

In most cases, Fuller & Thaler uses brokers as "agents" and pays commissions. Fuller & Thaler, however, may also cause clients to buy or sell securities from or to dealers acting as principal at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters or dealers. The following discussion summarizes the material aspects of Fuller & Thaler's practices in selecting brokers and dealers to execute client transactions.

In cases where Fuller & Thaler has complete discretion over the selection of brokers or dealers, Fuller & Thaler makes those selections on a transaction-by-transaction basis. Fuller & Thaler usually causes transactions to be effected by brokers on an agency basis for a commission but may also cause transactions to be effected directly with market makers acting as principals on a net basis.

Fuller & Thaler will seek "best execution" in light of the circumstances involved in each transaction. In evaluating a broker's or dealer's ability to provide "best execution," historical net prices (after commissions or other transaction-related compensation) will be a principal factor, but Fuller & Thaler may also consider, among other factors, the execution, clearance, error resolution and settlement capabilities of the broker or dealer in connection with securities of the type to be bought or sold; the broker's or dealer's reliability, integrity, and financial stability; the size of the transaction; and the market for the security. Fuller & Thaler will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction.

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Fuller & Thaler monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above. Fuller & Thaler's employees involved in trading monitor the quality of execution provided by brokers and dealers through whom Fuller & Thaler executes transactions on behalf of clients as well as the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

In the last fiscal year, Fuller & Thaler reviewed the execution performance of broker-dealers executing client transactions on a periodic basis. A review consisted of looking at a number of factors including identifying the broker-dealers utilized most and reviewing the soft dollar benefits received from such broker-dealers during the relevant period. All things being similar, Fuller & Thaler directed client brokerage to a broker-dealer that offered soft dollars.

#### *The Role of Research and Brokerage Products and Services*

In addition to execution quality, Fuller & Thaler considers the value of various products and services a broker-dealer provides. Selecting a broker-dealer in recognition of services or products other than simply transaction execution is known as paying for those services or products with "soft dollars". Research and brokerage products and services benefit Fuller & Thaler by reducing its cost of managing client accounts. Because many of those services could be considered to provide some benefit to Fuller & Thaler, and because the "soft dollars" used to acquire them will be assets of Fuller & Thaler's clients, Fuller & Thaler could be considered to have a conflict of interest in allocating client brokerage business. That is, Fuller & Thaler could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation Fuller & Thaler might otherwise be able to negotiate. In addition, Fuller & Thaler could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

Fuller & Thaler will make decisions involving "soft dollars" in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. Before placing orders with a particular broker-dealer, Fuller & Thaler will determine, in addition to considering all the factors described above under the

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heading *Selection of Brokers*, that the commissions to be paid are reasonable in relation to the value of all the brokerage and research services and products provided by that broker-dealer. In making that determination, Fuller & Thaler considers not only the value of the brokerage and research services and products to a particular client, but also the value of those services in Fuller & Thaler's performance of its overall responsibilities to all of its clients. In some cases, the commissions charged by a particular broker-dealer for a particular transaction or set of transactions are greater than the amounts another broker-dealer who did not provide research services and products might charge. And in some cases, a client's transactions are executed by a broker-dealer in recognition of services or products that are not used in managing that client's account.

Research and brokerage products and services provided to Fuller & Thaler are typically from third party vendors and may include research reports on, or recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; order management system; trade analytics; quantitative analytical software; market research on optimal execution venues and trading strategies; post trade matching services and other products and services that provide lawful and appropriate assistance to Fuller & Thaler in the performance of its investment decision making responsibilities. Fuller & Thaler also receives some proprietary research. Any particular research and brokerage product or service that is obtained through soft dollars will assist Fuller & Thaler in managing some or all of its client accounts. Soft dollar benefits are not limited to those clients who have generated a particular benefit and soft dollar benefits are not proportionally allocated to accounts according to the amounts of soft dollar credits they generate. In the last fiscal year, Fuller & Thaler received about half of the research and brokerage products and services enumerated above with client brokerage commissions.

Should a particular service or product that a broker or dealer is willing to provide for soft dollars have both eligible and non-eligible components under the safe harbor, Fuller & Thaler allocates the cost of the product or service between its eligible and non-eligible uses and pays only the eligible portion with soft dollars. Fuller & Thaler has an incentive to designate as great a portion of the cost as eligible as possible in order to permit payment with soft dollars.

