

Item 1 COVER PAGE

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September 25, 2020

## BROCHURE

This brochure provides information about the qualifications and business practices of Smith, Graham & Co. Investment Advisors, L.P. ("Smith Graham"). Throughout this Brochure, any references to "we", "our", "us", etc. are meant to refer to Smith Graham. You should review this Brochure in conjunction with our separate brochure supplement ("Supplement"). The Supplement(s) has been prepared for the purpose of providing information about the qualifications and background of the supervised person(s) working with you on our behalf or who otherwise participate in the advisory services provided to you.

Smith Graham is a registered investment adviser with the United States Securities and Exchange Commission ("SEC"). Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

*If you have any questions about the contents of this Brochure or our Supplement(s), please contact: Chief Compliance Officer, Smith, Graham & Co. Investment Advisors, L.P., 600 Travis Street, Suite 6900, Houston, Texas 77002, (713) 292-2136. Additional information about Smith Graham is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Smith Graham is 107827. Results will provide you both our Form ADV Parts I and 2A (Brochure).*

Item 2 MATERIAL CHANGES

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Our last annual filing was March 30, 2020.

*Material Change*

On August 31, 2020, Smith Graham completed the successful spin off of the Mortgage Real Estate Private Funds previously managed by Smith Graham to a new firm formed by the Funds' principals. All Smith Graham employees associated with this group joined the new firm as of the spin off date. Smith Graham will have a long-term vested interest in the new firm, Fidelis Investors, LLC.

You can obtain a copy of our full Brochure by contacting: Chief Compliance Officer, Smith, Graham & Co. Investment Advisors, L.P., 600 Travis Street, Suite 6900, Houston, Texas 77002, (713) 292-2136.

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## Item 4      **ADVISORY BUSINESS**

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Smith Graham is an investment advisor registered with the SEC. We were established in 1990 in Houston, Texas, our headquarters. We also have a fully functional office in New York, New York. Smith Graham is an employee-owned limited partnership. Gerald Smith, Co-founder, Chairman and Chief Executive Officer, owns approximately 72% of the firm. We have 27 employees, including 12 investment professionals.

Smith Graham provides investment advisory services to Managed Accounts and Non-Managed Accounts investing in fixed income and equity products. Managed Accounts and Non-Managed Accounts are generally referred to as “Clients”. As of August 31, 2020, Smith Graham actively managed approximately \$5,361 million on a discretionary basis for our fixed income and equity Clients and \$50 thousand on a non-discretionary basis for our fixed income Clients.

### **FIXED INCOME AND EQUITY PRODUCTS**

Smith Graham provides institutional fixed income and equity investment management services on a discretionary basis to Managed Accounts for investors which may include pension and profit sharing plans, corporations, state or municipal government entities, trusts, endowments, charitable organizations, and other business entities. These Managed Accounts have the ability to invest in any or all our fixed income and equity investment strategies. Smith Graham also offers institutional fixed income services on a non-discretionary basis.

In addition to our core Managed Account business, we provide advisory services with respect to fixed income products to institutional investors in Non-Managed Accounts. We consult with the Non-Managed Account investor regarding the investor’s investments pursuant to an advisory services agreement signed by the investor. While we determine trading opportunities for the Non-Managed Account’s investments, the investor is responsible for implementing our recommended strategy.

#### Fixed Income

We employ a disciplined investment process that is applicable across all our fixed income products, each with a different investment objective. Products include *Core Fixed Income-Aggregate*, *Alpha Plus Fixed Income*, *Intermediate Aggregate Fixed Income*, *Intermediate Government/Credit Fixed Income*, *Low Duration Fixed Income*, *Enhanced Cash Fixed Income* and *Cash Management Fixed Income*. Our investment philosophy has a relative value focus with an emphasis on risk control and risk management. We believe this approach will enable us to provide superior long-term returns with low volatility.

#### Equity

The equity investment philosophy reflects our belief that attractive returns can be achieved over a full market cycle by combining a systematic quantitative approach with traditional fundamental analysis. This philosophy is applied to three strategies: Small Cap Value,

Midcap Value and SMID (Small/Mid) Cap Value within the universe of U.S. stocks and each strategy's applicable capitalization range.

## **CLIENT TAILORED SERVICES AND RESTRICTIONS**

We invest a Managed Account's assets based on an allocation fitting the account's risk tolerance and in compliance with its investment objectives and guidelines. Managed Account investors are expected to provide guidelines for their selected investment strategy and have the option to impose investment restrictions on certain securities or types of securities.

Item 5 FEES AND COMPENSATION

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## FEES

### Asset Based Fee

The specific manner by which Smith Graham charges fees for a Managed Account is established in an investment management agreement between the investor and Smith Graham. We negotiate our investment management services fee for Fixed Income Managed Accounts based upon each investor's circumstances, taking into account the aggregate value of related accounts, the complexity of an investor's Managed Account, or similar matters. Clients within the same product offering can be charged different fees. The fees Smith Graham charges for Equity Managed Accounts are non-negotiable.

Generally, we are paid a fee for our investment management services based on the market value of the Managed Account at the end of a quarter. Smith Graham invoices Managed Account investors for fees incurred. Managed Account investors are billed in arrears on a quarterly, or in some cases, monthly basis. Fees are computed by multiplying a tiered or flat rate against the market value of the account. We do not accept or require any prepayment of fees. We do not have the authority to deduct fees from Managed Accounts.

Quarterly. Using the methodology described above, the annual fee is computed based on the market value of the accounts at the end of the quarter and one fourth of the fee is invoiced at the beginning of each quarter for the preceding quarter. For new accounts, the initial fees are calculated based upon the number of days in the quarter that Smith Graham managed the account. All subsequent quarters are invoiced for the full quarter. In most cases, if the agreement is terminated prior to the end of the quarter, the fee is prorated for the number of days of the quarter that we managed the account prior to the termination date.

Monthly. In limited cases, the annual fee is divided into monthly installments and payment is due at the beginning of each month for the preceding month. For new accounts, initial fees are calculated based on the number of days in the month that Smith Graham managed the account. All subsequent months are invoiced for the full month. In most cases, if the agreement is terminated prior to the end of the month, the fee is prorated for the number of days of the month that we managed the account prior to the termination date.

