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[www.nisi.net](http://www.nisi.net)

## Form ADV Part 2A February 1, 2020

**This Form ADV Part 2A (this “Brochure”) provides information about the qualifications and business practices of National Investment Services of America, LLC which is doing business as National Investment Services (“NIS”, “we”, “our”). If you have any questions about the contents of this Brochure, please contact us at (414) 765-1980. 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 NIS is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 Material Changes**

This summary discusses material changes that have been made to NIS's Brochure (Form ADV Part 2A) since the date of our initial filing on January 28, 2020.

This is NIS's annual-updating-amendment to its Form ADV Part 2A. This Brochure has been updated to reflect the cessation of directly advising clients pursuant to an equity investment strategy and the closing of our Sarasota, Florida office. These developments resulted in material changes to a number of sections and information contained within this Brochure, including the following:

### Item 4: Advisory Business

Removed NIS directly offering equity strategies

Added details about offering equity strategies through a subadvisory relationship

Removed NIS providing investment management services to clients in several wrap fee programs sponsored by unaffiliated third parties

### Item 5: Fees and Compensation

Removed information related to wrap fee program fees and the fee schedule for advisory fees for equity strategies

### Item 7: Fees and Compensation

Removed information related to unified managed accounts and account minimums for advisory accounts pursuant to an equity strategy

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

Removed details pertaining to the equity strategy investment process

Removed risk disclosures specific to investing in equity securities

### Item 12: Brokerage Practices

Removed reference to commission sharing arrangements

Revised the disclosures related to directed brokerage to specify that we do not permit clients to instruct us as to which brokers must be utilized for trading activity in their accounts

Removed details of allocation methodology for accounts managed using an equity strategy

Revised information related to trade error policies and procedures to exclude disclosures specific to equity separate accounts

### Item 15: Custody

Removed disclosures related to direct deduction of advisory fees from client accounts and standing letters of authorization since they are no longer applicable

### Item 17: Voting Client Securities

Revised details with respect to voting proxies on clients' behalf since we no longer possess this authority

A complimentary copy of this Brochure may be requested by submitting a written request to National Investment Services of America, LLC, Attn. Compliance Department, Suite 2350, 777 East Wisconsin Avenue, Milwaukee, WI 53202.

Additional information about NIS is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about persons affiliated with NIS who are registered as investment adviser representatives of NIS.

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## **Item 4    Advisory Business**

### **A.    Organization**

Formed in October, 2019, NIS is the successor registered investment adviser to NIS, Inc. NIS, Inc. was formed in November 1993 and began operations on April 1, 1994. NIS is a majority-owned asset management subsidiary of Resolute Investment Managers, Inc. (“RIM”). RIM is an indirect wholly-owned subsidiary of Resolute Investment Holdings, LLC, which is owned primarily by Kelso Investment Associates VIII, L.P.

### **B.    Advisory Services**

We are primarily an institutional-oriented investment management firm that manages client portfolios across a variety of fixed income strategies. We manage separate accounts, as well as private funds. For each of the private funds we manage, NIS is also the Managing Member. We also manage client portfolios using a preferred stock strategy. Beginning in January 2021, we offer advisory services for equity strategies through a subadvisory agreement with Pullen Investment Management.

Any reference to the private funds within this Brochure is for informational purposes only and is intended to address required disclosures about our business practices and the conflicts associated with managing the private funds. Only qualified investors are able to invest in these funds, and they should read that fund’s confidential private placement memorandum before investing. No reference within this Brochure should be viewed as an offer to sell or an offer to buy an interest in the private funds.

### **C.    Specific Client Needs and Restrictions**

Whether or not we tailor portfolios to individual client needs depends on the type of client. Institutional clients typically have investment policy statements that contain parameters and restrictions that require varying degrees of portfolio customization. Each of the private funds is managed in accordance with the private fund’s offering documents which are provided to investors prior to investment in the private fund.

Our individual clients primarily are introduced to us by third party financial institutions, such as broker-dealers. In these cases, the client’s financial advisor will select which of our strategies the client should be invested in, and we will manage the client’s account according to our model for the applicable strategy. We provide customized portfolio management services to individuals in some instances, but usually only in the case of a long-term relationship directly with the client.

If you have particular investment restrictions or parameters that you would like us to adhere to, we will generally accept the assignment (subject to minimum account values) as long as the

restrictions or parameters do not unnecessarily hinder our ability to properly manage the account in line with the applicable strategy.

