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**BBVA WEALTH SOLUTIONS, INC.**

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**Investment Adviser Wrap Fee Program Brochure  
FORM ADV, Part 2A, Appendix 1**

**BBVA WEALTH SOLUTIONS INTERNATIONAL MANAGED  
INVESTMENT PROGRAM**

**March 30, 2020**

**This wrap fee program disclosure brochure provides information about the qualifications and business practices of BBVA Wealth Solutions, Inc. If you have questions about the contents of this brochure, please contact us by telephone at 713-552-9277 or toll free at 800-538-8152. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Additional information about BBVA Wealth Solutions, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**You should read and carefully consider the information contained in this brochure before retaining BBVA Wealth Solutions, Inc. to provide any of the services described in this brochure. BBVA Wealth Solutions, Inc. is a registered investment adviser with the SEC. Our registration as an investment adviser does not imply any level of skill or training.**

## Material Changes

### What is in this Current Brochure

This March 30, 2020 version of the Wrap Fee Program Brochure for the BBVA Wealth Solutions International Managed Investment Program (the “March 2020 Updated Program Brochure”) updates, amends and replaces the Wrap Fee Program Brochure for the BBVA Wealth Solutions International Managed Investment Program dated March 29, 2019 (the “March 2019 Program Brochure”). The rules of the Securities and Exchange Commission (“SEC”) require that investment advisers registered with the SEC under the Investment Advisers Act of 1940 provide their clients with various disclosures under Form ADV. This document is designed to comply with the requirements of Form ADV Part 2A and Part 2A – Appendix 1. This March 2020 Updated Disclosure Brochure serves as an updated amendment as required by the SEC.

This disclosure brochure addresses only the BBVA Wealth Solutions International Managed Investment Program. If you would like to obtain information concerning other programs sponsored and offered by BBVA Wealth Solutions, Inc., you may download our other brochures from the SEC website as indicated above or by contacting the firm at 713-552-9277 or toll free at 800-538-8152 or at the following e-mail address: [bws@bbvawealthsolutions.com](mailto:bws@bbvawealthsolutions.com).

### Summary of Material Changes to the March 2019 Program Brochure

We have summarized below the material changes to our March 2019 Disclosure Brochure that appear in this March 2020 Updated Program Brochure. The summary appearing below describes only changes to the assets we manage since our March 2019 Disclosure Brochure update.

- We have updated our “assets under management” information (see “**Services, Fees and Compensation – Advisory Business** - *The Assets We Manage*”).
- We have updated the March 2019 Disclosure Brochure to reflect the removal of the SmartPath International UMA portfolios from our platform (see the discussion of “**Advisory Business**,” “**Our Wrap Fee Programs**” and “**The Advisory Services We Provide**” under the heading “**Services, Fees and Compensation**”).

### How to Obtain a Current Brochure

If you would like another copy of this disclosure brochure, please download it from the SEC website as indicated above or you may contact the firm directly by telephone at 713-552-9277 or toll free at 800-538-8152 or by email at [bws@bbvawealthsolutions.com](mailto:bws@bbvawealthsolutions.com).

## Table of Contents

	<u>Page</u>
<b>Material Changes</b> .....	ii
What is in this Current Brochure .....	ii
Summary of Material Changes to the March 2019 Program Brochure .....	ii
How to Obtain a Current Brochure .....	ii
<b>Services, Fees and Compensation</b> .....	1
Advisory Business .....	1
Our Wrap Fee Programs .....	2
The Advisory Services We Provide .....	4
The Types of Investments We Make .....	8
Fees and Compensation .....	13
Program Fee .....	13
Performance-Based Fees and Side-By-Side Management .....	19
<b>Account Requirements and Types of Clients</b> .....	19
Types of Clients .....	20
Requirements and Conditions to Establish an Account With Us .....	20
<b>Portfolio Manager Selection and Evaluation</b> .....	21
Methods of Analysis and Sources of Information .....	21
Risk of Loss .....	23
Performance Calculation and Information .....	23
<b>Client Information Provided to Portfolio Managers</b> .....	24
<b>Client Contact With Portfolio Managers</b> .....	24
<b>Additional Information</b> .....	25
Disciplinary Information .....	25
Other Financial Industry Activities and Affiliations .....	25
Code of Ethics .....	26
Brokerage Practices .....	28
Review of Accounts .....	29
Client Referrals and Other Compensation .....	31
Custody .....	32
Voting Client Securities (i.e., Proxy Voting) .....	34
Financial Information .....	34
Conflicts of Interest .....	34
<b>Requirements for State-Registered Advisers</b> .....	39

## Services, Fees and Compensation

**This section provides information about, among other things, our ADVISORY BUSINESS, including the advisory services we provide under the Program described in this Brochure, our FEES AND COMPENSATION in connection with the Program described in this Brochure, and regarding whether we engage in PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT arrangements.**

### **Advisory Business**

BBVA Wealth Solutions, Inc. (referred to below as “BWS,” the “Manager,” or as “we” or “us” or “our” as appropriate) is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). Our registration as an investment adviser does not imply any level of skill or training. We provide various investment advisory services with respect to individually managed advisory accounts and portfolio management. This Brochure provides information regarding BBVA Wealth Solutions International Managed Investment Program which offers clients the following wrap fee programs (the “Programs”) which are sponsored by us for our investment advisory clients: (1) the SmartPath Diversified International Portfolios Program (the “Portfolios Program”) and (2) the International Model Strategies Program (the “Model Strategies Program”). Information concerning other programs sponsored and offered by BBVA Wealth Solutions, Inc. is contained in separate disclosure brochures which may be downloaded from the SEC website as indicated above or by contacting the firm directly at 713-552-9277 or toll free at 800-538-8152 or at the following e-mail address: [bws@bbvawealthsolutions.com](mailto:bws@bbvawealthsolutions.com).

**We do not offer tax or legal advisory services. You should seek outside counsel for tax or legal advisory services.**

### *Our History and Owners*

The Manager was established in June 1996 and was originally known as Stavis Margolis Advisory Services, Inc. In 2005, the Manager was acquired by Compass Bank (now known as BBVA USA), a state-chartered banking institution, which became the Manager’s sole shareholder. In 2007, BBVA USA’s parent company was acquired by Banco Bilbao Vizcaya Argentaria, S.A., a publicly-traded multi-national banking organization based in Spain that does business under the name “BBVA.” In recognition of our affiliation with BBVA, in 2009 the Manager changed its name to BBVA Wealth Solutions, Inc. Today, we remain a 100%-owned subsidiary of BBVA USA and an indirect 100%-owned subsidiary of BBVA.

### *The Assets We Manage*

As of December 31, 2019, (a) we managed approximately \$602,472,185 in assets under the Programs for clients, all of which was managed on a discretionary basis, and (b) we managed through all of our investment advisory programs (including the Programs) approximately \$1,107,966,423 in assets for clients on a discretionary basis.

**Please Note: All dollar values stated in this Disclosure Brochure are in United States dollars.**

### **Our Wrap Fee Programs**

#### *SmartPath® Diversified International Portfolios Program*

The Portfolios Program is an asset allocation program offering clients the opportunity to receive portfolio management services that take into account each client's own financial situation, retirement goals and investment risk tolerance. If you participate in the Portfolios Program, your assets will be invested principally in a portfolio of securities selected by us. Specifically, your assets will be invested in one or more SmartPath Diversified International Model Portfolios managed by us. The SmartPath Diversified International Model Portfolios are comprised of mutual funds, exchange-traded funds and similar pooled investment vehicles (collectively, "Funds") selected by Manager's Diversified International Model Portfolios Team.

A portion of your portfolio will be invested in money market mutual funds or other short-term investment vehicles selected by us from time to time as representing an appropriate allocation of your portfolio to "cash equivalents."

#### *International Model Strategies Program*

The Model Strategies Program is a discretionary asset allocation program offering clients access to certain model portfolios ("Third-Party Model Strategies") developed and maintained by investment management firms other than us ("Third-Party Model Strategists"). Third-Party Model Strategists will include both fully independent third-party managers or one or more of our affiliates. Currently, we offer the Franklin Templeton Income Model Portfolio from Franklin Advisers, Inc. ("Franklin"), a portfolio of US Dollar-denominated, offshore mutual funds.

With the assistance of our representative (the "Financial Consultant"), you will be asked to complete an Investment Profile Questionnaire (the "Investor Profile"). The Investor Profile will provide us with information concerning, among other things, your financial

situation, retirement goals and investment risk tolerance. If we determine, based on the Investor Profile, that participation in the Programs is appropriate for you, we will recommend one or more of the investment strategies and assist you in identifying the products and investment options available in the Programs to help you pursue your investment objective and goals. It is your sole responsibility to determine whether to participate in the Programs and, if applicable, whether to accept or reject our recommended investment. In making such determination, you should consider all of your assets, income and investments.

In determining whether a wrap fee program is appropriate for you, the Firm will consider, among other factors, your need for a professionally managed account as compared to a traditional transaction-based brokerage account, the anticipated allocation of your assets to cash and cash equivalents, your anticipated frequency of trading activity and the anticipated costs of such activity if conducted in a brokerage account versus the bundled service fees applicable to wrap fee accounts. We will contact you, at least annually, to inquire whether there have been any changes in your financial situation, risk tolerance, investment objectives or investment needs. If there have been any changes to your financial situation in the interim, please contact us so that we can review your account and determine the appropriate investments for your account with us.

The Financial Consultant will also be a registered representative of our affiliate, BBVA Securities Inc., a registered broker-dealer and member FINRA & SIPC. Through BBVA Securities Inc. and its BBVA Investments division, as introducing broker, you will establish an account with a clearing broker that will serve as the "Program Custodian," (currently Pershing LLC). In many cases, the Financial Consultant also will be a licensed insurance representative of another of our affiliates, BBVA Insurance Agency, Inc. ("BIA"), a licensed insurance agency. In some cases, the Financial Consultant, in his or her capacity as a registered representative of BBVA Securities Inc., will recommend mutual funds, variable annuities or other securities products other than those available through the Program. In some cases, in his or her capacity as a licensed insurance agent of BCIA, the Financial Consultant will recommend fixed annuities or other insurance products. You should be aware that the Financial Consultant will receive compensation in connection with sales resulting from such recommendations.