Our standard asset-based fee schedules by product offering for actively marketed products are as follows:

*Core Fixed Income – Aggregate*

<u>Principal Amount of Assets Invested</u>	<u>Annual Percentage Fee</u>
First \$100,000,000	.30%
Next \$100,000,000	.20%
Over \$200,000,000	Negotiable

*Alpha Plus Bond Strategy*

<u>Principal Amount of Assets Invested</u>	<u>Annual Percentage Fee</u>
First \$100,000,000	.30%
Next \$100,000,000	.20%
Over \$200,000,000	Negotiable

*Intermediate Aggregate Fixed Income*

<u>Principal Amount of Assets Invested</u>	<u>Annual Percentage Fee</u>
First \$100,000,000	.25%
Next \$100,000,000	.20%
Over \$200,000,000	Negotiable

*Intermediate Government/Credit Fixed Income*

<u>Principal Amount of Assets Invested</u>	<u>Annual Percentage Fee</u>
First \$100,000,000	.30%
Next \$100,000,000	.20%
Over \$200,000,000	Negotiable

*Low Duration Fixed Income*

<u>Principal Amount of Assets Invested</u>	<u>Annual Percentage Fee</u>
First \$100,000,000	.25%
Next \$100,000,000	.15%
Over \$200,000,000	Negotiable

*Enhanced Cash Fixed Income*

<u>Principal Amount of Assets Invested</u>	<u>Annual Percentage Fee</u>
First \$100,000,000	.10%
Next \$100,000,000	.08%
Over \$200,000,000	Negotiable

*Cash Management Fixed Income*

<u>Principal Amount of Assets Invested</u>	<u>Annual Percentage Fee</u>
First \$100,000,000	.12%
Next \$100,000,000	.10%
Over \$200,000,000	Negotiable

*Small Cap Value Equity*

<u>Principal Amount of Assets Invested</u>	<u>Annual Percentage Fee</u>
First \$50,000,000	.75%
Over \$50,000,000	.60%

*Midcap Value Equity*

<u>Principal Amount of Assets Invested</u>	<u>Annual Percentage Fee</u>
First \$100,000,000	.75%
Over \$100,000,000	.60%

*SMID (Small/Mid) Cap Value Equity*

<u>Principal Amount of Assets Invested</u>	<u>Annual Percentage Fee</u>
First \$50,000,000	.75%
Over \$50,000,000	.60%

These fee schedules are Smith Graham's standard fee schedules for our actively marketed products. Fees charged for Fixed Income Managed Accounts are negotiable. Some clients may pay lower fees. Some considerations affecting fees charged are aggregate value of related accounts, complexity of an investor's Managed Account, or similar matters. Clients within a product offering can be charged different fees, both to the standard fee schedules above and to each other within a product offering. Fees charged for Smith Graham's Equity Managed Accounts are non-negotiable.

**Performance Based Fee**

Smith Graham has a Fixed Income Managed Account that is charged a performance-based fee. Fees are determined by a two-part system consisting of a base fee plus a performance-based incentive fee. The base fee is computed quarterly at the end of each billing quarter using our Asset Based Fee structure (see Asset Based Fees above). The incentive fee calculation is made on a cumulative annualized rolling twelve quarter



basis; if the rolling portfolio return is equal to or greater than 10 basis points above the rolling benchmark return, the incentive fee is charged.

### **Non-Managed Accounts**

For Non-Managed Accounts, a fixed fee is negotiated pursuant to an advisory services agreement. Fixed fees are charged in arrears and pro-rated when accounts are advised for a portion of a quarter.

### **Additional Fees**

Smith Graham's investment management fees do not include any transaction fees, commissions, mark-ups, custodial fees, or other charges by the executing brokers or account custodian. Brokerage and custodial fees are separate and distinct fees that are the responsibility of the Client and are in addition to investment management fees charged by Smith Graham. For a further discussion regarding broker commissions and related fees, please see Item 12 below.

## **COMPENSATION**

### **Sales Compensation**

Neither Smith Graham nor any of Smith Graham's supervised persons accepts compensation for the purchase or sale of securities or other investment products.

Smith Graham does not have the authority to withdraw investment management fees from client accounts. Smith Graham bills clients or clients' designees directly for management fees. Clients are billed in arrears. We do not accept or require any prepayment of fees. We do not have the authority to deduct fees from Managed Accounts.

Item 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

**Performance-Based Incentive Fee**

“Performance-Based Fees” are fees that are based on a share of the capital gains or capital appreciation of the assets of an account. We may receive performance fees from the Clients that we manage. See Item 5 above. Fees based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Advisers Act.

Performance-based compensation may create an incentive for us to cause a Client to make investments that are riskier than it would otherwise make. Performance-based fee arrangements may also create an incentive to favor those Clients with a higher performance fee over other Clients in the devotion of time, resources and allocation of investment opportunities.

To manage these potential conflicts, we have adopted: (i) policies that require a review of proposed investments and sales and other business engagements for potential conflicts of interest prior to the transaction or activity; and (ii) allocation policies which seek to ensure that investment opportunities are allocated fairly among Clients and that all Clients are managed in accordance with their investment mandate. See Item 12.

We do not consider fee structures in allocating investment opportunities.

Item 7 TYPES OF CLIENTS

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### **Managed Accounts**

Smith Graham generally provides institutional fixed income and equity investment management services on a discretionary, and, occasionally, on a non-discretionary basis to Managed Accounts for pension and profit-sharing plans, corporations, state or municipal government entities, trusts, endowments, charitable organizations, and other business entities.

We impose certain conditions for initiating or maintaining a Managed Account. Each investor is required to enter into a service agreement with Smith Graham prior to receiving our services. We do not generally accept Managed Accounts for investors with original principal of less than \$25 million for fixed income accounts and \$10 million for equity accounts. We reserve the right to waive minimums without prior notice.

### **Non-Managed Accounts**

We provide advisory services to Non-Managed Accounts for corporate and public entities.