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### Directed Brokerage

Fuller & Thaler permits clients to instruct it to use one or more particular brokers or dealers in managing their accounts. A client may specify that a particular amount of business should be sent to a broker or dealer, that all business should be sent to a broker or a dealer, or merely that the broker or dealer should be used when all other considerations are equal. In some cases, the broker-dealer serves as custodian of the assets in the account and/or consultant to the client. Clients should understand that giving such directions may prevent Fuller & Thaler from effectively negotiating brokerage commissions on their behalf or aggregating orders with other clients. These directions may even prevent Fuller & Thaler from obtaining the most favorable net price and execution. Thus, in directing brokerage business, those clients may lose possible advantages that other clients may have and they should consider whether the commission expenses, and execution, clearance, and settlement capabilities, they will obtain through their direction are adequately favorable in comparison to those that Fuller & Thaler otherwise attains for its clients to justify their direction of their brokerage business. Furthermore, under these circumstances a disparity in prices may exist between the prices paid by clients who direct Fuller & Thaler to use a particular broker or dealer and other clients who do not direct Fuller & Thaler to use a particular broker or dealer. For each such account, Fuller & Thaler targets 10% of all commission dollars for directed brokerage during any year, but may be more or less, and will be subject to best execution.

### Trade Allocation

Fuller & Thaler performs investment management services for various clients. There are occasions on which portfolio transactions are executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by Fuller & Thaler, some of which accounts have similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when Fuller & Thaler believes that to do so will be in the overall best interest of the affected accounts. When such concurrent authorizations occur, the objective will be to allocate the executions in a manner which is deemed equitable to the accounts involved.

Where Fuller & Thaler buys or sells the same security for two or more clients, Fuller & Thaler typically places concurrent orders with a single broker, to be executed together as a single “block” in order to facilitate orderly and efficient execution. When Fuller & Thaler

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does so, each account on whose behalf an order was placed, will receive a proportionate share of the securities purchased or the sales proceeds, based on the size of the account's order, at the average price for the "block" transaction. Clients will bear a proportionate share of all transaction costs in such transactions, although if such a transaction is effected with a broker-dealer with which a particular client has directly negotiated a special commission arrangement, that client's transaction costs may differ from the costs borne by other clients participating in the block. For private placements (a.k.a. limited offerings) and IPOs, to the extent an investment opportunity is too limited for all accounts to participate, client accounts will participate before incubated accounts.

When the amount of wrap, directed, non-discretionary, and/or discretionary assets in a particular investment product could each potentially cause market impact and/or security liquidity issues if traded simultaneously, we will employ a simple rotation of trades among the different types of accounts where the trade priority is rotated generally weekly. Incubated accounts may be part of a trade rotation. We may also use a different rotation frequency that is reasonable and equitable to clients. In the case of model-delivery programs, models are sent by a method designated by the wrap account sponsor as part of the rotation described above. The decision to employ a rotation for an investment product is made in good faith by the Trader. We note that when employing a trade rotation, there may be an incentive to allocate to the larger or more profitable clients first. Fuller & Thaler believes it has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

### **Item 13 – Review of Accounts**

The lead portfolio manager for any given strategy has day-to-day responsibilities with respect to all of the client accounts in such strategy. In addition, client accounts are reviewed periodically by the Chief Investment Officer for overall adherence with the investment philosophy employed by the firm and any specific requirements of the strategy. Additionally, account holdings may be reviewed at any time changing market conditions warrant.

Written investment reports are provided to institutional clients at least quarterly and contain information on current investment holdings, transaction summaries, and market

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values, as well as performance measured over various historical time periods. These reports may also be produced on a monthly or other basis, upon request by the institutional client and agreement by Fuller & Thaler.

If requested, institutional clients may also receive an automated electronic confirmation of each securities transaction on the day following the execution of a trade. These reports contain a complete breakdown of each transaction, including principal amount, commission, taxes, etc.

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

Fuller & Thaler has no information applicable to this Item.

#### **Item 15 – *Custody***

Fuller & Thaler does not have custody of any separately managed account, collective investment fund, or mutual fund assets.