*Note: The identification in this Disclosure Brochure of any person or firm (including us, BBVA Securities, Inc. and Pershing, and our and their respective representatives) as "registered" or "licensed" does not imply any level of skill or training.*

We will receive compensation in the form of periodic fees based on a percentage of assets under management. Certain other fees, charges and expenses and additional forms of compensation will apply.

## **The Advisory Services We Provide**

The types of services we provide to you will differ, in some cases significantly, based upon the investment program selected.

### *SmartPath® Diversified International Portfolios Program*

The Portfolios Program is an asset allocation program offering the client the opportunity to receive portfolio management services based on a SmartPath International Model Portfolio maintained by Manager. The SmartPath Diversified International Model Portfolios are composed of Funds selected by Manager's Diversified International Model Portfolios Team. Typically, the Funds utilized in the SmartPath Diversified International Model Portfolios are "offshore" funds ("Offshore Funds"), but in some instances Manager will choose to invest in U.S. Funds, including U.S.-registered mutual funds, U.S.-registered exchange-traded funds and similar U.S. pooled investment vehicles (collectively, "U.S. Funds").

We will assist you in selecting the appropriate SmartPath Diversified International Model Portfolio, monitoring results and making ongoing investment management changes or adjustments, taking into account investment performance and changes to your personal financial circumstances or goals known to us. We provide investment advisory services, while BBVA Securities Inc. and the Program Custodian provide securities execution, custodial and other administrative services.

Currently, the following model portfolios (the "Model Portfolios") are available to clients participating in the Portfolios Program:

- **RF3** --The main objective of this portfolio is conservative capital growth over the long term by investing in fixed income assets with a global approach and with moderate volatility. Manager seeks to achieve this objective by allocating across various fixed income Funds, including money market funds, diversified across global markets and currencies.
- **RF5** – The main objective of this portfolio is moderate capital growth over the long term by investing in fixed income assets with a global approach and moderately higher volatility. Manager seeks to achieve this objective by allocating across various fixed income Funds, including money market funds, diversified across global markets and currencies.
- **EC25** – The main objective of this portfolio is moderately higher growth by investing in global fixed income assets while also pursuing potential capital appreciation by investing in global equities with higher volatility. Manager seeks to achieve this objective by allocating across various Funds, diversified across global markets and currencies and providing varying levels of exposure to global fixed income investments, including money market funds, and global equity investments and alternative investments (including commodities). Typically, global equity and alternative investment exposure will comprise twenty-five percent (25%).

- **EC50** – The main objective of this portfolio is capital growth over the long term with a balanced portfolio accepting greater return volatility. Manager seeks to achieve this objective by allocating across various Funds, diversified across global markets and currencies and providing varying levels of exposure to global fixed income investments, including money market funds, and global equity investments and alternative investments (including commodities). Typically, global equity and alternative investment exposure (50%) and global fixed income exposure (50%) will be relatively equal.
- **EC75** – The main objective of this portfolio is capital growth over the long term with a blended portfolio with a higher degree of volatility. Manager seeks to achieve this objective by allocating across various Funds, diversified across global markets and currencies and providing exposure to global equity investments and alternative investments (including commodities). Typically, global equity and alternative investment exposure will comprise seventy-five percent (75%) and global fixed income exposure twenty-five percent (25%).
- **RV** – The main objective of this portfolio is maximizing capital appreciation. The portfolio will have a high degree of return volatility. Manager seeks to achieve this objective by allocating across various Funds, diversified across global markets and currencies and providing exposure to global equity investments and alternative investments (including commodities). Typically, exposure to global equity investments and alternative investments will comprise one-hundred percent (100%), or close to one-hundred percent (100%), of the portfolio.
- **RV US** -- The main objective of this portfolio is maximizing capital appreciation through exposure to U.S. equity markets. The portfolio will have a high degree of return volatility. Manager seeks to achieve this objective by allocating across different U.S. equity-based Funds, alternative investments and cash. Typically, exposure to U.S. equity investments and alternative investments will comprise one-hundred percent (100%), or close to one-hundred percent (100%), of the portfolio.

We will establish and change from time to time the weightings for appropriate types of investments (for example, equity, fixed income and cash equivalents) for each Model Portfolio. See below under “**The Types of Investments We Make**” for additional information concerning the types of investments that will be purchased for the Model Portfolios.

You will grant us full investment discretion consistent with the objectives of the Portfolios Program and your Portfolios Program account. This will give us full authority, without your prior approval and without prior notice, to change the target allocations and the Funds and other assets comprising the respective Model Portfolios and to buy and sell assets within your account to correspond to changes in the Model Portfolios. However, the Model Portfolio or Portfolios in which your assets are invested will not be changed without your prior approval.



We also will have the discretionary authority to purchase, sell or exchange assets in order to rebalance the investments within your account to the extent necessary to maintain the target allocation of the Model Portfolios, taking into account changes in the market value of the securities or other investments, income, realized or unrealized gains and other factors and any minimum “tolerances” established by us from time to time for the Model Portfolios (“Target Allocation Tolerances”). We will not be obligated to rebalance the investments within your account more frequently than quarterly or, in any event, unless the variance between the current allocation and the target allocations established for the Portfolios Program exceed the applicable Target Allocation Tolerances.

#### *International Model Strategies Program*

The **Model Strategies Program** is an asset allocation program offering access to certain Third-Party Model Strategies developed and maintained by Third-Party Model Strategists in which we maintain discretion over the assets your account. Third-Party Model Strategists will include both fully independent third-party managers or one or more of our affiliates. We will assist you in determining whether one or more Third-Party Model Strategies is appropriate for you based on your Investor Profile and we are responsible for monitoring the results obtained by the Third-Party Model Strategy. We provide investment advisory services to you and obtain the model portfolio from the Third-Party Model Strategist, while the Program Custodian provides securities order-entry, execution and clearance services, custodial services and other administrative services, all for a single wrap fee. As discussed above (see “**Our Wrap Fee Programs**”), BBVA Securities Inc., our affiliated broker-dealer, acts as introducing broker for the Program Custodian and performs certain administrative functions relating to the client’s participation in the Model Strategies Program.

You grant us full trading authority over your Model Strategies Program account consistent with your investment objective, but ordinarily we will exercise our investment discretion solely to buy and sell assets within the account to correspond to changes in the selected Third-Party Model Strategy based on the recommendations from the Third-Party Model Strategist. In some cases, however, the actual holdings and allocations within your account will not match precisely the holdings and allocations recommended by the Third-Party Model Strategist, including that we will, in our discretion, determine to utilize a Fund or Funds other than that recommended by Third-Party Model Strategist but which we determine is comparable. In all cases, we will have full authority to make purchases and sales without your prior approval and without prior notice to you. However, the Third-Party Model Strategy in which your assets are invested will not be changed without your prior approval.

We also will have the discretionary authority to direct the purchase, sale or exchange of assets in order to rebalance the investments within the account as necessary to maintain the target allocation for the selected Third-Party Model Strategy established

by the Third-Party Model Strategist from time to time, taking into account changes in the market value of the securities or other investments, income, realized or unrealized gains and other factors and minimum "tolerances" established by the Third-Party Model Strategist from time to time, and any minimum rebalancing intervals established by the Third-Party Model Strategist from time to time. The Third-Party Model Strategist does not exercise discretionary authority over your account, does not serve as your portfolio manager and does not provide investment advice based on the client's individualized financial situation, needs or objectives. You must establish a separate Program account for each Third-Party Model Strategy you choose. Currently, we offer the Franklin Templeton Income Model Portfolio, as described below.

### **Important Tax Information Related to Your Investments**

In managing your account, we will not take into account the possible tax impact on your assets held under the Program or elsewhere. Among other things, you should be aware (a) that, under certain circumstances, transactions occurring within your Program account will be or become subject to taxation in the United States, and (b) we will provide investment advisory services hereunder without regard to the possible tax effects on you, your Program assets or other assets you hold, including any potential income tax or estate tax consequences under United States laws, under the laws where you live or under any other country's or jurisdiction's laws. We have included some information for your general reference. **HOWEVER, WE DO NOT PROVIDE TAX ADVICE AND YOU ARE RESPONSIBLE FOR OBTAINING ADVICE FROM A QUALIFIED TAX PROFESSIONAL REGARDING THE CONSEQUENCES OF PARTICIPATING IN THE PROGRAM, INCLUDING IN CONNECTION WITH THE INVESTMENTS HELD IN YOUR PROGRAM ACCOUNT FROM TIME TO TIME.**

#### **U.S. Tax Reporting**

As a U.S. broker-dealer, the Program Custodian is required to report to the U.S. Internal Revenue Service ("IRS") once a year on Form 1042-S all "US source income" for each Program account at the firm. "US source income" is, in general terms, defined under U.S. tax regulations as dividend or interest income earned on securities issued by U.S. companies or U.S. registered mutual funds or exchange-traded funds. Also, interest earned on U.S. Treasury securities and Eurobonds issued by U.S. companies are "US source income." Hence, to the extent that you have dividends or interest from U.S. companies or U.S. government agencies, the amount will be included in the brokerage firm's annual report to the IRS.

In contrast, "foreign source of income" is dividend or interest earned on securities issued by non-U.S. companies, including non-U.S. registered mutual funds, etc. Dividend or interest income paid on non-U.S.-securities in your Program account is not reported to the IRS. It is necessary that you have on file as part of your Program

account documentation, IRS Form W-8 (which certifies that your account is not owned by a U.S. citizen or resident).

### U.S. Tax Withholding

As a U.S. broker-dealer, the Program Custodian is required to withhold income tax on "US source of income".

- *Dividends:* Under U.S. tax treaties in place with other countries, dividends earned on U.S. securities in your U.S. account will be subject to a tax withholding (which means that a portion of each dividend payment is deducted by the Program Custodian and sent to the IRS).
- *Interest:* Interest earned on bonds issued by U.S. companies (including Eurobonds) or by the U.S. Treasury or other U.S. government agency is exempt from U.S. withholding tax provided the original issue date of the bond is after July 1984.