We advise these Non-Managed Account Clients regarding their investments pursuant to an advisory services agreement, which is signed by the Clients prior to receiving our services. While we determine investment opportunities for the Clients, the Clients are responsible for implementing our recommended strategies.

### **Suitability**

All potential investors must go through certain suitability and compliance procedures (including anti-money laundering procedures), prior to entering into an investment management agreement with Smith Graham for a Managed Account.

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Item 8      METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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Smith Graham acknowledges that we are a fiduciary to our Clients and shall, at all times, act in a fiduciary capacity to them. We do not guarantee future performance or any specific level of performance, the success of any investment decision or strategy that we use, or the success of our overall management of Client assets. We make our Clients aware that investment decisions made for Clients are subject to various market, currency, economic and business risks and that those investment decisions will not always be profitable. Clients are reminded that investing in securities may incur loss.

**Fixed Income Portfolios**

***Investment Strategy***

We focus on five key factors to add value to the fixed income portfolios that we manage. We believe that these five factors represent opportunities to enhance portfolio value while diversifying portfolio risk and reducing total return volatility. The five factors are 1) security selection, 2) sector rotation, 3) yield curve positioning, 4) volatility management, and 5) duration management. To this end, we invest client funds in government, government agency, corporate, mortgage-backed, commercial mortgage-backed and asset-backed securities. Following are factors that could impact the portfolio performance:

***Risks***

Interest Rate Risk: If interest rates rise, bond prices usually fall. If interest rates fall, bond prices usually rise. The longer a bond's maturity, the greater the impact a change in interest rates can have on its price.

Credit Risk: Bonds carry the risk of default, which means that the issuer is unable to make further income and principal payments. Many individual bonds are rated by a third-party source such as Moody's or Standard & Poor's to help describe the creditworthiness of the issuer. Lower-rated bonds usually carry a higher yield and a higher risk of default. U.S. Treasury bonds have backing from the U.S. Government and thus have no default risk. Although they are not directly backed by the full faith and credit of the U.S. Government, government agency bonds, such as those issued by Fannie Mae and Freddie Mac, are considered to have a high credit quality.

Inflation Risk: High inflation rates can erode the real value of the future income stream to be received.

Call Risk: A callable bond has a provision that allows the issuer to call, or repay, the bond early. If interest rates drop low enough, the bond's issuer can save money by repaying the callable bonds and issuing new bonds at lower coupon rates. If this happens, the bond holder's interest payments cease, and the bond's principal is paid early.

*Prepayment Risk:* Similar to call risk, prepayment risk is the risk that the issuer of a security will repay principal prior to the bond's maturity date, thereby changing the expected payment schedule of the bonds. This is especially prevalent in the mortgage-backed bond market, where a drop in mortgage rates can initiate a refinancing wave. When homeowners refinance their mortgages, the investor in the underlying pool of mortgage-backed bonds receives his or her principal back sooner than expected, and must reinvest at lower, prevailing rates. Other types of securities that could be affected by prepayment risk are commercial mortgage-backed securities and asset-backed securities.

*Reinvestment Risk:* The risk that, during periods of declining interest rates, new bonds are purchased at lower, prevailing interest rates.

*Non-dollar Fixed Income Investing Risk:* Certain of Smith Graham's fixed income investment strategies involve investment in global and international fixed income assets, including, but not limited to, direct obligations of a sovereign government and securities of sovereign government agencies or quasi-government agencies; domestic and foreign corporate debt and structured/asset-backed debt. These investments are then subject to currency and political risk.

*Manager Risk:* The risk that security selection will cause these portfolios to perform differently than their relevant benchmarks or other funds with a similar investment objective.

## **Equity Portfolios**

### ***Investment Strategy***

Smith Graham believes incremental returns can be achieved within the small-capitalization and mid-capitalization stock universes by combining a disciplined, systematic approach with traditional fundamental analysis. We use a quantitative model based on earnings, book value and cash flow to determine the relative attractiveness of each stock in our universe. We then apply fundamental analysis to construct a portfolio from the most attractive companies. Our approach is highly disciplined and is intended to minimize many of the common risks found in investing in small and mid-capitalization stocks. The Small Cap Value, Midcap Value and SMID (Small/Mid) Cap Value portfolio strategies invest exclusively in U.S. equity securities.

Equity securities (common stock, preferred stocks, convertible securities, and warrants) represent an ownership interest, or the right to acquire an ownership interest, in an issuer. Different types of equity securities provide different voting and dividend rights and priority in the event of the bankruptcy of the issuer. The value of equity securities fluctuates in response to issuer, political, market, and economic developments.

Total returns for the Small Cap Value, Midcap Value and SMID (Small/Mid) Cap Value portfolio strategies fluctuate within a wide range, similar to the fluctuations of the overall stock market. Following are factors that could impact the portfolio performance:

## ***Risks***

*Stock Market Risk:* The risk that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

*Investment Style Risk:* The risk that returns from small and mid-capitalization stocks will vary from returns achieved by other asset classes. Historically, small and mid-capitalization stocks have been more volatile in price than the large capitalization stocks that dominate the overall market, and they often perform quite differently.

*Manager Risk:* The risk that security selection by the manager will cause these portfolios to perform differently than their relevant benchmarks or other funds with a similar investment objective.

*Small Cap Equity Investing:* The value of securities of smaller, less well-known issuers can be less liquid and more volatile than that of larger issuers and can react differently to issuer, political, market, and economic developments than the market as a whole and other types of stocks. Smaller issuers may have more limited product lines, markets and financial resources than larger issuers.

*Midcap Equity Investing:* The value of securities of medium size, less well-known issuers can be less liquid and more volatile than that of larger issuers and can react differently to issuer, political, market, and economic developments than the market as a whole and other types of stocks. Mid cap issuers may have more limited product lines, markets and financial resources than larger issuers.

*SMID (Small/Mid) Cap Equity Investing:* The value of securities of smaller and medium size, less well-known issuers can be less liquid and more volatile than that of larger issuers and can react differently to issuer, political, market, and economic developments than the market as a whole and other types of stocks. SMID (Small/Mid) Cap issuers may have more limited product lines, markets and financial resources than larger issuers.