#### **Item 16 – *Investment Discretion***

Fuller & Thaler usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Clients generally grant Fuller & Thaler a power of attorney to invest the assets in a separate account through an investment advisory agreement. Fuller & Thaler manages only the portion of each client's assets for which an investment advisory agreement has been signed and will not provide advice on a client's other assets. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives, investment policies, limitations, and restrictions for the particular client account. Investment guidelines and restrictions must be provided to Fuller & Thaler in writing.

For registered investment companies, Fuller & Thaler's authority to trade securities are limited by certain federal securities and tax laws.



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

Fuller & Thaler exercises its voting authority in a manner that will maintain or enhance shareholder value of the companies in which it has invested client assets. Unless a client specifically reserves the right, in writing, to vote its own proxies, Fuller & Thaler will vote all proxies in accordance with this policy.

Fuller & Thaler maintains guidelines on how to vote proxies and has hired an independent third-party vendor, Institutional Shareholder Services Inc. (“ISS”), to assist it in fulfilling its proxy voting obligations.

All proxies are voted solely in the best interests of our clients. Shareholders and employees of Fuller & Thaler will not be unduly influenced by outside sources nor be affected by any conflict of interest regarding the vote on any proxy. Where a proxy proposal raises a material conflict between our interests and a client’s interests, Fuller & Thaler will rely on the recommendation of ISS to vote the proxy.

Clients can obtain a copy of Fuller & Thaler’s complete proxy voting policies and procedures upon request. Clients can also obtain information from Fuller & Thaler about how Fuller & Thaler voted any proxies on behalf of their account(s).

Clients for which Fuller & Thaler does not have the authority to vote securities generally will receive their proxies or other solicitations directly from their custodian. Clients can contact Fuller & Thaler with questions about a particular solicitation.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Fuller & Thaler’s financial condition. Fuller & Thaler 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.

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## Additional Disclosures

### Trade Error Policy

Should Fuller & Thaler cause a trading error in a client account, Fuller & Thaler will seek to place the client in the same position that it would have been in had the error not occurred.

### Prime Broker/Custodian Recommendation

Upon client request, Fuller & Thaler can recommend a prime broker/custodian it uses. There is no requirement that a client use the prime broker/custodian Fuller & Thaler recommends. Such recommendations do not take into account factors such as transaction fees, custodial fees charged by the broker for holding securities for the client, commission rates, interest charges on debit balances and interest credits on credit balances, quality of execution, record-keeping and reporting capabilities, and research services. It may be the case that the recommended prime broker/custodian charges a higher fee than can be obtained from another prime broker/custodian.

### Class Actions

Fuller & Thaler will file a class action settlement claim on behalf of any eligible client accounts unless directed otherwise by a client. Should a client account be eligible for participation in a class action, Fuller & Thaler will file a claim so long as the recognized loss is greater than a de minimis amount as determined in Fuller & Thaler's sole discretion. The recognized loss is calculated pursuant to the plan of allocation formula contained in a class action notice. Fuller & Thaler does not assess the merits of a claim nor does it consider objections to, or exclusions from, a class action.

Fuller & Thaler will file a claim for eligible limited partnerships and other pooled investment vehicles it sponsored that have been liquidated. Other than limited partnerships and other pooled investment vehicles it previously sponsored, Fuller & Thaler does not file claims on behalf of former clients as it no longer has any authority to act on behalf of such former clients.

Upon receipt of settlement proceeds in connection with filed claims, Fuller & Thaler will forward them to the appropriate custodian for deposit into a client account. For former clients, Fuller & Thaler will use commercially reasonable efforts to forward them to the former client. For closed funds, Fuller & Thaler will use commercially reasonable efforts to allocate and distribute the proceeds that are greater than a de minimis amount to the investors of record as of the liquidation date. A determination of whether an amount is

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greater than a de minimis amount will be made at Fuller & Thaler's sole discretion and is subject to change at any time. In the event Fuller & Thaler is unable to contact or locate a former client or investor or determines the proceeds constitute a de minimis amount, Fuller & Thaler will retain the proceeds.

#### Global Investment Performance Standards

Fuller & Thaler claims compliance with the Global Investment Performance Standards (GIPS®). Fuller & Thaler has been independently verified for the periods 1/1/92 through 6/30/19. The verification report and a complete list and description of firm composites and/or policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request by clients and prospective clients.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

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