However, even though there is no U.S. tax withheld on interest earned on U.S. bonds issued by U.S. companies, the U.S. Treasury or other U.S. government agencies, as noted above, the interest earned on such securities must be reported to the IRS in respect of your account by the Program Custodian on their annual report on Form 1042-S.

### U.S. Estate Tax

Certain classes of assets located in the United States, even those which are beneficially owned by non-U.S. citizens who do not reside in the United States, could be subject to U.S. estate tax.

## **The Types of Investments We Make**

### ***SmartPath® Diversified International Portfolios Program***

The Portfolios Program provides clients portfolio management services based on the Model Portfolios maintained by us. The Model Portfolios are comprised of Funds (as defined above) selected by our Diversified International Model Portfolios Team. Typically, the Funds utilized in the Model Portfolios are Offshore Funds (as defined above), but in some instances we will choose to invest in U.S. Funds (as defined above).

We seek to broadly diversify the Model Portfolios across various factors. In the case of Model Portfolio RF3 and Model Portfolio RF5, we pursue the portfolio's objective by allocating across fixed income Funds, including money market funds, diversified across global markets and currencies. In the case of Model Portfolio EC25, EC50 and

EC75, we pursue the portfolio's objective by allocating across various Funds, diversified across global markets and currencies and providing varying levels of exposure to global fixed income investments, including money market funds, and global equity investments and alternative investments (including commodities). In the case of Model Portfolio RV, we pursue the portfolio's objective by allocating across various Funds, diversified across global markets and currencies and providing exposure to global equity investments and alternative investments (including commodities). Finally, in the case of Model Portfolio RV US, we pursue the portfolio's objective by allocating across U.S. equity Funds and alternative investments (including commodities).

### ***International Model Strategies Program***

#### **Franklin Templeton Income Model Portfolio**

The Franklin Templeton Income Model Portfolio will manage a portfolio of US Dollar-denominated, offshore mutual funds selected by Franklin as the Third-Party Model Strategist with a primary goal of generating current income and a secondary objective of capital appreciation.

#### **Investment Risks**

- Equity investments are highly volatile and are subject to stock market risk, with the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- Bond and interest rates have an inverse relationship. For example, when interest rates rise, bond prices fall.
- Model Portfolios that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. As a result, investment in junk bonds will expose clients to a higher level of volatility and increased risk of default.
- International investing involves special risks including greater economic and political instability, as well as currency fluctuation risks, which can be even greater in emerging markets.
- Investments in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure and are not as well-established as larger blue chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.
- Investments in real estate have various risks including possible lack of liquidity and devaluation based on adverse economic and regulatory changes.

- The price of commodities, such as gold and currency, is subject to substantial price fluctuations of short periods of time and are affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing can lead to higher price volatility.

#### *Selected Information Regarding Fund Investments*

Certain types of pooled investment vehicles that are offered or sold in the United States are regulated under, and registered with the U.S. Securities and Exchange Commission ("SEC") pursuant to, a U.S. federal law known as the Investment Company Act of 1940 (the "U.S. Investment Company Act"). Investments in Funds are subject to various fees, charges and expenses which will be borne by you and that are in addition to the Program Fee. See below under "Fees and Compensation."

#### Offshore Funds

For our Portfolios Program and the Model Strategies Program we will typically purchase Offshore Funds, rather than U.S. Funds. Offshore Funds are similar in many respects to U.S. mutual funds, ETFs and money market mutual funds (see below under "U.S. Funds"), but are not registered as securities in the United States, are domiciled and operate outside of the United States and are only available to persons and entities that do not qualify as "U.S. Persons" under the U. S. tax laws. The Offshore Funds we will purchase for Program accounts will function very similarly to their U.S. counterparts in terms of structure, investments, operations, risks and costs. In most cases we will utilize various Offshore Funds that are structured similarly to U.S. mutual funds. Accordingly, the purchase and sale of shares for Program accounts will be at the then current net asset value ("NAV") of the shares as calculated by the applicable fund.

Under some circumstances, we will utilize Offshore Funds that are structured similarly to U.S. exchange-traded funds. In those cases, the purchase of the fund will be an on-going basis and the market determines prices. Investors can buy and sell shares at any time that the markets are open. Accordingly, there is a potential for trading to occur at prices other than the NAV. In addition, typically a brokerage commission will be incurred by affected Program accounts in connection with the purchase of shares of exchange-traded funds.

Offshore Funds are not available to U.S. citizens or persons living in the United States and, dependent on the country of domicile of the fund, will not be available to persons who reside in certain countries.

Equity-based Offshore Funds are subject to risks similar to those of stocks. Fixed-income Offshore Funds are subject to risks similar to those of bonds, but also are subject to certain risks similar to those of publicly-traded equity securities. Fixed income risks include credit risk, interest rate risk and prepayment risk. Offshore

Funds that invest in foreign (non-U.S.) securities have unique and greater risks than mutual funds that invest only in U.S. domestic securities. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, will be worth more or less than their original cost. **Past performance is no guarantee of future results.**

Some exchange-traded funds that seek to track the performance of a corresponding index by either replicating the securities in the index or by holding a representative sample of the securities in the index. Typically, the expenses of index-based exchange-traded funds are lower than the expenses of actively managed funds, which generally have higher management fees and brokerage expenses. However, typically brokerage commissions will be incurred in connection with those transactions.

In some cases, we will purchase shares of Offshore Funds that seek to provide current income while maintaining a stable value per share and liquidity by investing in short-term, high quality money market instruments ("Offshore Stable Value Funds"). While similar in some respects to U.S. money market mutual funds, such Offshore Stable Value Funds will not be subject to the same level of regulations and restrictions applicable to U.S. money market mutual funds. Like a U.S. money market fund, however, there is no assurance that an Offshore Stable Value Fund will be able to maintain a stable value and it is possible to lose money by investing in an Offshore Stable Value Fund.

### U.S. Funds

**Mutual Funds.** U.S. mutual funds are investment companies that are registered under the U.S. Investment Company Act. Typically, mutual funds are managed by investment advisers who research, select and monitor the securities held in the fund. Mutual funds sell and redeem their shares at NAV. Equity-based mutual funds are subject to risks similar to those of stocks. Fixed-income mutual funds are subject to risks similar to those of bonds, but also are subject to certain risks similar to those of publicly-traded equity securities. Fixed income risks include credit risk, interest rate risk and prepayment risk. Mutual funds that invest in foreign (non-U.S.) securities have unique and greater risks than mutual funds that invest only in U.S. domestic securities. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, will be worth more or less than their original cost. **Past performance is no guarantee of future results.**

**ETFs:** ETFs are investment companies that are registered under the U.S. Investment Company Act and typically have the flexibility of intraday trading. Typically, ETFs seek to track specific domestic or foreign market indices, and can provide investors with diversification, certain tax and cost efficiencies and liquidity. Generally,

because ETF shares are traded on an on-going basis, the market determines prices and investors can buy and sell shares at any time that the markets are open. Since ETFs are priced continuously by the market, there is a potential for trading to occur at prices other than the NAV.

An index-based ETF seeks to track the performance of its corresponding index by either replicating the securities in the index or by holding a representative sample of the securities in the index. Typically, the expenses of an ETF are lower than the expenses of actively managed mutual funds, which generally have higher management fees and brokerage expenses. However, investors who buy and sell ETF shares in the secondary market generally pay brokerage commissions in connection with those transactions.

Equity-based ETFs are subject to risks similar to those of stocks. Fixed-income ETFs are subject to risks similar to those of bonds, but also are subject to certain risks similar to those of publicly-traded equity securities. Fixed income risks include credit risk, interest rate risk and prepayment risk. ETFs that invest in foreign (non-U.S.) securities have unique and greater risks than ETFs that invest only in U.S. domestic securities.

Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, will be worth more or less than their original cost. **Past performance is no guarantee of future results.**

**Money Market Mutual Funds.** Money market mutual funds are investment companies that are registered under the U.S. Investment Company Act, which, like other mutual funds, are managed by investment advisers that select and monitor the securities held in the fund and sell and redeem their shares at NAV.

*An investment in a money market mutual fund is not insured or guaranteed by the United States Government, the Federal Deposit Insurance Corporation or any other governmental agency. Money market mutual funds seek to maintain the value of investments made in the funds at \$1.00 per share; however, it is possible to lose money by investing in a money market mutual fund.*

#### *Prospectuses and Other Disclosure Documents*

Where we exercise full investment discretion over your Program account, you will authorize us to receive prospectuses and offering circulars, offering memoranda, disclosure statements and other offering documents ("Investment Disclosure Documents") on your behalf. Nonetheless, in most instances, you will be provided the prospectus for any registered Fund purchased for your Program account. You will receive copies of the disclosure documents we receive by contacting us.

## **Fees and Compensation**

Please Note: All dollar values in this Disclosure Brochure are stated in United States dollars.

### *Program Fee*

Under each of the Programs, the client will be obligated to pay a periodic fee based on a percentage of assets under management (the “Wrap Fee”). Except as noted in this Program Brochure, the Wrap Fee encompasses our asset allocation and investment management services, as well as brokerage commissions and other transaction costs for transaction executed through the Program Custodian, all monitoring and reporting services and all custodial services associated with participation in the applicable Program.

### **SmartPath® Diversified International Portfolios Program**

<u>Level of Total Assets in Account</u>	<u>Annual Fee</u>
Below \$500,000	1.35%
From \$500,000 to \$1,000,000	1.20%
From \$1,000,000 to \$2,000,000	1.10%
More than \$2,000,000	1.00%

### **International Model Strategies Program**

<u>Level of Total Assets in Account</u>	<u>Annual Fee</u>
Below \$500,000	1.35%
From \$500,000 to \$1,000,000	1.20%
From \$1,000,000 to \$2,000,000	1.10%
More than \$2,000,000	1.00%

Under certain circumstances in our discretion (including for promotional purposes), we will negotiate the level of the Wrap Fee and/or the applicable asset thresholds or we will agree to waive a portion of the Wrap Fee.