Item 9 DISCIPLINARY INFORMATION

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As a registered investment advisor, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's evaluation of our firm or the integrity of our management. Smith Graham has no criminal, regulatory, civil or other actions to report applicable to this Item.

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Item 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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### **Option Agreement**

In 2009, Smith Graham granted an option agreement (“the Option”) to two senior members of our staff (the “Optionees”) that was subsequently exercised and purchased by the Optionees. The agreement would enable the Optionees to acquire the investment management contracts of clients invested in our Small Cap Value, Midcap Value and SMID (Small/Mid) Cap Value equity products through a newly registered investment advisor entity established by the Optionees. By amendment in 2011, the transfer of contracts is subject to a call option granted to the Optionees by Smith Graham and a put option granted to Smith Graham by the Optionees exercisable annually. The untimely death of one of the Optionees in 2013 does not impact the rights and or obligations specified under the Option or the subsequent amendments.

### **Gerald B. Smith’s Board Affiliations**

Gerald B. Smith, Chairman & CEO, dedicates time to corporate service. He is currently a member of the Board of Trustees and Chair of the Investment Oversight Committee for The Charles Schwab Family of Funds; a member of the Board of Directors and Chair of the Audit Committee for Eaton Corporation PLC; as well as a member of the Board of Directors for New York Life Insurance Company where he also serves as Chair of the Investment Committee. He previously sat on the boards of Pennzoil-Quaker State, Rorento Fund, N.V., ONEOK Partners MLP, ONEOK Inc., First Interstate Bank of Texas, and most recently the Federal Reserve Bank of Dallas – Houston Branch Board of Directors, and Cooper Industries, where he served as Deputy Chairman and Lead Director.

Mr. Smith also serves on many civic and philanthropic boards. He currently serves as Chairman of the Board of Trustees for the Texas Southern University Foundation and as a member of the Board of Directors of the Federal Reserve Bank of Dallas.

### **Callan Associates**

Smith Graham has an agreement with Callan Associates’ Institutional Consulting Group. Through this agreement, Callan provides Smith Graham with a wide range of services, including peer group performance analysis, database services, software, research and education. Callan’s Institutional Consulting Group also provides these consulting services to other investment management organizations.

### **Day4Ward**

Smith Graham holds a non-controlling ownership interest (less than 25%) in Day4Ward Capital, L.L.C., a small start-up private equity firm that is focused in the energy sector. Smith Graham has not referred prospective or existing clients to Day4Ward. Day4Ward shares office space with Smith Graham in our Houston office. Smith Graham and Day4Ward do not share operations, systems or personnel.



Item 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS  
AND PERSONAL TRADING

Smith Graham maintains and adheres to a Code of Ethics (“the Code”) which describes the high standards of business conduct expected of our Access Persons and the fiduciary duty owed to our Clients. The Code is reviewed at least annually and will be amended by Smith Graham when necessary. A copy of the Code is available to any Client or prospective Client upon request.

All Access Persons of Smith Graham must adhere to the Code. Access Persons means (i) Investment Persons; (ii) all partners, directors and officers; and (iii) all employees who have access to nonpublic information regarding Clients’ purchase or sale of securities or are involved in making securities recommendations to clients or who have access to such recommendations that are non-public. Investment Persons includes portfolios managers, analysts, and traders.

In the normal course of business, officers and employees of Smith Graham may come into possession of material, non-public information. Access Persons shall not seek to profit from this information by buying or selling securities or by passing on the information to others to enable them to profit from it.

Smith Graham and our related persons do not buy or sell securities directly to/from our Clients. Access Persons owe a fiduciary duty to Smith Graham and our Clients. Accordingly, these persons shall place the interests of Smith Graham and our Clients first. An Access Person shall handle his or her personal securities transactions in such a manner as to avoid any actual or potential conflict of interest or any abuse of his or her position of trust and responsibility. Access Persons must also certify annually that they have read and understand the Code and recognize that they are subject to it and have complied with its requirements.

Each Access Person shall direct his or her brokers to supply a designated compliance official of Smith Graham, on a timely basis, with duplicate copies of confirmations and periodic statements for all accounts containing non-exempt securities.

The Chief Compliance Officer or his designated representative shall promptly review the quarterly and annual reports for compliance with this Code and for any apparent trading irregularities. At the end of each period, the Chief Compliance Officer or his designated representative shall prepare a report summarizing the reports submitted and his analysis of those reports.

All personal transactions (buys and sells) of non-exempt securities by Access Persons are subject to pre-clearance by the Chief Compliance Officer or his designee. A transaction in a security in an Access Person account will be prohibited if the Firm is considering, has entered an order for or has executed a Firm trade in that security on the same trading day as the request (the “blackout period”).

Portfolio Managers and Research Analysts are prohibited from executing personal securities transactions in any securities held by their assigned Product, in securities they are considering purchasing for their Product or in related derivative securities, unless they receive prior written approval from the Chief Compliance Officer or his designee.

Certain transactions are exempt from the blackout period. Access Persons need the prior written approval of Smith Graham before any securities in an initial public offering or private placement are acquired.

An Investment Person shall not serve on the board of directors of any publicly traded company without prior written authorization from Smith Graham. In addition, an Investment Person shall not receive any gift or other thing of more than *de minimis* value from any person or entity that does business with Smith Graham, or on behalf of an Account managed by Smith Graham. Smith Graham defines *de minimis* value to be \$250 or less.

Also, Access Persons are not to give, offer or promise directly or indirectly anything of more than *de minimis* value to any representative of a client, a potential client, a vendor or potential vendor, or financial institution with whom the firm has or could potentially have a business relationship. If an executive believes that it would be appropriate to give a gift with a value up to \$250, the executive must obtain approval from the Chief Compliance Officer before the gift is given.

To obtain a copy of the latest Code of Ethics, contact: Chief Compliance Officer, Smith, Graham & Co. Investment Advisors, L.P., 600 Travis Street, Suite 6900, Houston, Texas 77002, (713) 292-2136.