**D. Investment Advisory Agreements**

NIS enters into individually-negotiated investment advisory agreements with its clients (i.e., non-uniform agreements). Since we do not negotiate uniform terms with all clients, some clients obtain more favorable terms relating to, for example, management or performance fees, special liquidity or withdrawal rights, “MFN” rights, and consent, indemnity and exculpation rights. Further, certain understandings with investors include investment-related restrictions that potentially impact the investment parameters of an entire private fund, thereby affecting other investors in the same private fund. Varying investment advisory agreement terms could create preferences or priorities for certain clients or investors as compared to other clients or investors. Clients are not entitled to identical or similar terms as other clients. Clients not offered certain potentially more favorable terms do not have any right of claim against us, our affiliates, the private funds or any other clients or investors.

**E. Assets Under Management**

As of December 31, 2020, the regulatory assets under management of NIS were approximately \$9,414,112,000. We have discretionary authority over all of the assets that we manage.

**Item 5 Fees and Compensation**

**A. General Fee Information**

Our management fee for separate accounts is charged primarily in arrears on a quarterly basis. The fee schedule, manner in which the fee is calculated, billing method and when fees are due will be detailed in our investment management agreement with each client, and with respect to the private funds, in the relevant operating agreement. Fees for partial periods, either upon opening an account or terminating services, will be prorated based on the number of days services will be or were provided.

Our management fee for private funds is an asset-based fee and is charged quarterly in arrears. The specific management fee charged to each private fund is outlined within the private fund’s offering documents and is a percentage of the private fund’s net asset value. As described in each private fund’s offering documents, each private fund pays its own operating expenses and organization expenses which are amortized over a period of time.

Certain of the private funds we manage also pay an incentive fee as described within each fund’s offering documents. See Item 6 for additional information on incentive fees and potential conflicts of interest.

When an investor in one of our private funds is also a separate account client of ours and owns the private fund within the separate account, the client/investor only pays one management

fee, either at the account level or at the private fund level as agreed upon between us and the client/investor.

Brokerage commissions or mark-ups/mark-downs charged by the executing broker-dealers are built into the net cost (or proceeds) of each trade. We will not receive any portion of those commissions or fees. In addition, you may incur charges imposed by third parties other than us in connection with investments made through the account, including but not limited to, custodial fees, mutual fund fees, and exchange-traded fund (“ETF”) management fees.

We may invest or recommend investments in mutual funds or exchange-traded funds including funds that are managed by us. Clients investing in mutual funds or exchange-traded funds will also bear indirectly as fund shareholders their proportionate share of the fund’s internal expenses, which include management fees paid to the fund’s adviser. These internal fees and charges are known as the fund’s expense ratio. Each fund’s expense ratio will vary over time and is disclosed in its prospectus. We do not receive sales charges from mutual funds or exchange-traded funds as a result of recommending such securities.

To the extent that we invest client accounts in a private fund managed by us, we will not charge its advisory fee on the amount invested to avoid duplication of its advisory fee through the private fund.

## **B. Fee Schedules**

Our asset-based advisory fees are negotiated with clients on a case-by-case basis and will depend on the characteristics of the account, the relationship with the client, and other variable factors. The following fee scales may be used as a guide:

### **Institutional Fixed Income Strategies:**

#### Core Strategy

0.30% of the first \$50 million under management

0.25% of the next \$50 million under management

Negotiable on balance

#### Core Plus Strategy

0.35% of the total market value under management

#### Total Absolute Return Strategy\*

1% of the total market value under management

15% incentive fee of net profit



Dynamic Fixed Income Strategy

0.60% of the total market value under management

**Preferred Stock Strategy\*:**

0.60% of the total market value under management

15% incentive fee of net profit

\*Strategy offered only in private funds.

**C. Account Valuation Practices**

**Pricing**

We use account market values to calculate assets under management, client investment management fees and investment performance, where applicable; therefore, NIS maintains policies and procedures regarding these practices.

We use pricing information provided by Intercontinental Exchange, Inc. ("ICE") and our sub-adviser, with respect to the firm's sub-advised assets for purposes of valuing client portfolios. In an instance where ICE is unable to obtain a price, an independent pricing source is used where possible (generally consisting of independent broker-dealer quotes or a reliable electronic information service such as Bloomberg). Our pricing policy includes details regarding secondary pricing sources and reviews are performed periodically to assess the accuracy and reasonableness of the prices utilized.

**Fair Valuation**

In the instance where we are unable to determine a price as outlined in our Portfolio Valuation Policy, our Pricing Committee shall determine a fair value for that security. No single factor or approach shall be implemented by the Pricing Committee in every case of determining a fair value for a security, as each case is unique in nature.