The foregoing asset-based fees are calculated and payable in advance based on the market value of the assets under management in the client’s account as of the end of the immediately preceding quarter. For example:

- For Portfolios Program and Model Strategies Program accounts, if, as of the end of a calendar quarter, the total market value of the assets in the client’s account equaled \$510,000, the applicable Wrap Fee for the succeeding calendar quarter



would be calculated based on an annual rate of 1.20% (i.e., 0.30% for the quarter). If at the end of the next calendar quarter, the total market value of the assets in the client's Portfolios Program account had declined to \$495,000, the applicable Wrap Fee for the succeeding calendar quarter would be calculated based on an annual rate of 1.35% (i.e., 0.3375% for the quarter)

*Assets in accounts maintained by you with us, or any of our affiliates, other than assets in Program accounts, will not be taken into account in calculating the asset thresholds for purposes of determining the applicable Program Fee.*

#### *What is Covered by the Wrap Fee?*

We and our affiliate, BBVA Securities Inc., will designate a clearing brokerage firm to act as custodian for client assets held under the Program (the "Program Custodian"). Currently, Pershing LLC, member FINRA and SIPC, serves as Program Custodian. BBVA Securities Inc., through its BBVA Investments division, acts as introducing broker for Pershing LLC. By participating in the Programs, you agree that custody of your Program assets will be held by the Program Custodian and that the securities transactions within your Program account will be executed through the Program Custodian, as clearing broker. We reserve the right, however, to execute transactions through a broker-dealer other than the Program Custodian when the transaction cannot be executed through the Program Custodian due to regulatory or other constraints.

Except as noted below, a single fee (i.e., the Wrap Fee) includes and encompasses all our asset allocation and investment management services, as well as all brokerage commissions and other transaction costs for transactions executed through the Program Custodian on an agency basis, all monitoring and reporting services and all custody services associated with participation in the Program. The Program Custodian's compensation will be paid out of the Wrap Fee. **However, you will incur certain additional charges and expenses and we and our affiliates will receive additional compensation as described below.**

#### *Householding of Account Balances*

Under certain circumstances approved by us, clients maintaining Program accounts will be permitted to combine (household) the balances maintained by them and their immediate family members in other Program accounts for purposes of determining the level of total assets criteria applied in calculating their Wrap Fees. A "household" is generally a group of accounts having the same address of record, subject to certain rules. The accounts which will be househanded are subject to our approval.

Currently, clients have the opportunity to combine their Program accounts for purposes of determining the total assets criteria applied in calculating the Wrap Fees applicable to their Program accounts.

*Assets in accounts maintained by you with us, or any of our affiliates, other than assets in Program accounts, will not be taken into account in calculating the asset thresholds for purposes of determining the applicable Wrap Fee.*

### *Fee Billing*

The Wrap Fee will be payable quarterly in advance and will be based on the market value of all assets in your Program account as of the close of business on the last business day of the preceding calendar quarter (the "Valuation Date"). Adjustments to the Wrap Fee are made quarterly (for the previous quarter) for net flows of \$5,000 or more and these adjustments will be prorated based upon the dates of the withdrawal(s) and/or contributions(s). If management of your account commences on a day other than the first business day of a calendar quarter, Wrap Fee billing will proceed from the date the account is turned over for management under the Program and the Wrap Fee, which will be paid in advance, will be prorated through the end of the calendar quarter.

The Wrap Fee is charged on an annualized calculation methodology and collected from the client in advance on a quarterly basis.

Under the terms of the Investment Management Agreement you sign with us, you will authorize and direct the Program Custodian to automatically deduct the Wrap Fee from the assets in your Program account when due as instructed by us or BBVA Securities Inc. on our behalf. The payment of the Wrap Fee will be reflected on the next account statement sent to you by the Program Custodian. Your responsibility for payment of the deducted amounts will be satisfied once the Program Custodian deducts the full amount of a periodic Wrap Fee from your Program account.

In our discretion, a portion of the assets of your Program accounts will be held in liquid investments or cash to cover the payment of fees and Fund redemption fees, if any.

The assets in your Program accounts that are invested in shares of Funds, including money market mutual funds and/or other short-term investment vehicles, will be included in calculating the value of the assets of your accounts for purposes of computing the Wrap Fee. Those same assets also will be subject to advisory and other fees, other charges and operating expenses applicable to such Funds.

If you open your Program account with securities previously purchased through BBVA Securities Inc. (including its BBVA Investments division) or one of its representatives, BBVA Securities or one or more of its representative, or both, will already have received commissions on the purchase. Similarly, if you open a Program account with cash proceeds from the sale of securities through BBVA Securities Inc. (including its BBVA Investments division) or one of its representatives, BBVA Securities Inc. or one or more of its representatives, or both, will have already received commissions on the sales.

If you or we terminate our Investment Management Agreement under the Program, we will refund to you the pro rata amount of any Wrap Fees that you prepaid from the date of termination through the end of the billing period.

#### *Third-Party Fees Covered by the Wrap Fee*

Under contractual arrangements between us and the Program Custodian, the Program Custodian has agreed to provide various administrative and overlay services, custody services and trade execution and clearance services for Program accounts. The fees payable to the Program Custodian for its services (the “Custodian Program Fees”) vary based on the aggregate level of assets invested in the Programs. The Custodian Program Fees are paid quarterly in advance from the Wrap Fees.

Unless otherwise indicated, the Wrap Fee also includes the fees of any Third-Party Model Strategist or other model provider(s) engaged to provide investment services for your Program account.

- *Franklin Templeton Income Model Portfolio* – We pay Franklin quarterly fees at an annual rate of 0.20% of the aggregate value of all Program accounts using the Franklin Templeton Income Model Portfolio. These fees will be paid out of the Wrap Fee the client pays to BWS.

#### *Charges and Expenses Not Covered by Program Fees*

Certain Securities Transaction Charges and Expenses. The Wrap Fee will not include, and you will separately incur and be responsible for, fees and charges associated with securities transactions imposed by regulatory authorities, ADR agency processing fees, electronic fund and wire transfer fees, SEC and exchange fees and transfer taxes, and any other charges imposed by law. Non-standard services fees incurred as a result of special request from the client, such as wiring funds or overnight mailing services, will be an expense of your Program account and will be deducted when incurred.

Certain Brokerage Commissions Are Not Covered. The Wrap Fee will cover the costs of brokerage commissions and other transaction fees executed through the Program Custodian on an agency basis. However, all other brokerage commissions and transaction costs will not be covered by the Wrap Fee and will be paid from the assets of your Program account, including the following:

- brokerage commissions on transactions effected through any broker or dealer other than the Program Custodian;
- dealer mark-ups, mark-downs and “spreads” (whether charged by BBVA Securities Inc., Program Custodian or any other broker-dealer for acting as principal); and

- any brokerage commissions or other charges, including any contingent deferred sales charges (“CDSC”), imposed upon the liquidation of “in-kind” assets that are transferred into client’s Program account and which we (in our discretion) determine to liquidate.

As noted above, the Wrap Fee does not cover transaction charges or other charges, including markups and markdowns, resulting from trades effected through or with a broker-dealer other than the Program Custodian. This is frequently referred to as “trading away” or “step out trades.” Step out trades result in commissions, mark-ups, or mark-downs. These trading costs, which are not covered by the Wrap Fee, will result in additional costs to you and will not be reflected on trade confirmations you receive or your account statements. Use of a broker-dealer other than the Program Custodian is at the direction of the Manager if deemed to provide appropriate execution of the particular trade.

Fund and Similar Commissions and Expenses. Typically, we will be able to purchase and sell U.S. Funds and similar Offshore Funds for your Program accounts without the payment of a front end load or sales charge or a contingent load or sales charge, including CDSC. However, in the event we determine that it is appropriate and desirable in the management of your Program assets to invest in one or more Funds that impose a front-end load or sales charge or a CDSC or other contingent load or sales charge, such loads or sales charges will be borne by your Program account. Since ETFs (including offshore ETFs) are priced continuously by the market, there is a potential for trading to occur at prices other than the ETF’s net asset value of “NAV.” Although it is anticipated that ETFs purchased for your Program account will not have front-end or deferred sales charges, a commission typically will be incurred by in connection with the purchase or sale of ETFs (either U.S. or Offshore), those commissions will be paid out of the Wrap Fee without additional cost to you. All or a portion of the ETF commission will be paid to one or more of our affiliates, including BBVA Securities Inc.

In some instances, Funds impose other fees in connection with the exchange of fund shares or in connection with the redemption of Fund shares prior to the Fund’s designated minimum holding period (“short-term redemption fees”). Any such exchange fees or short-term redemption fees will be borne by you and will be paid out of the assets of your Program account. Exchange fees and redemption fees will be incurred in connection with the periodic, routine reallocation and rebalancing of the assets of your Program account.

Also, all Funds (including load mutual funds purchased at NAV, without front-end or contingent loads or sales charges to the client’s Program account and money market mutual funds used for investment of cash balances) will have ongoing expenses that will be paid out of Fund assets and will impact the return received by your account. Specifically, Funds will be subject to various fees, charges and expenses of the

fund/investment vehicle or their sponsors, managers or distributors, including management fees, distribution expenses, custody fees, transfer agency fees, administration fees and similar fees and expenses. All such Fund fees, charges and expenses will be incurred by your Program account and will not be paid out of the Wrap Fee. A detailed explanation of these Fund fees and expenses is contained in each Fund's prospectus or other disclosure document. We will provide clients a copy of applicable Fund prospectus or other disclosure document upon request.

#### *Fund Investments Included in Calculation of Program Fees*

Assets of your Program account that are invested in shares of Funds, including money market mutual funds and/or other short-term investment vehicles, will be included in calculating the value of the assets of your Program account for purposes of computing the Program Fee. The same assets also will be subject to advisory fees, other charges and operating expenses applicable to such Funds.