## Item 12      **BROKERAGE PRACTICES**

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### **BEST EXECUTION**

As a registered investment advisor, Smith Graham has a fiduciary duty to seek best execution of a client's transactions through the responsible selection of broker/dealers to execute client trades. The SEC defines "best execution" as the execution of securities transactions for clients in such a manner that the maximum value for the client is sought under the particular circumstances occurring at the time of the transaction. Maximum value encompasses more than just minimizing cost. An adviser must consider the full range and quality of a broker/dealer's services, including execution capability, commission rates, the value of any research provided, financial responsibility, and responsiveness, among other considerations. In other words, the "determinative factor" is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. Smith Graham has adopted procedures to implement the firm's Best Execution policy, including block trading, allocation, selection criteria, and counterparty credit quality analysis. The Smith Graham objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its client portfolios. Many other judgmental factors are considered as they are deemed relevant, including commission rates, the nature of the security being traded, the size and type of transaction, the nature and character of the markets for the security to be traded, the desired timing of the trade, research quality, execution, clearance and settlement capabilities, reputation and perceived soundness of the broker/dealer selected. Smith Graham has implemented procedures for the selection and authorization of new broker/dealer relationships and maintains an "Approved Broker List" for all authorized broker/dealers. The firm has also implemented a program to test our Best Execution policy through subsequent reviews of authorized broker/dealers, both from a financial perspective and from a qualitative perspective, as part of our ongoing commitment to best execution of our clients' transactions.

### **RESEARCH AND SOFT DOLLAR BENEFITS**

When appropriate under our discretionary authority and consistent with our duty to obtain best execution, Smith Graham directs brokerage transactions for Client accounts to broker-dealers who provide us with research and brokerage services. The brokerage commissions used to acquire these services are known as "soft dollars." Safe harbor provisions of the Securities and Exchange Act of 1934 allow Smith Graham to pay for research and brokerage services with soft dollars generated by Client account transactions. Smith Graham is permitted, under certain circumstances, to cause Client accounts to pay brokers and dealers a commission for effecting portfolio transactions in excess of the commission another broker or dealer would have charged to affect such transactions.

Broker-dealers typically provide a bundle of services, including research and execution. The services provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or

third party (created by a third party, but provided by the broker-dealer). Smith Graham uses soft dollars to acquire either type. Smith Graham will also use soft dollars to acquire third party research products and services independent of broker-dealers.

The use of brokerage transactions directed to broker-dealers who provide Smith Graham with research and brokerage services through “soft dollar” commissions creates a potential conflict of interest; which Smith Graham recognizes. Smith Graham limits our use of soft dollars to only those services which are within the safe harbor provisions. Moreover, any services received by Smith Graham are in addition to, and not in lieu of, services required to be performed by Smith Graham under our investment management agreements. Smith Graham currently has soft dollar arrangements with various broker/dealers and uses the services of Westminster Research and Capital Institutional Services, Inc. (“CAPIS”) as our soft dollar aggregators.

The determination and evaluation of the reasonableness of the brokerage commissions paid in connection with portfolio transactions are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. These opinions are formed based on, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type. Smith Graham selects broker-dealers based on our assessment of their ability to provide quality executions and our belief that the research, information and other services provided by such broker-dealers benefit Client accounts. It is not generally possible to place a dollar value on the special executions or on the research services Smith Graham receives from broker-dealers effecting transactions in portfolio securities. Accordingly, Smith Graham pays broker-dealers commissions for effecting Clients’ portfolio transactions in excess of amounts other broker-dealers would have charged for effecting similar transactions if Smith Graham determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or Smith Graham’s overall duty to our discretionary accounts.

As a general matter, and within their respective asset class (Fixed Income and Equity) products, some brokerage and research services will be used to service some of Smith Graham’s Client accounts. Research obtained with soft dollars will be allocated over several accounts and will not be designated to the specific account that generated the soft dollars. Smith Graham does not usually attempt to allocate the relative costs or benefits of research among client accounts because we believe that, in the aggregate, the research we receive benefits Clients and assists Smith Graham in fulfilling our overall duty to our Clients. Moreover, Clients whose accounts contain mandates that prohibit soft dollar transactions or that do not permit investments that generate soft dollars still benefit from the research and other services obtained by Smith Graham in soft dollar arrangements. However, each individual brokerage or research service will not be used for the benefit of each individual Client account managed by Smith Graham, and brokerage commissions paid by one account will be used to pay for services that benefit multiple accounts.

In determining whether a service or product qualifies as research or brokerage, Smith Graham must evaluate whether the service or product provides lawful and appropriate assistance to us in carrying out our investment decision-making responsibilities. Brokerage and research services that are provided include: (1) furnishing advice as to the value of securities, the advisability of purchasing or selling securities, and the availability of purchasers or sellers of securities; (2) furnishing analyses and reports and sponsoring seminars or conferences concerning industries, issuers, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and (3) effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). The SEC has also interpreted the term “commission” to include a markup, markdown, commission equivalent or other fee paid by a managed account to a dealer for executing a transaction where the fee and transaction price are fully and separately disclosed on the confirmation and the transaction is reported under conditions that provide independent and objective verification of the transaction price by a self-regulatory organization. As a result, fees charged in relation to certain riskless principal transactions could generate soft dollars.

Soft dollar transactions are affected by Smith Graham only through the purchase or sale of government, government agency, mortgage dollar roll transactions, corporate fixed income securities, and equity securities for Client accounts. The commissions of Clients whose accounts contain mandates that include such securities (excluding those Clients whose mandates prohibit soft dollar transactions) are used to pay for soft dollar arrangements. When a soft dollar firm is included in the bidding process, it is awarded the transaction if it offers best execution.

Smith Graham receives market data research, real time market prices, and other miscellaneous research and services involved in the investment decision making process. If Smith Graham should choose to obtain a particular third-party product, we will use available soft dollar credits pertaining to that asset class and pay cash to make up any difference. The receipt of research in exchange for soft dollars benefits Smith Graham by allowing Smith Graham, at no cost to us, to supplement our own research and analysis activities, to receive the views and information of individuals and research staffs of other securities firms, and to gain access to persons having special expertise on certain companies, industries, areas of economy and market factors. Research and brokerage services acquired with soft dollars include reports on the economy, industries, sectors and individual companies or issuers; statistical information; accounting and tax law interpretations; political analyses; reports on legal developments affecting portfolio securities; information on technical market actions; credit analyses; on-line quotation and trading systems; risk measurement; analyses of corporate responsibility issues; on-line news services; and financial and market database services.