There are inherent conflicts of interest when we value client accounts, as higher security prices increase market values, thereby enhancing performance results and increasing fees. In addition, because clients pay different fees based on differing fee schedules or the size of the account, we have a theoretical incentive to favor those accounts where we earn the highest fees. We maintain investment, trade allocation and account valuation (including fair valuation) policies and procedures designed in an effort to address such conflicts of interest.

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

We do not charge performance-based fees on our separately managed account portfolios. The private funds advised by NIS with a (1) preferred stock strategy; and (2) total absolute return strategy, charge incentive fees (i.e., performance-based fees). An investor (or class of investors) within a private fund may pay higher or lower incentive fees than other investors or none at all as

agreed upon by the investor and us. Incentive fees create a conflict of interest in that we have the potential to earn higher fees if we place more favorable trades in accounts where we receive an incentive fee. In order to mitigate this conflict of interest, we maintain trading policies and procedures as well as a Code of Ethics which requires that we treat all clients fairly and act only in the best interest of our clients.

## **Item 7 Types of Clients**

We manage assets for multi-employer funds (pension and health and welfare funds), corporations, individuals, high net worth individuals, state and local governmental entities, ERISA plans, Taft-Hartley accounts, private funds, registered investment companies, and endowment and foundation funds. Employees through NIS's retirement plan and our firm owners may invest in the private funds and/or have separate accounts managed by us. Management fees and related incentive fees may be less or waived for employees and owners. Managing assets for employees and owners creates a conflict of interest as we may have an incentive to favor these accounts over other client accounts. In order to mitigate this conflict of interest, we maintain trading policies and procedures as well as a Code of Ethics which requires us to treat all clients fairly and act only in the best interest of our clients.

Generally, with respect to our fixed income strategies, separately managed accounts have a minimum investment of \$20 million and the private funds have minimum initial investment of \$5 million. These minimums may be waived at our discretion.

Interests in the private funds are only offered to persons who meet the eligibility requirements for investment in privately offered funds, which (1) rely on an exclusion from the definition of "investment company" under the Investment Company Act of 1940, as amended, provided by either Section 3(c)(1) or Section 3(c)(7) thereunder; and (2) rely on an exemption from registration under the Securities Act of 1933, as amended, provided by Section 4(a)(2) and Rule 506 of Regulation D. Investors and prospective investors in each private fund are urged to refer to the offering documents of such private fund for detailed information on the investment requirements.

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

Investing in securities involves the risk of loss of your investment. You should be prepared to bear that risk.

### **A. Analysis and Strategies**

#### **Fixed Income Strategies**

Our fixed income portfolios typically include the following types of securities:

- U.S. Treasury and agency securities
- U.S. Government

- Domestic and international investment grade and high yield corporate securities
- Mortgage-backed securities
- Asset-backed securities
- Municipal securities
- Fixed income ETFs
- Preferred stock

Our fixed income investment philosophy is based on fundamental economic analysis, technical interest rate analysis, structure optionality analysis, and credit research. Our economic outlook leads to strategy decisions that reflect our views on interest rates, trends in volatility, and relative value among market sectors.

The primary methods we use to attempt to add value to portfolios are the following:

Yield Curve management: We try to select specific maturities that will benefit from our view on the direction of rates and potential Federal Reserve monetary easing or tightening.

Sector allocation: The primary sectors of the fixed income market are U.S. Treasury securities, U.S. agency securities, corporate securities, and mortgage-backed securities. We attempt to maintain overweight positions (relative to the benchmarks) in the sector(s) that we believe will outperform the other sectors.

Security selection: We seek to identify undervalued securities in order to increase the yield of our portfolios and provide price appreciation.

### **Preferred Stock Strategy**

The Preferred Stock Strategy objective is to provide returns in excess of conventional fixed income securities with a lower volatility than equities by employing an active long/short strategy investing primarily in \$25/par and \$1,000/par board-listed securities that represent the retail preferred stock market. We attempt to take advantage of an inefficient market via a close monitoring of the market. Our strategy includes actively searching for relative value anomalies and trading for capital gains to enhance regular dividend income.

### **Dynamic Fixed Income Strategy**

Our Dynamic Fixed Income Strategy provides clients with a flexible, diversified portfolio designed to be well-suited for any market condition. The strategy is comprised of four components ((1) Traditional Fixed Income; (2) NIS High Yield Fund, LLC/NIS High Yield QP Fund, LLC; (3) NIS Total Absolute Return Fund, LLC/NIS Total Absolute Return QP Fund, LLC; and (4) NIS Preferred Stock Fund II, LLC/NIS Preferred Stock QP Fund, LLC) that are managed independently, lowly correlated, each providing exposure to specific asset classes.

