

**ITEM 1: COVER SHEET**

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## Saratoga Research & Investment Management

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March 29, 2022

This brochure provides information about the qualifications and business practices of Saratoga Research & Investment Management. If you have any questions about the contents of this brochure, please contact the Firm's President, Marc Crosby, at (408) 741-2332 or [marc@saratogarim.com](mailto:marc@saratogarim.com), and/or the Firm's Chief Compliance Officer, Madeline Hedges, at (513) 832-5467 or [madeline.hedges@dinsmorecomplianceservices.com](mailto:madeline.hedges@dinsmorecomplianceservices.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Saratoga Research & Investment Management is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state security authority does not imply a certain level of skill or training. Additional information about Saratoga Research & Investment Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2: MATERIAL CHANGES

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Form ADV Part 2A requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

There are no material changes contained in this Form ADV Part 2A from Saratoga Research & Investment Management's most recent annual updating amendment dated March 24, 2021.

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## ITEM 4: ADVISORY BUSINESS

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### A. Description of Advisory Firm

Saratoga Research & Investment Management (“SaratogaRIM” or the “Firm”) is an S corporation organized in the state of California. SaratogaRIM registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”) in August 1995. The Firm’s majority owner is Mr. Kevin P. Tanner, Chairman, CEO, and Chief Investment Officer. The Firm’s employees, including executive officers, hold the nearly 50% of the Firm’s outstanding shares not held by Mr. Tanner.

### B. Types of Advisory Services

SaratogaRIM primarily provides discretionary investment advisory services with respect to limited types of investment, predominantly large cap equity securities that go through a rigorous selection process as further outlined in Item 8. SaratogaRIM generally offers these discretionary long-only investment strategies through separately managed accounts (“SMAs”). These strategies are provided to individuals, high-net-worth individuals, and entities, including but not limited to, registered investment companies, pension and profit-sharing plans, endowments, foundations and other types of charitable organizations, and corporations. The Firm is also currently engaged by a mutual fund and other registered investment advisers to sub-advise portfolios using its investment strategies, and the Firm provides model portfolios to model delivery platforms and other financial institutions when contracted.

The Firm’s two primary investment strategy offerings – SaratogaRIM Large Cap Quality & SaratogaRIM Large Cap Quality Focus – invest in high-quality companies with low balance sheet, business model, and valuation risk. The Quality strategy allows cash to accumulate at certain stages of the market cycle (when valuations are expensive), whereas the Focus strategy is restricted to a maximum cash position of 5%. At its discretion, the Firm may choose to implement new strategies when it deems appropriate.

The Firm is a fiduciary under ERISA with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. SaratogaRIM is also a fiduciary under the Internal Revenue Code (the “IRC”) with respect to investment management services and investment advice provided to ERISA plans, ERISA plan participants, individual retirement accounts, and individual retirement account owners (collectively “Retirement Account Clients”). As such, the Firm is subject to specific duties and obligations under ERISA and the IRC, that include, among other things, prohibited transaction rules, which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption (a “PTE”).

### C. Customization

The Firm primarily offers discretionary investment management services to meet the long-term needs of conservative individual and institutional investors. As such, all discretionary clients participate in SaratogaRIM’s investment strategies. The Firm may allow clients to impose

reasonable investment restrictions on their accounts if the Firm, in its sole discretion, determines that the restrictions would not materially impact the performance of the assigned management strategy.

SaratogaRIM will not assume any responsibility for the accuracy of the information provided by clients. Furthermore, the Firm is expressly authorized by the client to rely on such information provided by the client or any other client designated professionals (e.g., attorney, accountant), and is not obligated to verify such provided information. Under all circumstances, clients are responsible for promptly notifying the Firm in writing of any material changes to the client's financial situation, investment objective, time horizon, or risk tolerance.