#### *Additional Compensation We or Our Affiliates Will Receive*

We and/or one or more of our affiliates, including BBVA Securities Inc. and BBVA, will receive payments from various Funds (including some Funds used as investment options in one or more of the Programs and/or in which we invest account assets under one or more Programs), or from Fund sponsors, distributors and/or managers, in the form of sales, marketing and administrative support payments ("Provider Support Payments"). Provider Support Payments include sponsorship fees designed to defray costs associated with conferences, seminars, training and other educational events, due diligence events and other meetings ("Sponsored Events") that are attended by our employees and/or employees of our affiliates and, in some cases, certain of our clients and/or prospective clients. In addition, Funds and Fund sponsors, distributors or managers also provide promotional items, meals, entertainment and other items of value to our or our affiliates' representatives in conjunction with Sponsored Events. In some cases, the payment of Provider Support Payments will entitle a Fund or Fund sponsor, distributor or manager to conduct a presentation relating to their products and services. A conflict of interest is presented by the selection by us of a Fund for the Programs where Provider Support Payments or related benefits have been provided to, or are available to, us or our affiliate from such Fund or the sponsor, distributor or manager of such Fund. However, Provider Support Payments will not be based on the level of Fund shares purchased by Program accounts or the amount of assets of Program accounts held in a Fund, and the payment by or availability from any Fund or Fund sponsor, distributor or manager of Provider Support Payments or related benefits is not a condition for inclusion of a Fund in any of the Programs.

### *Disclosures Regarding Fee Rates*

You should be aware that the fees we charge for your participation in the Program will be higher or lower than those charged by others in the industry. You will be able to obtain the same or similar services from other advisers at lower or higher rates. In addition, you will be able to obtain some or all of the types of services available through us on an unbundled basis through other firms and, depending on the circumstances, the total amount of the separately paid fees will be lower or higher than the annual fees under the Program. Also note the Wrap Fee will be applicable to securities transferred into your Program account, even if you previously paid a commission or fee when purchasing those securities. Accordingly, you should consider whether it is appropriate to transfer such securities into your Program account.

### *The Compensation Our Representatives Receive*

Our representatives who recommend the Program to you will receive compensation as a result of your participation in the Program. See below under “**Additional Information – Client Referrals and Other Compensation**.” This compensation will be more than our representative would receive in the event you did not participate in the Program and instead obtained other services offered by us or with other advisers. As a result, our representatives have a financial incentive to recommend the Program over other programs and services offered by us or others.

### *Changes in Our Fee Schedules*

We are permitted to modify the fee schedule applicable to the Program at any time upon written notice to clients who will be impacted by the change.

### **Performance-Based Fees and Side-By-Side Management**

We do not charge so-called “performance-based fees,” which are advisory fees that are based on a share of capital gains on, or capital appreciation of, the funds or securities in the client’s account. Instead, our advisory fee compensation for management of your Program account is based on a percentage of the assets of your Program account. Fees based upon a percentage of assets managed in an account are not considered to be “performance-based fees.”

### **Account Requirements and Types of Clients**

<p><b>This section contains information regarding, among other things, the TYPES OF CLIENTS that are eligible for the Program and our ACCOUNT REQUIREMENTS (what you have to do to establish a Program account).</b></p>
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## **Types of Clients**

We provide services to, among others:

- Individuals, including high net worth individuals
- Trusts
- Corporations, “Private Investment Companies” or other business entities

The Programs are only available, however, to otherwise eligible clients who are not “U.S. persons” under applicable U.S. securities laws and regulations. The Programs are not available to U.S. pension or employee benefit plans or to individual retirement accounts under the U.S. Internal Revenue Code or to any person who is seeking to acquire investments through the Programs on behalf of or for the benefit of any such pension or employee benefit plan or individual retirement account.

## **Requirements and Conditions to Establish an Account With Us**

### *Minimum Investment*

The minimum investment amount to open an account in the Portfolios Program and Model Strategies Program is \$50,000 per portfolio. The minimum investment amount applies to each portfolio separately and clients are not permitted to combine their separate investments with the Programs for the purposes of satisfying the \$50,000 per portfolio minimum investment amount. The minimum investment amount will be negotiable in our discretion. The minimum investment must be in a form acceptable to us and Program Custodian.

### *Required Account Documentation*

In order to participate in the Program, you must complete an Investor Profile and sign an Investment Management Agreement with us appointing us as investment manager and granting us discretionary authority consistent with our role in connection with the Program in which you will participate. A single Investment Management Agreement will cover each of your Program accounts.

BBVA Securities Inc., through its BBVA Investments division, acts as introducing broker for the Program Custodian (Pershing LLC) in connection with the Programs. You also will need to execute the typical account opening documents required by BBVA Securities Inc. for new accounts. In addition, you will need to execute a document notifying the Program Custodian of the limited trading authority granted to us in connection with your Program accounts and agreeing to indemnify the Program Custodian for actions it takes in reliance on our trading instructions. The Investment Management Agreement, Investor Profile and other documents required to be

executed, completed or delivered by the client in connection with the applicable Program are referred to below as the “Program Documentation.”

## Portfolio Manager Selection and Evaluation

**This section contains information regarding, among other things, METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS associated with Program accounts.**

### Methods of Analysis and Sources of Information

Our advice to clients participating in the Programs focuses on the potential for long-term and short-term growth and/or income associated with a variety of securities including equity securities.

#### *SmartPath® Diversified International Portfolios*

Our Diversified International Model Portfolios Team will have responsibility for day-to-day oversight and securities selection. The overall investment policies of the Portfolios Program and the activities of the Diversified International Model Portfolios Team will be overseen and supervised by our Investment Policy Committee (the “IPC”).

We are solely responsible for the selection of the Funds for the Model Portfolios and for the asset allocation among Funds and asset classifications within each of the Model Portfolios/investment objectives. However, each of the Funds comprising the Model Portfolios is managed by a third-party adviser or manager (collectively, the “Fund Managers”) that is not affiliated with us.

The Diversified International Model Portfolios Team uses a four-step process in constructing and maintaining the Model Portfolios consisting of (a) strategic asset allocation, (b) tactical model selections, (c) Fund selection and implementation, and (d) ongoing monitoring and reallocation within the Model Portfolios.

Asset Allocation. The Diversified International Model Portfolios Team uses a variety of internal and external information sources to form a strategic view on economic, financial, and political conditions that could affect the domestic and global investment landscape. Factors taken into account include growth prospects, business cycle analysis, real estate analysis and inflation analysis.

Model Selections. The Diversified International Model Portfolios Team creates objective-based portfolios with unique asset allocation characteristics and volatility parameters unique to the Model Portfolio’s benchmark index or indices. Because portfolio risk is driven by the correlation of the underlying assets of the portfolio, risk management is executed mainly at the portfolio level. Volatility is managed



within the Model Portfolios through diversification. Factors that are taken into account in assessing the equity markets include economic influences, industry influences and relative valuations, while factors taken into account in assessing the fixed income markets include interest rates, credit spreads, cash flows and relative valuations.

Fund Selections. The Diversified International Model Portfolios Team selects Funds based on its assessment of the combination of Funds that will most effectively and efficiently held achieve the Model Portfolio's objective. The selection of Funds employs a research methodology consisting of analysis of statistical data related to the risk/return tradeoff, taking into the Fund's behavior through various market cycles. The process is complemented by a review of the Fund company, Fund managers/management teams and their philosophies.

Monitoring and Reallocation. The Diversified International Model Portfolios Team monitors the behavior of the Funds comprising the Model Portfolios and considers implementation of changes in the Funds or the allocation among Funds as needed in order to restore the Model Portfolios to their long-term strategic asset allocation and desired risk parameters.

Sources used by the Diversified International Model Portfolios Team include concepts from Modern Portfolio Theory, historical investment performance information calculated by the Funds or provided by other independent sources, Fund prospectuses and periodic reports filed with the SEC, third-party research materials, and general asset allocation risk/reward information.

#### *International Model Strategies Program*

Overall strategy, target allocations and recommended securities buy and sale transactions will be recommended to us by the Third-Party Model Strategist. Our IPC will oversee, and periodically review and assess, the overall strategy and target allocations recommended by the Third-Party Model Strategist for the applicable Third-Party Model Strategy. Ordinarily, we will exercise our discretion solely to buy and sell assets within your account to correspond to changes in the selected Third-Party Model Strategy based on the recommendations provided to us by the Third-Party Model Strategist. In some cases, however, the actual holdings and allocations in the client's account will not match precisely the holdings and allocations recommended by the Third-Party Model Strategist, including that we, in our discretion, determine to utilize a security, mutual fund, ETF or other investment vehicle other than that recommended by the Third-Party Model Strategist but which we determine is comparable.

### Franklin Templeton Income Model Portfolio

Franklin will provide us with a strategic asset allocation model developed and maintained by Franklin. The model strategy is composed primarily of offshore, US Dollar-denominated mutual funds selected by Franklin.

### **Risk of Loss**

As noted above (see “**The Types of Investments We Make**”), the investment risks presented by the Model Portfolios include the following:

- Equity investments are highly volatile and are subject to stock market risk, with the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- Bond and interest rates have an inverse relationship. For example, when interest rates rise, bond prices fall.
- Model Portfolios that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. As a result, investment in junk bonds expose clients to a higher level of volatility and increased risk of default.
- International investing involves special risks including greater economic and political instability, as well as currency fluctuation risks, which can be even greater in emerging markets.
- Investments in stocks of small companies involve additional risks. Smaller companies typically have a higher risk of failure and are not as well-established as larger blue chip companies. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.
- Investments in real estate have various risks including possible lack of liquidity and devaluation based on adverse economic and regulatory changes.
- The price of commodities, such as gold and currency, is subject to substantial price fluctuations of short periods of time and will be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing can lead to higher price volatility.

### **Performance Calculation and Information**

We obtain Fund performance from readily available databases maintained by the Funds or by independent sources. We do not calculate Fund performance or guarantee its accuracy.