We deploy an active management strategy with tactical allocations to the portfolio components, allowing us to capitalize on the market cycle and to add protection when risks become elevated.

These components and allocation ranges are customized by clients and their consultants based on plan type and liquidity needs.

**B. Investment – Related Risks**

While not an all-inclusive list, we believe that the following risks are the most relevant within our strategies:

*Interest Rate Risk* – If interest rates rise, bond prices decline. The longer a bond's maturity, the greater the impact a change in interest rates can have on its price. If a bond is not held until maturity, there may be a gain or loss when the bond is sold.

*Credit Risk* – Bonds carry the risk of default. Companies or individuals may be unable to make the required principal and interest payments on their debt obligations. Historically, corporate bonds carry a greater credit risk than U.S. Treasury and agency securities.

*Inflation Risk* – There is a possibility that the value of assets or income will decrease as inflation shrinks the purchasing power of a currency.

*Call, Prepayment and Extension Risk* – Some fixed income securities can be called or paid before their maturity date. An unexpected decline in interest rates could cause these securities to be paid off early. This would cause a loss of income in the portfolio and would usually force us to reinvest in lower-yielding securities.

*Reinvestment Risk* – Interest or dividends earned from an investment may not be able to be reinvested in such a way that they earn the same rate of return as the invested funds that generated them.

*Management Risk* – Performance could be hurt if we improperly execute the portfolio's strategies or make poor strategic decisions. Further, there is no assurance that any client's investment objectives will be achieved or that a client will not incur significant losses.

*Currency Risk* – An investment's value will be affected by changes in exchange rates. For example, if money must be converted into a different currency to make a certain investment, changes in the value of the currency relative to the U.S. dollar will affect the total loss or gain on the investment when the money is converted back. This risk can affect a U.S. investor's international investments. We typically do not have exposure to this risk in our portfolios.

*Mortgage-Backed and Asset-Backed Securities Risk* – Certain bonds or contracts derive their value from underlying loans, securities or indices. There is risk that these bonds could move in a non-linear fashion from that of the underlying loans, assets or indices. In addition, derivatives have higher liquidity risk.

*Counterparty Risk* – There are risks associated with settling trades and gains associated with dealing with counterparties. The institutions, including brokerage firms and banks, with which NIS does business on behalf of its clients, or to which securities have been entrusted by clients

for custodial purposes, may encounter financial difficulties that may impair the operational capabilities or the capital position of clients' investment portfolios.

*ETF Risk* – Clients may lose money investing in an ETF if the value of securities owned by the ETF declines. Clients could pay more to purchase ETF shares, or receive less in a sale of shares, than the actual net asset value of the shares. In addition, when clients invest in an ETF they will bear additional expenses based on the pro rata share of the ETF's operating expenses. The risk of owning an ETF generally reflects the risks of the underlying securities that the ETF is designed to track and the investment strategies employed by such ETF. The ETF may not track the underlying index.

*High Yield Risk* – High yield securities are rated lower than investment grade securities because there is a greater risk the issuer will default and not be able to make interest and principal payments. Clients should expect portfolio valuations to fluctuate over time and for those clients invested in high yield securities, the price volatility may be greater.

*Municipal Securities Risk* – The risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level but may be taxable in individual states other than the state in which both the investor and municipal issuer are domiciled.

*Unexpected Problems in Executing Trades* – NIS and brokerage firms rely on computer, telephone and related electronic equipment to execute trades and to link to the exchanges on which NIS trades. If equipment fails and/or the firms handling their computer and communications facilities are adversely affected due to uncontrollable factors such as weather problems or terrorist attacks, NIS may not be able to have trades for clients executed at the desired times, which could cause clients to incur losses.

### **C. Other Risks**

*General Market Conditions* – In addition to the risks identified above, client accounts are subject to general market risk. Securities purchased and held in client accounts may decline in value because of a general decline in the market. Securities markets move in cycles, with periods of rising prices followed by periods of falling prices. The value of the securities held in client accounts will tend to increase or decrease in response to these movements.

The success of attaining clients' investment objectives may be affected by the success or failure of the issuers in which clients invest and by general economic and market conditions, such as market and other trends, interest rates, volatility, inflation rates, economic uncertainty, changes in laws, national and international political circumstances and innumerable other factors. These factors may affect the level and volatility of securities prices and the liquidity of investments, and may affect substantially and adversely the performance of clients' investment portfolios.

*Investment Style* – Client accounts are also subject to investment style risk. A client account

invested in one of NIS's investment strategies involves the risk that the investment strategy may underperform other investment styles or the overall market.