#### D. Wrap Fee Programs

Within certain SMA relationships, SaratogaRIM makes investment management services available pursuant to a wrap fee program whereby the Firm serves as the Portfolio Manager. A wrap fee program is an advisory program under which a specified fee not based directly upon transactions in a client's account is charged for investment advisory services and the execution of client transactions. Accounts managed through the wrap program are done so in substantially the same manner as those managed under a non-wrap agreement. The Firm is paid a portion of the wrap fee for its services.

#### E. Assets Under Management

As of December 31, 2021, SaratogaRIM had \$2,952.2 million in discretionary assets under management and \$5.5 million non-discretionary assets under management. In addition, the Firm provided investment consulting services to approximately \$2,957.7 million in assets under advisement.

### ITEM 5: FEES AND COMPENSATION

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#### A. Compensation

SaratogaRIM charges an annual advisory fee that is agreed upon with each client and set forth in an agreement executed by the Firm and the client. Fees for discretionary investment management services are based upon the agreed upon investment strategy of the account and calculated as a percentage of assets as outlined below:

Strategy	Annual Fee (% of AUM)
Equity - Quality	1.00%
Equity - Focus	1.20%
Strategic Income	0.75%
Active Fixed Income	0.50%
Passive Fixed Income	0.25%

Fees may be negotiable in certain limited circumstances, and fee arrangements may vary significantly from client to client.

Asset-based fees are calculated based upon the value of the client's assets, including securities, money market funds, cash and accrued interest, if applicable. The advisory fee for the initial quarter shall be paid, on a pro rata basis, in arrears, based on the number of days remaining in that quarter and on the net market value of the account at the end of trading on the date that management begins. For subsequent quarters, the advisory fee shall be paid, in advance, based on the net market value of the client's accounts at the opening of trading on the first business day of the quarter.

Registered investment advisers or other professional firms, such as family offices, that hire SaratogaRIM to sub-advise a portion of their clients' assets receive a 50% discount from the fees listed above for the Quality or Focus strategies. Arrangements with any particular registered investment adviser may vary, and sub-advisory fees may be assessed in advance or payable in arrears, as mutually agreed upon in each sub-advisor contract. On occasion, the Firm agrees to manage fixed income accounts for certain clients who have established equity accounts.

The Firm believes that it is important to deploy client assets as opportunities are identified, which may cause accounts to vary from the related strategy model. Therefore, in some circumstances, the Firm may invest an account over time as appropriate opportunities arise. In general, advisory fees are not assessed until the account is in-line with the appropriate model requirements. Assets are deployed for sub-advised clients once the Firm receives approval to commence management. As such, the fees are assessed upon the Firm taking management responsibilities.

As outlined above, SaratogaRIM sub-advises the Port Street Quality Growth Fund (the "Fund"), a registered investment company, on behalf of Port Street Investments. Port Street Investments pays the Firm a quarterly sub-advisory fee based upon the Fund's average net assets at month-end at an annual rate of 0.20% on the first \$100 million of assets, 0.30% on the next \$400 million, and 0.35% on assets over \$500 million, payable in arrears.

The Firm also provides investment services to model delivery platforms and other financial institutions, which includes recommendations regarding the construction and maintenance of model portfolios. The model delivery platforms and other financial institutions manage the investment recommendations and placement of trades. For these services, the Firm receives a fee based upon the market value of the securities that the investor allocates to the SaratogaRIM models at an annual rate of up to 0.32%.

Notwithstanding the foregoing, SaratogaRIM and the client may choose to negotiate an advisory fee that varies from the information set forth above. Factors upon which a different fee may be based include, but are not limited to, the size and nature of the relationship, the services rendered, the nature and complexity of the products and investments involved, time commitments, and travel requirements. The advisory fee charged by the Firm will apply to all the client's assets under management unless specifically excluded in the client agreement. Although SaratogaRIM believes that its fees are competitive, clients should be advised that lower fees for comparable services may be available from other sources and firms.