Smith Graham also receives “mixed use” services, or those that can be used for both research and non-research purposes, such as for firm administration or marketing. In such cases, there exist potential conflicts of interest in a) allocating the costs of such services between those that primarily benefit Smith Graham and those that primarily benefit our Clients and b) determining which portion should be paid with soft dollars and what portion should be paid in cash. Although the allocation between soft dollars and cash cannot always be precisely calculated, Smith Graham will make a good faith effort to

allocate such items reasonably. Records of any such allocations and payments will be prepared and maintained.

Smith Graham will not enter into any agreement or understanding with any broker-dealer which would obligate Smith Graham to direct a specific amount of brokerage transactions or commissions in return for such services. However, certain broker-dealers state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent.

## **SELECTION OF BROKERS/DEALERS**

When selecting broker/dealers for the execution of purchases and sales of securities for client accounts, an adviser must consider the full range and quality of a broker/dealer's services, including execution capability, commission rates, the value of any research provided, financial responsibility, and responsiveness, among other considerations. In other words, the "determinative factor" is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. Smith Graham has adopted procedures to implement the firm's Best Execution policy, including block trading, allocation, selection criteria, and counterparty credit quality analysis. The Smith Graham objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its client portfolios. Many other judgmental factors are considered as they are deemed relevant, including commission rates, the nature of the security being traded, the size and type of transaction, the nature and character of the markets for the security to be traded, the desired timing of the trade, research quality, execution, clearance and settlement capabilities, reputation and perceived soundness of the broker/dealer selected. Smith Graham has implemented procedures for the selection and authorization of new broker/dealer relationships and maintains an "Approved Broker List" for all authorized broker/dealers. The firm has also implemented a program to test our Best Execution policy through subsequent reviews of authorized broker/dealers, both from a financial perspective and from a qualitative perspective, as part of our ongoing commitment to best execution of our clients' transactions.

### ***Client-Directed Brokerage***

Smith Graham will consider Client requests or recommendations in selecting brokers to be used in connection with trades in the Client's account if the recommended broker charges fees at a rate acceptable to Smith Graham and provides services that are satisfactory to Smith Graham. Clients who request that Smith Graham utilize particular brokers for the execution of trades in their accounts potentially pay more for brokerage execution if such brokers are used. In executing trades through such broker, Smith Graham could, for example, be unable to achieve best execution due to our inability to negotiate transaction costs, obtain volume discounts, bunch trades, or otherwise obtain best execution. Some brokers will agree to a Client's request that brokers provide products, services, or rebates to the client in exchange for the direction by the Client to brokers of commission business relating to the Client's account.

The direction by a Client to use a particular broker or dealer to execute transactions could potentially result in higher commissions, greater spreads, or less favorable net prices than would be the case if Smith Graham could negotiate commission rates or spreads freely, or select brokers or dealers based on best execution.

## **COMMISSION RATES OR EQUIVALENTS POLICY**

In placing orders for execution of portfolio transactions on behalf of Client accounts, unless limited by Client direction, Smith Graham allocates transactions to brokers for execution on such markets, at such prices, and at such commission rates as determined by the good faith judgment and discretion of Smith Graham. Orders for execution will be in the best interest of Client accounts after taking into consideration not only prices and rates of brokerage commissions, but also other relevant factors, including, but not limited to, execution capabilities, research and other services provided by such brokers that enhance the general portfolio management capabilities of Smith Graham, and the value of an ongoing relationship Smith Graham has with such brokers. Smith Graham is not required to demonstrate that such factors are of direct benefit to any particular Client account.

Smith Graham endeavors to be aware of current charges of eligible broker-dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of our Clients' accounts. However, Smith Graham will not select broker-dealers solely based on "posted" commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any portfolio transaction. Although Smith Graham generally seeks competitive commission rates, we will not necessarily pay the lowest commission or commission equivalent. Transactions will sometimes involve specialized services on the part of the broker-dealer involved, resulting in higher commissions or their equivalents than would be the case with transactions requiring more routine services.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services which will help Smith Graham in providing investment management services to Clients. Smith Graham can therefore use a broker who provides useful research and securities transaction services even though a lower commission is charged by a broker who offers no research services and minimal securities transaction assistance.

## **ALLOCATION OF INVESTMENT OPPORTUNITIES**

### ***Fixed Income Portfolios***

**Block Trading:** Trades are typically executed for multiple portfolios, which result in a practice known as "Bunching" or "Block" trading. Block trading is used to facilitate best execution, including negotiating more favorable prices, obtaining more timely or equitable execution or reducing overall commission charges. All trades for all accounts within the same strategy are considered for possible bunching unless a Client has specifically directed otherwise. Such transactions will generally be allocated *pro rata*

unless otherwise specified in this block trading policy. No accounts in which Smith Graham or our employees have an interest participate in block trades for Clients.

For block orders *Pro rata allocation* will be used. A partial fill is generally allocated among the participating Client accounts based on the size of each account's original order based on market value, subject to rounding in order to achieve "round lots" (unless otherwise specified in this policy). Unexecuted orders will continue until the block order is completed or until all component orders have been cancelled. New orders for the same security will be aggregated with any remaining unexecuted orders and will continue in the same manner. Smith Graham will generally apply a minimum order allocation amount of 100 shares or units, which is adjusted based on market convention associated with the particular security. If remaining positions are too small to satisfy the minimum order amount, Smith Graham can choose to allocate the remaining shares to those accounts seeking large positions, which were unfilled. Smith Graham can also choose to allocate remaining shares to those accounts whose orders would be completed as a result of the allocation.

Smith Graham will also consider the following when deciding on allocations: 1) cash flow changes (including available cash, redemptions, exchanges, capital additions and capital withdrawals) can provide a basis to deviate from a pre-established allocation as long as it does not result in an unfair advantage to specific accounts or types of accounts over time; 2) accounts with specialized investment objectives or restrictions emphasizing investment in a specific category of securities can be given priority over other accounts in allocating such securities; and 3) for bond trades, street convention and good delivery often dictate the minimum size and par amounts and can result in small deviations from *pro rata* distribution. Any deviation from such allocations will be approved by one of Smith Graham's compliance officers.