In the case of the Model Portfolios, we (or a vendor selected by us) use historical performance information obtained from the Funds purchased for the Model Portfolios or from independent sources and our records to calculate time-weighted total returns for each of the Model Portfolios. Where permitted by law, the historical returns of the respective Model Portfolios will be provided to clients and qualifying prospective clients. The performance of an individual client's Program account also will be impacted by any restrictions which the client imposes on the management of the client's Program account. **Past performance is not indicative of or a guarantee of future results.**

In some cases, we provide, in one-on-one presentations, illustrations of hypothetical performance of the Model Portfolios over certain historical periods to sophisticated investors who are considering participation in the Program. The hypothetical performance of the Model Portfolios does not reflect actual trading of client assets and does not take into account the Program Fee and other charges and expenses associated with the Program. The performance of an individual client's Program account also will be impacted by any restrictions which the client imposes on the management of the client's Program account. Actual performance will vary and cannot be predicted from hypothetical results.

The actual performance of each client's Program account is reported to the client quarterly on a time-weighted return basis. **Past performance is not indicative of or a guarantee of future results.**

## **Client Information Provided to Portfolio Managers**

Under the Portfolios Program and the Model Strategies Program, we do not utilize the services of outside portfolio managers and, therefore, we will not be providing information regarding our clients to portfolio managers under the Portfolios Program. In some cases, we invest our clients' assets into Funds, but we do not provide any information concerning our clients to the managers of such funds. However, we do not provide any information concerning our clients to the managers of Funds in which we invest our clients' assets or Third-Party Model Strategists.

## **Client Contact with Portfolio Managers**

In connection with our investment management services, our clients have access to our Financial Consultants and other representatives at any time on reasonable notice.

Under the Portfolios Program and the Model Strategies Program, we do not utilize the services of outside portfolio managers and, therefore, clients will not have contact with outside portfolio managers under the Portfolios Program.

In some cases, we invest client assets into Funds but our clients will not generally have direct contact with the managers of such Funds. However, we do not restrict access to those managers.

## **Additional Information**

**This section provides you with information concerning our DISCIPLINARY HISTORY, our OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATES, our CODE OF ETHICS, our BROKERAGE PRACTICES, our procedures regarding REVIEW OF ACCOUNTS, CLIENT REFERRAL AND OTHER COMPENSATION practices, CUSTODY practices, the INVESTMENT DISCRETION you will grant us if you participate in the Program, our practices regarding VOTING CLIENT SECURITIES (I.E., PROXY VOTING), whether we are required to provide FINANCIAL INFORMATION as part of this Brochure, various CONFLICTS OF INTEREST that are presented by our relationships, compensation structure and other factors, and whether REQUIREMENTS FOR STATE-REGISTERED ADVISERS are applicable to us.**

### **Disciplinary Information**

Registered investment advisers are required to disclose in their disclosure brochures all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the advisory firm or the integrity of its management. We have no such material events to disclose.

### **Other Financial Industry Activities and Affiliations**

BBVA Securities Inc. is a registered broker dealer with the Securities and Exchange Commission and is a member of FINRA. BBVA Securities Inc., through its BBVA Investments division, acts as introducing broker for, and maintains clearing arrangements with, Pershing, LLC, a BNY Securities Group company, which is not affiliated with us, whereby Pershing clears securities transactions on a fully disclosed basis. As described above, BBVA Securities Inc. will serve as introducing broker, through its BBVA Investments division, and Pershing will serve as clearing broker and custodian for the Program accounts. We have entered into a service agreement with BBVA Securities Inc. to address various operational issues and relative responsibilities in connection with the Program. Under the service agreement, we and BBVA Securities Inc., respectively, agree to indemnify the other party for certain losses, liabilities, claims and expenses. The service agreement can be terminated by either BBVA Securities Inc. or us at any time upon notice to the other.

In addition, we have entered into an agreement with Lockwood Advisors, Inc. and its affiliate Pershing LLC under which they agree to provide us with a broad range of administrative, technology, securities trading and execution services and support services in connection with the Program.

Based upon the similarity of investments among client accounts having similar investment objectives and the fact that we purchase securities for more than one account simultaneously, and the possible appearance of similarity in the treatment of clients, the accounts of all Program clients are handled under the following basic conditions designed to prevent pooling of assets and or the management of accounts on a de facto pooled basis resulting in the existence of an investment company. Each client's securities are held in nominee name only for ministerial purposes and each client's account is maintained as a separate account. The client's beneficial interest in a security does not represent an undivided interest in all the securities held by a clearing broker, but rather represents a direct and beneficial interest in the securities in the account.

Further, each client retains any and all rights afforded under the federal securities laws to proceed directly against the issuer of any underlying security in the client's Program account. Further, each client under a Program is permitted to withdraw, hypothecate, vote, or pledge securities in the client's account upon written notice to us, and each client has the authority to impose reasonable restrictions on the management of the client's Program account. We have the right to reject any restrictions that we determine are unreasonable, including any restrictions that are inconsistent with the requirements and purposes of the Program.

### **Code of Ethics**

As required by law, we have adopted a Code of Ethics establishing policies and procedures to handle potential conflicts of interest that arise from providing advisory services to you.

Our Code of Ethics recognizes that we are a fiduciary and is designed so that we meet our fiduciary obligation to you by setting forth standards of conduct for our directors, officers and employees and requiring compliance with federal securities laws.

Our Code of Ethics is based upon the principle that our employees owe a duty to you to conduct their affairs, including their personal securities transactions, in such a manner as to avoid 1) serving their own personal interests ahead of your interests, 2) taking inappropriate advantage of their position as an employee, and 3) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

Our Code of Ethics:

- Requires that we maintain the confidentiality of your information;
- Prohibits:

- Insider trading (if we are in possession of material, non-public information);
- Rumor mongering;
- The acceptance of gifts and entertainment that exceed our policy standards;
- Requires the reporting of gifts and business entertainment by certain of our employees;
- Requires that certain employees pre-clear their personal securities transactions;
- Requires that certain of our employees report (on an on-going and quarterly basis) all of their personal securities transactions (what we call “reportable securities” as mandated by regulation); and,
- Requires that covered officers, directors and employees re-certify to our Code of Ethics, identify members of their household and any account to which they have a beneficial ownership (that is, they “own” the account or have “authority” over the account), and identify securities held in certificate form and all securities.

Also, our Code of Ethics provides that no director, officer or employee is permitted trade securities, either personally or on behalf of others, while in possession of material, non-public information with respect to any such securities, or communicate material, non-public information to others, other than as required and allowed by the Code of Ethics. The personal securities transaction reporting requirements of our Code of Ethics do not apply to persons whose primary responsibilities are as employees of our parent company, BBVA USA, and whose activities as our employees are limited to soliciting clients on our behalf.

Our management is permitted impose a number of sanctions which it feels is most appropriate for violations of the Code of Ethics.

To receive a copy of our Code of Ethics, you should contact your account representative or call the firm directly at 713-552-9277 or toll free at 800-538-8152.

### Personal Trading

Certain of our directors, officers and employees are considered “Access Persons” under our Code of Ethics. Access Persons must pre-clear all personal securities transactions except 1) transactions effected pursuant to an automatic investment plan, 2) securities transactions for accounts over which the Access Person has no direct or indirect influence or control, and 3) trades in U.S. Government Securities, U.S. Agency Securities, mutual funds and money market funds.

The following persons are considered “Access Persons”:

- All of our directors and certain officers, and
- Other employees and other advisory personnel who:
  - Have access to nonpublic information regarding any clients’ purchases and sales of securities, or

- o Are involved in making securities recommendations to clients, or who have access to such recommendations that are nonpublic.

Generally, Financial Consultants who act as the client liaison for clients participating in a Program do not have access to nonpublic information regarding client purchases and sales of securities, make recommendations concerning the securities that are purchased or sold for the client's Program account, or have access to nonpublic information concerning such recommendations. As a result, our Financial Consultants generally will not be Access Persons and, therefore, are not required to pre-clear their personal securities transactions.

Our Chief Compliance Officer, Lauren Jordan, serves as preclearance officer. Ms. Jordan is not an Access Person and, therefore, her personal trades are not subject to preclearance. If the Chief Compliance Officer is unavailable for more than 48 hours, a member of the BBVA USA Investment Compliance Team designated by the Chief Compliance Officer will act as preclearance officer in the Chief Compliance Officer's absence.

### **Brokerage Practices**

Pursuant to the Program Documentation, clients participating in the Programs will appoint BBVA Securities Inc., through its BBVA Investments division, as introducing broker for purposes of the Program and the Program Custodian as the custodian for the client's Program assets and as the clearing broker for transactions within the client's Program account. The client's Program account will be carried by Program Custodian. Under the Program Documentation, the client will direct BBVA Securities Inc. and us and any applicable SMA Manager to execute all securities transactions within the client's Program account through the Program Custodian, as clearing broker. The Program Custodian will act exclusively as agent in securities transactions for the client's account and, by directing securities transactions for the client's Program account to the Program Custodian, the client will be forgoing better execution of client's securities transactions from other broker-dealers that are not participating in the Program. Notwithstanding the foregoing, we reserve the right to choose to effect transactions through broker-dealers other than the Program Custodian when the transaction cannot be effected through the Program Custodian due to regulatory or other constraints.

Under our services agreements with Pershing and Lockwood relating to the Program, Pershing and Lockwood will provide us with various trading and order management support services, including relating to trade order-entry, trade allocation and block trading.

### ***Fund Trades***

Funds purchased for a client's Program account generally will not have front-end or deferred sales charges (or, if the Funds have such sales charges they will be purchased for the client's Program account at net asset value (NAV), without front-end or contingent sales charges).

Since ETFs (including offshore ETFs) are priced continuously by the market, there is a potential for trading to occur at prices other than the ETF's net asset value of "NAV." Although it is anticipated that ETFs purchased for your Program account will not have front-end or deferred sales charges, a commission typically will be incurred by in connection with the purchase or sale of ETFs (either U.S. or Offshore), those commissions will be paid out of the Program Fee without additional cost to you. All or a portion of the ETF commission will be paid to one or more of our affiliates, including BBVA Securities Inc.

Funds are subject to additional fees, charges and expenses. See above under "Services, Fees and Compensation."