*Operational and Human Error* – The success of implementing NIS's investment strategies depend, in part, upon the communication of precise trading instructions and ongoing position evaluations. In addition, NIS's strategies require active, ongoing management and dynamic adjustments to positions in clients' investment portfolios. There is the possibility that, through human error, oversight or operational weaknesses, mistakes could occur in this process and lead to significant trading losses.

*Private Fund Liquidity* – Certain private funds have an initial twelve-month lock-up period as described in the respective private fund's offering documents.

*New Private Funds* – From time to time, NIS may establish new private funds having no operating history upon which prospective investors can evaluate the potential performance and operations. In any case, the past investment performance of a private fund should not be construed as an indication or guarantee of future results of an investment in such private fund.

*No Guarantee of Investment Performance* – NIS does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

#### **D. Cybersecurity and Identity Theft Risk**

Increased reliance on internet-based programs and applications to conduct transactions and store data creates growing operational and security risks. Targeted cyberattacks or unintentional events can lead to breaches in computer and data systems security and subsequent unauthorized access to sensitive transactional and personal information held or maintained by NIS and third-party service providers. Any breach that occurs could result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to clients or investors, and may lead to theft, data corruption, or overall disruption in operational systems. NIS's information and technology systems may be vulnerable to damage or interruption from, but not limited to, computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, security breaches, and usage errors by employees. A successful penetration or circumvention of NIS's systems has the potential to disrupt our ability to engage in transactions, cause direct financial loss and reputational damage, or result in violation of applicable laws related to data and privacy protection and consumer protection.

We take precautions to protect the confidential, sensitive, personal and private information in our possession from loss, misuse, and unauthorized access, disclosure, alteration and destruction. However, we do not expressly or implicitly warrant or represent that its level of security meets or exceeds any particular standard. You should not expect that any internet transmission is ever 100% secure or completely error-free. While we strive to protect

confidential, sensitive, personal and private information, we cannot ensure or warrant the security of information transmitted to us electronically.

If you correspond with us by e-mail, you should be aware that your transmission might not be secure. A third party could view the information you send in transit by such means. We will not have any liability for disclosure of your information due to errors or unauthorized acts of third parties during or after transmission.

#### **E. Business Continuity and Disaster Recovery**

NIS has policies and procedures designed in an effort to mitigate the risks of and recover from business interruptions (including natural disasters and health pandemics).

The foregoing list of “Risk Factors” does not propose to be a complete enumeration or explanation of all of the risks involved. Prospective clients and investors should read this entire Brochure and consult with their own advisors regarding the potential risks associated with any investment.

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

There are no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of NIS’s advisory business or the integrity of NIS’s management.

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

NIS serves as the Managing Member of the private funds it manages.

NIS is an exempt commodity pool operator with the U.S. Commodity Futures Trading Commission.

NIS and its affiliates may be subject to various conflicts of interests in their relationships with clients, including the private funds. In addition to conflicts discussed elsewhere in the Brochure, these conflicts include:

- The services of NIS are not exclusive to any separate account client, any private fund or any strategy. NIS and its affiliates are not precluded from providing similar services to other clients or private funds, some of which may have investment objectives and policies similar to those of current clients, strategies and/or the private funds.
- NIS’s employees will devote such time to its investment advisory activities as they determine to be necessary to properly manage the investment portfolios of the separate accounts and the private funds in a manner consistent with applicable agreements and relevant regulatory requirements. Conflicts of interest arise in allocating time, services or functions of individuals associated with NIS between clients, including the private funds.
- NIS and its principals participated in structuring and organizing the private funds. Thus, the

selection, as well as the setting, of NIS's compensation with respect to the private funds was not the result of arm's-length negotiations.

Please also refer to Item 5: Fees and Compensation for information regarding NIS's ability to negotiate varying terms between clients.

RIM is a diversified, multi-affiliate asset management platform comprised of SEC-registered Investment advisers, a limited-purpose broker-dealer, and an asset management servicing company.

Certain directors of NIS are also directors of one or more of its affiliated entities. These directors provide corporate governance of NIS's and other affiliates' operations.

NIS has an affiliated broker-dealer, Resolute Investment Distributors, Inc. ("RID"), which is a limited purpose broker-dealer registered with the Financial Industry Regulatory Authority. RID limits its activities to distribution and marketing of registered investment companies to financial intermediaries and institutional investors. It does not perform any securities execution or clearing services. Therefore, NIS will not use RID as a broker when executing any client transactions.