### ***Equity Portfolios***

Smith Graham's equity portfolio managers manage the Small Cap Value, Midcap Value and SMID (Small/Mid) Cap Value Client accounts in accordance with guidelines established for these investment products, subject to Client investment guidelines and restrictions.

Purchases and sales of securities for Client accounts are generally made by product, for all accounts participating in the product. Generally, trades are executed in blocks, on behalf of a product, and the securities in the block are allocated to participating clients in a fair and equitable manner based on the relative market value of the accounts in the product.

Pre-allocation statements for each product will be generated by Smith Graham's order management system. Smith Graham will generally apply a minimum order allocation amount of 10 shares or units. In the case of partial fills of orders, allocation will be determined *pro rata* based on pre-trade allocations and any deviation from such allocations must be approved by one of Smith Graham's compliance officers.



It is possible that the same security will be eligible for purchase or sale on behalf of more than one equity product. The order will be allocated to the products on a pro rata basis according to the predetermined product target weights for that security. The order will then be allocated to the accounts invested in each product on a pro rata basis in accordance with their market value, unless investment in the security has been restricted by one or more clients, and subject to exception to avoid the allocation of *de minimis* amounts.

## **CROSS TRADING**

It is the considered opinion of Smith Graham that cross trades present a conflict of interest for which we cannot make adequate compensation. Therefore equity and fixed income portfolios managed by Smith Graham will not engage in cross trade practices.

## Item 13 REVIEW OF ACCOUNTS

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### ***Fixed Income Products***

Smith Graham's Fixed Income Investment Team reviews investments for Managed Accounts and Non-Managed Account Clients weekly, without regard to the amount in any Client account. At least two reviewers review each Client account. One reviewer must be a Senior Portfolio Manager, while the other will hold the title of Portfolio Manager or Analyst. The reviewers make recommendations concerning the general investment advice to be given to Clients. The Chair or Vice Chair of the Investment Policy Committee and Portfolio Managers will be responsible for reviewing all of Smith Graham's accounts periodically.

The Chair or Vice Chair of the Investment Policy Committee or designee will advise Smith Graham's management of (1) the results of a comparative analysis of the investments held in each Client's account vis-à-vis other investments currently available in the market, (2) any changes in investment strategy, and (3) any material or technical changes in market conditions.

In addition, we will review a Client account whenever there is a Client request to do so. Also, we will review all Client accounts whenever there is a significant market movement in terms of interest rates and also significant movements to specific securities.

### ***Equity Products***

Smith Graham's Equity Investment Team reviews each Managed Account's portfolio holdings on a daily basis. Individual security positions are monitored to confirm that all investment decisions related to the equity strategy comply with the strategy's internal guidelines and to specific client restrictions. The team also performs a comprehensive review at the end of each month and quarter, including but not limited to asset mix, position sizes, sector weightings and any other client specific restrictions to ensure that each client account is in compliance with the strategy's guidelines as well as each client's own guidelines.

### ***Client Reports***

Written investment reports regarding Managed Accounts are prepared and delivered to Clients on a monthly and/or quarterly basis as agreed upon with our Client. Written reports could include the following: (1) a brief description of each of the assets in which the Client's account is invested; (2) the fair market value of the assets in the Client's account; (3) the date and brief description of each transaction occurring within the Client's account; and (4) a statement of portfolio returns versus comparative benchmark returns. Additional written or oral reports are provided to clients as needed. Clients should compare statements from their account custodians to the statements we provide them.

Item 14 CLIENT REFERRALS AND OTHER COMPENSATION

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Smith Graham compensates certain of our employees for introducing, referring, or servicing advisory clients. Such compensation is generally based on a percentage of the annual advisory fees earned by Smith Graham on the assets under management of such clients.

Smith Graham does not utilize outside solicitors. If Smith Graham chooses to employ an outside solicitor in the future, Smith Graham will implement policies and procedures accordingly at such time that one is required.

Item 15 CUSTODY

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Smith Graham does not maintain custody over client accounts in fixed income and equity portfolios. Client assets in Smith Graham managed portfolios are held in custody at various custodians chosen by our clients. Smith Graham does not have the authority to withdraw fees or other funds from client accounts. Smith Graham bills clients or clients' designees directly for management fees. Clients are billed in arrears. Clients should ensure that they have access to statements from custodians. We urge our clients to carefully compare such statements to the statements that we provide, as described in Item 13 – Review of Accounts. Our statements can differ from custodial statements due to variances in accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 INVESTMENT DISCRETION

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Smith Graham accepts discretionary authority to manage securities investment accounts on behalf of our Managed Account Clients. These Clients have the option to place limitations on this authority. Examples include restrictions to own certain securities and limitations on the percentage of cash held at any one time. For us to assume discretionary authority, both the Client and Smith Graham must sign an investment management services agreement that includes a statement of investment guidelines that explains the discretionary authority and details any restrictions or limitations thereto.

Generally, Smith Graham is retained with respect to Managed Accounts on a discretionary basis and is authorized to make the following determinations in accordance with the Client's specified investment objectives without Client consultation or consent before a transaction is affected :

- which securities to buy or sell;
- the total amount of securities to buy or sell;
- the broker or dealer through whom securities are bought or sold;
- the commission rates at which securities transactions for Client accounts are affected ; and
- the prices at which securities are to be bought or sold, which can include dealer spreads or mark-ups and transaction costs.

Smith Graham will, from time to time, accept investment management accounts with limited discretion or where investments are client-directed pursuant to an investment management services agreement.

## Item 17 VOTING CLIENT SECURITIES

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### **Proxy Voting Policy**

Smith Graham exercises proxy voting authority on behalf of certain Clients. It is our policy generally to support any proposals that we believe will allow companies to realize their maximum market value. We will not support proposals that would insulate companies and/or management, from accountability to shareholders or prudent regulatory compliance. While each proxy is reviewed on a case by case basis, following are examples of the types of proposals and our normal voting stance:

#### *Business Operations*

We generally will vote in favor of proposals that are a standard and necessary aspect of business operations and that we believe will not typically have a significant effect on the value of the investment. Factors considered in reviewing these proposals include the financial performance of the company, attendance and independence of board members and committees, and enforcement of strict accounting practices.