#### *Securities Transaction Confirmations*

Confirmations for transactions will be provided to us as your discretionary investment manager. Pursuant to the program documentation, you appoint us as your agent for purposes of receipt and review of such confirmations, request that the Program Custodian not furnish you with contemporaneous written trade confirmations related to transactions within the program account and agree that the periodic statements provided by the Program Custodian will be in lieu of individual trade confirmations. Clients are permitted to withdraw the waiver of contemporaneous written trade confirmations upon reasonable advance written notice to us, BBVA Securities Inc. and the Program Custodian and, in addition, will receive copies of past confirmations upon written request at any time without charge. The client will not pay a different fee based upon the decision to waive contemporaneous written trade confirmations and agreeing to such waiver is not a condition to entering into, or participation in, the Program.

#### **Review of Accounts**

##### *Frequency of Reviews*

We will review all information relating to the performance of our clients' Program accounts on an as needed basis and will determine compliance with the clients' written investment policy and attributes of Program performance. To ensure the account's investments are in keeping with the client's investment objectives, we will contact the client at least annually to determine whether the client's financial situation and investment objectives have changed and to give the client the opportunity to impose reasonable restrictions on the management of the client's Program account.



### *Account Valuation Methods*

The value of securities owned by the client will be determined by the Program Custodian in accordance with the Program Custodian's typical procedures. There is no guarantee that any valuations provided by the Program Custodian, or obtained by the Program Custodian from other sources, will be accurate. We and BBVA Securities Inc. are not responsible for the valuation of assets of the client's Program account or for any errors by the Program Custodian in the calculation of the values of the assets of the client's Program account, for any inaccuracy in any values obtained by the Program Custodian from other sources, or for the unavailability of values for some assets.

### *Client Reports*

The Program Custodian will provide you periodic statements showing all transactions occurring in your Program account during the period covered by the account statement, any fees paid by the account during the period and a list identifying all assets in the account at the end of the period. Periodic statements will be provided by the Program Custodian on a quarterly basis, and also for any month in which transactions occur in the client's Program account. In the Program Documentation, you will authorize and direct the Program Custodian to provide us copies of all periodic statements and other reports that the Program Custodian sends to the client. In the Program Documentation, the client agrees to waive the receipt of contemporaneous written trade confirmations related to transactions within the client's Program account and agrees that the periodic statements provided by Program Custodian will be in lieu of individual trade confirmations.

In addition to the periodic statements provided by the Program Custodian, we will provide each client participating in a Program with quarterly written statements of the assets in the client's Program account, each security owned, and performance data for the period covered by the statement. You should promptly and carefully review the statements you receive from the Program Custodian and, in addition, you should compare the statements you receive from the Program Custodian with the statements you receive from us and promptly notify us or the Program Custodian if you notice any discrepancies.

You will be given the opportunity to authorize the Program Custodian to deliver periodic statements and other communications relating to your Program account by electronic means, in which case you will not receive paper copies of any periodic statements or other communications that are provided electronically. You will have the right to withdraw your consent to electronic delivery at any time.

## **Client Referrals and Other Compensation**

### *Interaffiliate Referral Programs*

Our representatives participate in a referral network among our affiliates, including BIA, BBVA, BBVA Securities Inc. and BBVA USA. Under this referral network, our representatives will receive referral compensation from our affiliates or from BBVA USA in the form of direct payment to the representative or indirect payment, such as the contribution toward fulfillment of the representative's business development goals. The referral compensation paid to our representatives will vary dependent upon the product or service involved. Under no circumstances will the compensation paid for providing referrals result in any additional fees or charges to the client being referred.

### *Referrals to Affiliated Bank Trust Department*

Our parent company, BBVA USA, provides trust and fiduciary services, including investment management and advisory services, through its trust department, a separately identifiable division of BBVA USA that functions within the Asset Management and Trust division. If we determine that a potential client is not interested in or would not be best served by participation in our investment programs and believe that the potential client will be interested in or best served through investment services provided by BBVA USA's trust department (the "BBVA USA Trust Department"), we will refer the potential client to a representative of the BBVA USA Trust Department. In the event that a potential client establishes an investment relationship with the BBVA USA Trust Department, the referring Financial Consultant typically will receive referral compensation from BBVA USA. Our affiliation with BBVA USA, and the potential referral compensation with our Financial Consultant receives, represents a conflict of interest in that such factors provide incentives for our Financial Consultants to refer potential clients to the BBVA USA Trust Department in lieu of unaffiliated service providers. However, the BBVA USA Trust Department, and not us or the referring Financial Consultant, is solely responsible for determining whether the potential client satisfies the BBVA USA Trust Department's eligibility criteria and whether to accept the account.

### *Compensation of Our Representatives*

Our representatives, including persons who are also registered representatives of BBVA Securities Inc. and employees of BBVA USA, will receive compensation in connection with the opening and maintenance of Program accounts, including a portion of the Program Fee. In addition, it should be noted that:

- Our representatives will also be registered representatives of BBVA Securities Inc. and/or employees of BBVA USA and will receive referral or other compensation in connection with services provided to our clients by BBVA Securities Inc., BBVA USA or other affiliates.

- Our representatives will recommend to their clients the services of BBVA Securities Inc., an affiliated broker-dealer. BBVA Securities Inc., through its BBVA Investments division, provides securities brokerage services on a retail basis and BBVA Securities Inc. and our representatives, in their capacity as registered representatives of BBVA Securities Inc., will receive compensation in connection with securities transactions effected on behalf of our clients.

## **Custody**

### *Program Custodian and Clearing Broker*

Pursuant to the Program Documentation, clients participating in the Programs will appoint BBVA Securities Inc., through its BBVA Investments division, as introducing broker for purposes of the Program and the Program Custodian (Pershing LLC) as the custodian for the client's Program assets and as the clearing broker for transactions within the client's Program account. Custody of client's Program account assets will be maintained with the Program Custodian and in no event will we or BBVA Securities Inc. have custody of any assets of the account. Under the client's Investment Management Agreement, the client will authorize BBVA Securities Inc. and us or the applicable SMA Manager to give the Program Custodian instructions for the purchase, sale, conversion, exchange or retention of any asset in the client's Program account, but solely in connection with the conduct of trading in securities in accordance with the provisions of the client's Investment Management Agreement.

The client's Program account will be carried by Program Custodian. Under the Program Documentation, the client will direct BBVA Securities Inc. and us to execute all securities transactions within the client's Program account through the Program Custodian, as clearing broker. The Program Custodian will act exclusively as agent in securities transactions for the client's account and, by directing securities transactions for the client's Program account to the Program Custodian, the client will be forgoing better execution of client's securities transactions from other broker-dealers that are not participating in the Program. Notwithstanding the foregoing, we reserve the right to choose to effect transactions through broker-dealers other than the Program Custodian when the transaction cannot be effected through the Program Custodian due to regulatory or other constraints.

### *Possession of client funds or securities*

Under normal circumstances, we do not permit our employees, agents or representatives to accept or maintain custody of client assets. It is our policy that we will not accept or hold, directly or indirectly, client funds or securities, or have any authority to obtain possession of them.

However, in limited circumstances, we will be deemed to have Custody as a result of (i) arrangements between us and the Program Custodian for fee payments from client

accounts or (ii) arrangements between our clients and the Program Custodian with respect to disbursement of client funds to third parties pursuant Standing Letters of Authorization (“SLOAs”).

We have adopted various procedures to implement this policy and reviews to monitor and ensure our policy is observed, implemented properly and amended or updated.

#### *Trading and Execution of Securities Transactions*

As a participant in the SmartPath Diversified International Portfolios, International Model Strategies Program and SmartPath International UMA Program, the client directs that all securities purchase and sale orders for client’s accounts be directed by us or any other discretionary manager, as applicable, to the Program Custodian, which shall execute and perform the clearance of same. By directing the use of the Program Custodian, we and such discretionary manager are not in a position to select broker-dealers on the basis of best execution, or commingle or “batch” orders for purposes of execution with orders for the same securities for other accounts managed by us, Lockwood or any other discretionary manager, as applicable (other than for other accounts also cleared through Program Custodian). By directing the use of Program Custodian to execute transactions for client’s account, certain transactions will result in less favorable net prices on the purchase and sale of securities than might be the case if we or any other discretionary manager, as applicable, were to select broker-dealers on the basis of best execution.

Notwithstanding the foregoing, we or any other discretionary manager, as applicable, reserve the right to direct trades to a marketplace or broker-dealer other than the Program Custodian if it becomes apparent that Program Custodian is unable to obtain best execution. The Wrap Fee does not cover brokerage commissions and other costs associated with trades not executed through the Program Custodian, and such commissions and costs will be borne by the client’s Program account.

#### *Fund Trades*

Mutual funds purchased for a client’s Program account generally will not have front-end or deferred sales charges (or, if the Funds have such sales charges they will be purchased for the client’s Program account at net asset value (NAV), without front-end or contingent sales charges).

ETFs purchased for a client’s Program account will trade at the market price available on the applicable exchange while Index Funds purchased during the trading day will be priced at the close of the trading day based on the NAV of the underlying securities. Typically, a commission will be incurred in connection with the purchase or sale of ETFs. Such commissions will be paid from the Wrap Fee or otherwise will be paid by us. All or a portion of the commission will be paid to BBVA Securities Inc., our affiliate.

Generally, when we or a Third-Party Model Strategist make a change in the composition or allocation of a Portfolio that contains Funds, the changes will be transmitted electronically to the Program Custodian, which will aggregate the trade information, generate corresponding trade orders, implement such trade order and execute and clear the trades in accordance with the Program Custodian's typical trade cut-off, block trading and settlement procedures.

Funds are subject to additional fees, charges and expenses. See above under “**Services, Fees and Compensation – The Fees We Charge – Charges and Expenses Not Covered By Wrap Fees.**”

### **Voting Client Securities (i.e., Proxy Voting)**

We will not vote, or give any advice about how to vote, proxies for securities in your Portfolios Program account and, in the event of any matter in which the holder of any security or other interest held in your Portfolios Program or Model Strategies Program account is permitted to vote or grant proxies, you will be solely responsible for determining whether or not to vote or grant and regarding the manner in which to vote such securities or other interests.