NIS anticipates receiving corporate and operational support from Resolute Investment Services, Inc. ("RIS") pursuant to an agreement that provides for NIS to pay RIS a fee for such services. The services may include corporate accounting, human resources, information technology, marketing support, legal counsel, and compliance.

Those employees of RIS who have access to NIS's non-public information regarding clients' account activity or holdings are subject to NIS's Code of Ethics and certain other policies and procedures designed to protect clients from potential conflicts of interest. Please see Item 11 for a description of the Code of Ethics.

NIS's employees, parent company or an affiliate may from time to time invest in an NIS strategy. Such investments may be made on a fee-waived basis.

American Beacon Advisors, Inc. ("AmBeacon") is an investment adviser under common control with NIS that sponsors and manages a family of mutual funds. NIS has an incentive to direct its clients' investments to the funds sponsored or managed by its affiliates to generate fees for its affiliates. Certain affiliated investment advisers are also commodity pool operators, and NIS will not invest client accounts in the affiliated commodity pools.

Pursuant to two separate solicitation agreements, NIS may pay referral fees to either (1) an affiliated investment adviser or (2) a non-affiliated party for each solicited client that enters and maintains a contractual intermediary relationship or that remains a client of NIS. Please see Item 14 for more information on the compensation arrangements related to client referrals.



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

### **A. Code of Ethics**

We maintain a Code of Ethics and Personal Trading Policy (the “Code”), which applies to all of our employees. As a fiduciary, we have a duty of utmost good faith to act in the best interests of each of our clients. We strive to foster a healthy culture of compliance within all aspects of our business. Further, we expect our employees and supervised persons to avoid potential conflicts of interest or even the appearance of such conflicts. These principles represent the expected basis of all dealings with clients.

The Code outlines the standards of conduct expected of our employees and includes limitations on personal trading, giving and accepting gifts, serving as a director or trustee for an external organization, participating in external investment organizations and engaging in outside business activities. In addition, employees are prohibited from using material nonpublic information to trade in personal accounts or on behalf of our clients.

We require all employees to obtain prior written approval before acquiring any securities in an initial public offering or private placement. In addition, employees may not execute personal securities transactions on the same day that NIS: (1) has a pending buy or sell order in that same security for a client; (2) has purchased or sold that same security for a client; or (3) is considering purchasing or selling that same security for a client. Employees are required to report personal transactions and holdings routinely.

Employees, through NIS’s retirement plan, and our firm owners may invest in the private funds and/or have separate accounts managed by us. This may create an incentive for employees to place their own interests or the firm’s interests ahead of our clients’ interests. Within the private funds, employees participate in the entire investment portfolio of the private fund along with all other investors.

Over the course of getting to know prospective clients and servicing our existing clients, we engage with trustees of certain public and private pension funds, socially, including by providing such persons with meals. NIS and/or its employees may give charitable contributions to client-supported organizations, which may be in the form of golf sponsorships or specific charity donations.

A copy of the Code is available by submitting a written request to National Investment Services of America, LLC, Attn. Compliance Department, Suite 2350, 777 East Wisconsin Avenue, Milwaukee, WI 53202.

### **B. Financial Interest in Certain Securities**

Since we receive advisory fees for the services we provide to the private funds, we have an indirect financial interest in the performance of the private funds and a conflict of interest in recommending that our clients invest in the private funds.

Potential investors will be provided with a complete set of offering documents prior to making an investment in any of the funds which explains all fees and expenses charged to investors, which we urge all potential investors to review thoroughly before investing. See also Item 5 for additional information regarding private fund fees.

**C. Participation or Interests in Client Transaction and Personal Trading**

NIS may manage accounts for its affiliates, directors, officers and employees. These accounts may or may not be required to pay advisory fees to NIS. NIS may have an incentive to favor and disproportionately allocate less liquid investments and partially-filled orders to these accounts over other client accounts. NIS implements a trade aggregation and allocation policy that requires accounts for affiliates, directors, officers and employees to be traded alongside other discretionarily managed client accounts. All trades must be handled in accordance with these policies and procedures.

**Item 12 Brokerage Practices**

**A. Selection of Brokers for Client Transactions**

**Broker Selection and Best Execution**

Unless a client has directed us to conduct the client's securities transactions through a specific broker-dealer, we determine the broker-dealer through which to trade a client's securities. We consider the following items, among others, when selecting a broker for our clients: (1) ability to locate liquidity; (2) quality of execution; (3) financial condition of the firm; (4) knowledge of specific markets, securities and industries; (5) trade cost structure; (6) research provided; and (7) reputation and integrity.