#### *Change in Status*

Proposals that change the status of the corporation, its individual securities, or the ownership status of the securities will be reviewed on a case-by-case basis.

#### *Shareholder Democracy*

We generally support proposals that maintain or expand shareholder democracy. We generally will vote against any proposal that attempts to limit shareholder democracy in a way that could restrict the ability of the shareholders to realize the value of their investment.

#### *Compensation*

Smith Graham believes reasonable compensation is appropriate for directors, executives and employees. Compensation should be used as an incentive to align interests of the involved parties with the long-term financial success of the company. It should not be excessive or utilized in a way that compromises independence or creates a conflict of interest. Among the factors we consider when reviewing a compensation proposal is whether it potentially dilutes the value of outstanding shares, whether a plan has broad-based participation and whether a plan allows for the re-pricing of options. Each proposal is reviewed individually.

## Proxy Voting Procedures

### *Receipt of Proxy Materials*

We receive proxy materials primarily from client custodians who transmit proxy ballots for investments held in client accounts to Broadridge, a leading provider of investor communications, including proxy mailing and vote processing. Broadridge maintains the automated proxy voting system, ProxyEdge. ProxyEdge automatically screens to ensure that client proxy voting authority has been assigned. Smith Graham's Proxy Administrator then checks Smith Graham's records to determine that proxies have been received for all shares in all accounts holding those investments. We refrain from voting the proxies of securities after the security position has been eliminated from the portfolio. If the proxies are to be voted, the Proxy Administrator establishes a file and obtains a proxy analysis report from Institutional Shareholder Services, Inc. ("ISS"), a proxy advisory service.

### *Voting Decisions*

For each vote, the Proxy Administrator discusses the issues or initiatives with the portfolio manager(s) responsible for the security. Smith Graham generally votes in accordance with the recommendations of ISS, unless such recommendations violate our policy. Once a determination is made regarding how we will vote, the Proxy Administrator records and casts our vote electronically via ProxyEdge. In the event that we vote contrary to the recommendations of ISS, an explanation of the ballot measure(s) and reasoning for the vote are recorded and forwarded to the Chief Compliance Officer.

### *Recusal from Voting*

Any employee who has responsibility for voting a proxy and has a direct or indirect pecuniary interest in any issue presented for voting, or any relationship with the issuer, must so inform the Chief Compliance Officer or his designated representative and recuse him or herself from decisions on how proxies with respect to that issuer are voted.

### *Conflicts of Interest*

Smith Graham must act as a fiduciary when voting proxies on behalf of our clients. In that regard, we will seek to avoid possible conflicts of interest in connection with proxy voting.

The Chief Compliance Officer or his designated representative will review all potential conflicts of interests and determine whether such potential conflict is material. Where he determines there is a potential for a material conflict of interest regarding a proxy, he will consult with the portfolio manager and a determination will be made as to whether one or more of the following steps will be taken: (i) inform clients of the material conflict and Smith Graham's voting decision; (ii) fully disclose the material facts regarding the conflict and seek the clients' consent to vote the proxy as intended; and/or (iii) seek the recommendations of an independent third party. The Chief Compliance Officer or his designated representative will document the steps taken to evidence that the proxy vote was in the best interest of clients and not the product of any material conflict. Such

documentation will be maintained in accordance with required recordkeeping procedures.

*ERISA Considerations:* ERISA prohibits fiduciaries from acting on behalf of a plan in situations in which the fiduciary is subject to a conflict of interest. Thus, if we determine that we have a conflict of interest with respect to the voting of proxies, we must either seek the client's informed direction or retain an independent person to direct us on how to vote the proxy in the best interests of the ERISA account.

### *Record of Votes Cast*

The Proxy Administrator maintains documents showing which votes were cast for each security, the number of shares voted and how each issue was voted.

### *Client Requests to Reserve Right to Vote*

At the client's request or in accordance with the terms of the investment management services agreement, the client has the option to reserve the right to vote their proxies or designate this responsibility to a third party. In this instance Smith Graham will forward all proxies or proxy information received to the client or the client's designee.

### *Client Requests for Votes*

Smith Graham's obligation is to vote in what we believe is the best interest of our clients. Therefore, Smith Graham will not be able to accommodate specific client requests. Clients will be reminded of this policy should such a request arise.

### *Records to be Maintained*

The Proxy Administrator will maintain the following records with respect to proxies: (i) proxy statements received for each client security (ii) records of votes cast on behalf of a client, including each security for which votes were cast, the number of shares voted and how each issue was voted; (iii) written records of requests by clients for proxy voting information; (iv) written responses to any written or oral requests, and (v) any documents prepared or used by Smith Graham, including any ISS reports, that were material to how a proxy was voted or that memorialized the basis for the voting decision. In maintaining item (ii) above, we will rely on the records of any third party, such as a proxy voting service; provided, however, that we will not rely on such a third party without the express agreement of such party to provide a copy of the documents upon request.

### *Proxy Voting Policies & Procedures and Proxy Voting Record*

Clients can obtain a complete Proxy Voting Policies and Procedures report as well as a full record of proxy votes by contacting: Chief Compliance Officer, Smith, Graham & Co. Investment Advisors, L.P., 600 Travis Street, Suite 6900, Houston, Texas 77002, (713) 292-2136.



Item 18 FINANCIAL INFORMATION

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Smith Graham is a registered investment adviser with discretionary authority over client securities. We have not been the subject of a bankruptcy proceeding within the past 10 years and do not have any financial commitments that would impair our ability to meet any contractual and fiduciary commitments to our clients.

Smith Graham does not disclose its balance sheet since the firm does not require or solicit prepayments of management fees from clients.

## OTHER INFORMATION

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### *Class Actions and other Legal Proceedings*

Smith Graham does not advise or act for clients in legal proceedings, including class actions or bankruptcies, involving securities purchased, held, or formerly held, in client accounts.