If the Program Custodian receives notice of a lawsuit or related matter affecting a security held in your Program account, the Program Custodian will forward such notice to you. You will be responsible to determine eligibility to submit a claim with respect to all lawsuits and otherwise to determine all actions to be taken or not taken in connection with any such lawsuits, and we, the Program Custodian and BBVA Securities Inc. will have no obligation to take any such actions or to advise you concerning such actions.

### **Financial Information**

We do not serve as a custodian of client funds or securities, and do not require or solicit prepayment of fees six months or more in advance. Accordingly, a balance sheet is not required to be provided with this Disclosure Brochure.

We do not have any financial impairment that will preclude us from meeting our contractual commitments to clients.

We have not been the subject of any bankruptcy petition at any time, including any time during the past ten years.

### **Conflicts of Interest**

#### *Overview*

We, BBVA Securities Inc. and our affiliates perform, among other activities, research, brokerage and investment advisory services for clients other than those participating

in the Programs. We give advice and take action in the performance of our duties to our clients (including those who are participants in the Programs) which will differ from advice given, or in the timing and nature of action taken, with respect to a client participating in a Program. In addition, we give advice and take action in the performance of our duties to one or more of its clients that differs from advice given or action taken for another client at or about the same time.

We, our affiliates and any officer, director, stockholder, employee or any member of their families will have an interest in the securities purchased for a client's Program accounts from time to time.

Certain of our principal executive officers are also principal executive officers of our parent company, BBVA USA. Our employees who are our representatives and act as Financial Consultants to clients under a Program are, in many instances, also registered representatives of BBVA Securities Inc.

#### *Trading Conflicts of Interest*

The Funds comprising the Model Portfolios in the Portfolios Program are available both to clients who participate in the Program and to other of our clients and also to BBVA Securities Inc. brokerage clients. It is anticipated that all trades of U.S. mutual fund and similar offshore funds will be executed at the applicable fund's NAV at the time of execution of the purchase or sale transaction. However, a conflict of interest exists to the extent that U.S. mutual fund or trades in similar offshore funds arising from changes in Model Portfolios can be executed at different times or at different prices in the case of clients maintaining certain Program accounts and in the case of our investment advisory clients and/or BBVA Securities Inc. brokerage clients whose portfolios contain the same funds outside the Program. In addition, ETFs are priced continuously by the market and trades in ETFs will not occur at the ETF's NAV. Accordingly, a conflict of interest also exists to the extent that ETF trades arising from changes in the Model Portfolios can be executed at different times or at different prices in the case of clients maintaining certain Program accounts and in the case of our investment advisory clients and/or BBVA Securities Inc. brokerage clients whose portfolios contain the same ETFs. It is our policy to allocate, to the extent operationally and otherwise practical, investment opportunities to each client over a period of time on a fair and equitable basis relative to our other clients.

#### *Participation or Interest in Client Transactions*

Our Financial Consultant will also be a registered representative of our affiliate, BBVA Securities Inc., a registered broker-dealer, and also may be a licensed insurance representative of our affiliate, BIA, a licensed insurance agency. In some cases, the Financial Consultant, in his or her capacity as a registered representative of BBVA Securities Inc., will recommend mutual funds, variable annuities or other securities

products other than those available through the Program. In addition, in some cases, the Financial Consultant, in his or her capacity as a licensed insurance agent of BIA (if applicable), will recommend fixed annuities or other insurance products. The Financial Consultant will receive compensation in connection with such recommendations.

At times, our interest or the interest of our related persons will not coincide with the interest of a client's account; however, at no time will we or any related person receive an added benefit or advantage over the clients with respect to these transactions. We will maintain a record of personal securities transactions. We have adopted policies and procedures reasonably designed to detect and deter insider trading. In addition, we have adopted a "Code of Ethics," which is available to clients or prospective clients upon request. See above under "**Additional Information - - Code of Ethics.**"

We are a wholly owned, direct subsidiary of BBVA USA, the lead bank subsidiary of BBVA USA Bancshares, Inc., a Texas bank holding company. We also are an indirect subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"), a bank organized under the laws of Spain qualified to engage in business in the United States as a bank holding company and foreign banking organization. BBVA, BBVA USA and their affiliates have a variety of banking, financial or service relationships with corporations or other business enterprises the securities of which will be purchased or sold by us for its clients' accounts. BBVA, BBVA USA or their affiliates will receive compensation from such corporations or other business enterprises in the ordinary course of their business. Because of internal controls maintained by BBVA, BBVA USA and us in order to minimize any potential conflict of interest created by these relationships, recommendations to our advisory clients typically will be made without knowledge of other banking, financial or services relationships between BBVA, BBVA USA or their affiliates and the issuers of securities recommended by us.

BBVA USA Asset Management and Trust, a division of BBVA USA (our parent company), will purchase or sell for trust, fiduciary, and investment management clients or recommend that such accounts purchase or sell securities of the same type as those purchased or sold by us for our clients' accounts.

While we do not act as principal in the purchase or sale of any securities, our affiliate, BBVA Securities Inc., is a registered broker-dealer that also engages in a wide range of investment banking activities, including underwriting, placement and distribution of corporate and municipal securities. It is possible that we recommend or purchase a corporate security or municipal security which BBVA Securities Inc. has participated in underwriting or placing. However, under federal banking laws applicable to our parent, BBVA USA, we are restricted from purchasing, for an account over which we exercise investment discretion, any security during the existence of any underwriting or selling syndicate for such security, if BBVA Securities Inc. is a principal underwriter of the security unless such transaction is first approved by appropriate action of our board of directors as being a sound investment for the affected account.

We, BBVA, BBVA USA and their affiliates (including BBVA Securities Inc.) maintain policies and procedures for ensuring that any material, non-public information regarding publicly traded securities that we or our employees obtain, including by virtue of banking and other relationships any such issuer has with us, BBVA, BBVA USA or their affiliates (including BBVA Securities Inc.) is not misused in violation of applicable law.

Assets of client accounts that are invested in Funds are subject to advisory and other fees and expenses, as set forth in the applicable fund prospectus, and although such fees and expenses typically are paid by the fund, they reduce the overall return realized by the investor. Furthermore, assets of a client's account invested in shares of Funds, including money market mutual funds, or other short-term investment vehicles, will be included in calculating the value of the account for purposes of computing our investment management services fees.

We, our representatives and our affiliates receive fees and other compensation in addition to the fees we charge to your account for investment management services. The amount of the fees we receive for providing investment management services to your Program accounts will not be reduced or otherwise affected by the receipt by us, our representatives or our affiliates of such additional fees and other compensation. This presents a conflict of interest and gives us or our representatives an incentive to recommend investment products based on the compensation received, rather than on a client's needs.

In addition:

- If BBVA Securities Inc., through its BBVA Investments division, acted as introducing broker in setting up your account with Pershing, BBVA Securities Inc. will be paid a portion of the fees, commissions and other charges imposed by Pershing.
- If you open your Program account with securities previously purchased through an introducing broker (including BBVA Securities Inc.) or one of its representatives, you will already have paid a commission on the purchase to the introducing broker (including BBVA Securities Inc.) or to one or more of its representatives, or both. Similarly, if you open your Program account with cash proceeds from the sale of securities through an introducing broker (including BBVA Securities Inc.) or one of its representatives, the introducing broker (including BBVA Securities Inc.) or one or more of its representatives, or both, will have already received commissions on the sale.
- If BBVA Securities Inc., through its BBVA Investments division, acts as introducing broker in connection with establishing your custody account with Pershing, BBVA Securities Inc. will receive commissions if we determine to purchase or sell ETFs for your account.



Clients participating in the Programs have the option to obtain the investment products we recommend through brokers or other agents that are not affiliated with us.

Our parent company, BBVA USA, provides trust and fiduciary services, including investment management and advisory services, through its trust department, a separately identifiable division of BBVA USA that functions within the Global Wealth division. If we determine that a potential client is not interested in or would not be best served by participation in our investment programs and believe that the potential client would be interested in or best served through investment services provided by BBVA USA's trust department (the "BBVA USA Trust Department"), we will refer the potential client to a representative of the BBVA USA Trust Department. In the event that a potential client establishes an investment relationship with the BBVA USA Trust Department, the referring Financial Consultant typically will receive referral compensation from BBVA USA. The Firm's affiliation with BBVA USA, and the potential referral compensation with our Financial Consultant receives, represents a conflict of interest in that such factors provide incentives for our Financial Consultants to refer potential clients to the BBVA USA Trust Department in lieu of unaffiliated service providers. However, the BBVA USA Trust Department, and not us or the referring Financial Consultant, is solely responsible for determining whether the potential client satisfies the BBVA USA Trust Department's eligibility criteria and whether to accept the account.

#### *Compensation from Funds*

We and/or one or more of our affiliates, including BBVA Securities Inc. and BBVA, will receive payments from various Funds (including some Funds used as investment options in one or more of the Programs and/or in which we invest account assets under one or more Programs), or from Fund sponsors, distributors and/or managers, in the form of sales, marketing and administrative support payments ("Provider Support Payments"). Provider Support Payments include sponsorship fees designed to defray costs associated with conferences, seminars, training and other educational events, due diligence events and other meetings ("Sponsored Events") that are attended by our employees and/or employees of our affiliates and, in some cases, certain of our clients and/or prospective clients. In addition, Funds and Fund sponsors, distributors or managers also provide promotional items, meals, entertainment and other items of value to our or our affiliates' representatives in conjunction with Sponsored Events. In some cases, the payment of Provider Support Payments will entitle a Fund or Fund sponsor, distributor or manager to conduct a presentation relating to their products and services. A conflict of interest is presented by the selection by us of a Fund for the Programs where Provider Support Payments or related benefits have been provided to, or are available to, us or our affiliate from such Fund or the sponsor, distributor or manager of such Fund. However, Provider Support Payments will not be based on the level of Fund shares purchased by Program accounts or the amount of assets of Program accounts held in a Fund, and the payment

by or availability from any Fund or Fund sponsor, distributor or manager of Provider Support Payments or related benefits is not a condition for inclusion of a Fund in any of the Programs.

### **Requirements for State-Registered Advisers**

We are an SEC-Registered Adviser, not a State-Registered Adviser. As a result, this item is not applicable to us.