It is our policy to seek the best execution in security transactions for each client. We define best execution as placing trades in such a manner that the client's total proceeds or cost for each transaction is the most favorable under the circumstances in which the trades are placed. The determinative factor is not the lowest possible commission or trade cost, but whether the transaction represents the best qualitative execution for the client.

**Research and Other Soft Dollar Benefits**

Our policy is to seek the best execution available for each transaction. Best execution is not limited to obtaining the lowest commissions but also involves seeking the most favorable terms for a transaction under the circumstances. Receipt of products or services other than brokerage or research is generally not a factor in determining which brokers we trade with.

We consider the amount and nature of research services provided by brokers, as well as the extent to which we rely on such services and attempt to allocate a portion of our trades on the basis of that consideration. In no case will we make binding commitments as to the level of

trades we will allocate to a broker, nor will we commit to pay cash if an informal target is not met.

Subject to the criteria of Section 28(e) of the Securities and Exchange Act of 1934, we are not prohibited from paying a broker a higher commission than another broker might have charged for the same trade, in recognition of the value of the brokerage and research services provided by or through the broker. We believe it is important to our investment decision-making processes to have access to independent research.

Research furnished by brokers may be used to service any or all of our clients and may be used in connection with accounts other than those making the payment to the broker providing the research, as permitted by Section 28(e).

#### **Brokerage for Client Referrals**

We do not take client referrals into account when determining which brokers to use for trade execution.

#### **Directed Brokerage**

We do not permit clients to instruct us as to which brokers must be utilized for trades in their accounts.

### **B. Allocation of Investment Opportunities**

#### **Fixed Income and Preferred Stock**

In general, investment opportunities are made available to all clients that are: (1) eligible to participate; and (2) where such investment opportunities are deemed to be appropriate for the specific client. The portfolio managers or traders are responsible for making these determinations. The following guidelines are considered in allocating investment opportunities:

1. Investment opportunities shall be allocated based primarily upon the merits of the investment opportunity and the investment objectives, restrictions or styles of the client accounts.
2. Investment opportunities shall be allocated without regard to factors that primarily benefit NIS, including but not limited to client-specific financial arrangements (such as performance-based incentives inherent within an NIS-managed private fund).
3. Investment allocations among client accounts shall be determined by portfolio managers prior to purchasing the security.
4. Investments in new issues shall:

- i. With respect to preferred stock accounts, generally be treated in the same manner as any other security, as addressed within this policy; and
- ii. With respect to fixed income accounts, generally be allocated across all eligible accounts.

**C. Trade Aggregation and Allocation**

**Trade Aggregation**

It is our policy to trade in such a manner that our clients are not competing against one another in the marketplace. When possible and in our clients' best interest, we may bunch in a single order (a "block") in an effort to obtain best execution at the best security price available.

With respect to preferred stock trades, if a block order is filled (full or partial fill) at several prices through multiple trades, an average price and commission will be calculated for all trades executed, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day will be combined for purposes of calculating the average price.

**Trade Allocation**

Although determined prior to trading, trades shall be allocated to underlying client accounts after completion of each trade, but no later than by day-end.

**Fixed Income**

Partial allotments of purchases or sales shall be allocated to accounts either: (1) within the mandate on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs; or (2) by determining for which accounts the bonds are most appropriate based on several factors including, but not limited to, existing holdings in the account(s). An important factor considered when selecting the method to utilize to allocate partial is the size of the partial allotment relative to the original trade in an effort to minimize trading costs and odd lots and consider overall portfolio composition.

**Preferred Stock Trades**

Purchases and sales of preferred stock are generally made based on individual client needs and investment objectives. Preferred stock allocation percentages are determined periodically by the preferred stock portfolio managers.

### **Trade Errors**

All trade errors will be reviewed within a reasonable period of time after NIS becomes aware of a trade error in an effort to make the impacted client(s) whole and so as not to harm any client.

With respect to fixed income separate accounts, when we cause a trade error to occur in a client account that results in a loss, we will reimburse the client. If the trade error results in a gain, the client will keep that gain.

In all cases when a client's custodian requires NIS to follow the custodian's trade error procedures, NIS will do so. Accordingly, clients of such custodian will not be subject to NIS's trade error policies and procedures.

### **Courtesy Trades**

We may, on a very infrequent basis, execute trades within the client's custodial account upon receipt of written or verbal direction from a client as a courtesy. While we discourage the extensive use of such "courtesy trades" we do not actively manage or include these assets within our client's fee calculation.

## **Item 13    Review of Accounts**

### **A. Account Reviews**

Under the direct supervision of the Chief Investment Officer, our portfolio management team oversees each of our clients' accounts on a daily basis. Each account is reviewed in an effort to ensure that the requirements of the client's investment objectives and investment guidelines are being incorporated into the daily management of the client's account. In addition, the private funds are reviewed in an effort to ensure they are managed in accordance with the respective private fund's offering documents.

### **B. Client Reporting**

NIS provides written quarterly reports to clients and private fund investors regarding their accounts. These reports generally contain performance, holdings, portfolio appraisals and sales and purchase reports. More frequent reports may be provided upon request.

Private fund investors receive audited financial statements on an annual basis within 120 days of the private fund's fiscal year end.

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

### **A. Compensation from Third Parties**

Notwithstanding any soft dollar arrangements that may exist, we do not receive compensation or other economic benefits from third parties in connection with the services we provide to our clients.

### **B. Payments for Client Referrals**

We may enter into agreements with third parties which provide that we will pay a cash fee to the third parties in return for client (separate account) referrals in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Prior to signing the contract, clients referred by third parties are provided with information describing the nature of these payments. Payments to third parties are generally in the form of a percentage of the investment management fee that we receive. A client referred to us by a third party will not pay a higher investment management fee as a result of the referral, unless specifically stated otherwise in the separate disclosure document.

We may pay employees cash compensation in exchange for their role in securing new client (separate account) relationships. No additional amount is added to the client’s investment advisory fee as a result of these employee cash referral fees paid.

NIS has separately engaged each of (1) an affiliated investment adviser and (2) a non-affiliated party to solicit and refer financial intermediaries and other clients who desire to utilize the advisory services provided by NIS. Pursuant to the solicitation agreements, NIS will pay the solicitor a percentage of all investment advisory fees it receives from the solicited client. NIS will continue to pay the solicitor for so long as the solicited client either maintains a contractual relationship with NIS or remains a client.

## **Item 15 Custody**

We are deemed to have custody over assets of the private funds since we serve as their Managing Member. Each private fund has an established custodial account with a non-affiliated, qualified custodian. Each private fund is subject to an annual audit by an independent accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board. Audited financial statements for each private fund are distributed to investors within 120 days of each private fund’s fiscal year end.

All client accounts are held at non-affiliated, qualified custodians. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that maintains the client’s investment assets. NIS urges all clients to carefully review such statements and compare such official custodian records to the account statements that NIS provides, which may vary from custodian statements based on accounting procedures, reporting dates or valuation methodologies

of certain securities. Clients should notify NIS at the contact information on the cover page of this Brochure if they have questions about their statement or if their custodian stops sending at least quarterly statements.

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

We offer investment management services on a discretionary basis. All separate accounts are subject to a written investment advisory agreement which describes investment authority, investment objectives, investment restrictions, fees and other matters. Our investment authority related to the private funds we manage is described within each private fund's operating agreement including our authority to engage and terminate sub-adviser(s) to manage all or a portion of a private fund.

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

NIS does not have authority to vote proxies on behalf of clients.

In addition, as a matter of standard procedure, we normally do not take any action on behalf of clients in any legal proceedings, including bankruptcies or class actions, involving securities held in or formerly held in clients' accounts or of the issuers of those securities.

#### **Item 18 Financial Information**

We are not experiencing any financial difficulties that would impair our ability to meet our contractual or fiduciary commitments to our clients nor are we presently the subject of a bankruptcy proceeding.

#### **Other Information**

##### **Privacy Notice**

##### ***Our Promise to You***

As a client of NIS, you share both personal and financial information with us. Your privacy is important to us, and we are dedicated to safeguarding your personal and financial information.

##### ***Information Provided by Clients***

In the normal course of doing business, we typically obtain the following non-public personal information about our clients:

- Personal information regarding our clients' identity such as name, address and Tax ID Number;
- Information regarding securities transactions effected by us; and
- Client financial information such as net-worth, assets, income, bank account information and account balances.

***How We Manage and Protect Your Personal Information***

We do not sell information about current or former clients to third parties, nor is it our practice to disclose such information to third parties unless requested to do so or permitted by a client or client representative or, if necessary, in order to process a transaction, service an account or as permitted by law. We may, however, share information about you with our affiliated companies. Additionally, we may share information with outside companies that perform administrative services for us. However, our arrangements with these service providers require them to treat your information as confidential.

In order to protect your personal information, we maintain physical, electronic and procedural safeguards to protect your personal information. Our Privacy Policy restricts the use of client information and requires that it be held in strict confidence.

***Client Notifications***

If we change our Privacy Policy with regard to disclosing your confidential information, we are required by law to notify you and provide you a revised notice. Please do not hesitate to contact us with questions about this notice.