#### B. Deduction of Management Fees

Generally, SaratogaRIM deducts its advisory fee from a client's investment account(s) held at his/her custodian. Upon engaging SaratogaRIM to manage such account(s), a client grants the Firm

this limited authority through a written instruction to the custodian of his/her account. The client is responsible for verifying the accuracy of the advisory fee calculation; the custodian will not determine whether the fee is accurate or properly calculated. The custodian of the client's account(s) provides each client with a statement, at least quarterly, indicating separate line items for all amounts disbursed from the client's account(s), including any fees paid directly to SaratogaRIM. In some cases, SaratogaRIM will directly bill a client for investment advisory fees if it determines that such billing arrangement is appropriate given the circumstances.

Clients may make additions to and withdrawals from their account at any time. Additions may be in cash or securities provided that the Firm reserves the right to liquidate transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets at any time on notice to SaratogaRIM, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios to benefit over the long-term and the withdrawal of assets may impair the achievement of a client's investment objectives. The Firm may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

#### C. Types of Fees and Expenses

In connection with SaratogaRIM's management of an account, a client may incur fees and/or expenses separate from and in addition to the Firm's advisory fee. These additional fees include transaction charges and the fees/expenses charged by any custodian, subadvisor, mutual fund, ETF, limited partnership, or other advisor, transfer taxes, odd lot differentials, exchange fees, interest charges, ADR processing fees, and any charges, taxes, or other fees mandated by any federal, state or other applicable law, retirement plan account fees (where applicable), margin interest, brokerage commissions, mark-ups or mark-downs, other transaction-related costs, electronic fund and wire fees, and any other fee that may reasonably be borne by a brokerage account. Additional information regarding brokerage practices is provided in Item 12: Brokerage Practices.

#### D. Pro Rata Fees

As noted in Item 5(B) above, SaratogaRIM's advisor fees for SMAs are generally paid in advance on a quarterly basis. The Firm bills for its investment services to model delivery platforms and other financial institutions in advance or arrears according to mutually agreed upon individual management contracts. Upon the termination of the investment management agreement, the Firm refunds or bills a pro rata fee based upon the market value of the securities in the portfolio and the number of days the assets were managed.

#### E. Compensation for the Sale of Securities

Neither the Firm nor any of its employees accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

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SaratogaRIM does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of the capital gains or capital appreciation in a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

## **ITEM 7: TYPES OF CLIENTS**

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SaratogaRIM's clients include individuals, high-net-worth individuals, foundations, endowments and other types of charitable organizations, corporations, registered investment companies, pooled investment vehicles, and pension and profit-sharing plans. The initial minimum for the SaratogaRIM Large Cap Quality strategy is \$100,000, and the initial minimum for the Large Cap Quality Focus strategy is \$100,000. However, the Firm may waive these minimums at its sole discretion. SaratogaRIM does reserve the right to accept or decline a potential client for any reason at its sole discretion.

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

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### **A. Investment Process**

SaratogaRIM's investment process for its equity strategies has four levels:

#### **1. Quantitative Analysis**

The Firm uses quantitative analysis to limit the Firm's investable universe to its definition of quality. The Firm starts with FactSet's database of securities, which includes virtually all companies that trade publicly in the United States, then limits its investable universe to companies that share the following characteristics:

- Financially sound with no more than moderate levels of leverage;
- Utilize non-capital intensive business models that generate high-quality owner earnings;
- Are currently profitable;
- Have demonstrated a propensity to earn above-average profit margins over time; and
- Have generated at least a dollar of market value for every dollar of retained earnings over time.

#### **2. Qualitative Analysis**

Using the fewer than 400 companies that make it through the quantitative screens, the Firm studies the companies to better understand their business models as well as the larger industry and macroeconomic factors that influence the business. From this pool, the Firm selects the highest

quality investment candidates, specifically those it believes to have sustainable competitive advantages or “economic moats.”

### 3. Valuation Analysis

SaratogaRIM values the resulting list of 50-100 high-quality investment candidates using two separate models: Discounted Cash Flow (“DCF”) Analysis and Risk-Adjusted Return Analysis. The Firm starts by defining the value of any ongoing business as the present value of the future net cash flows that it will generate over its remaining lifetime. Through DCF, the Firm produces a conservative estimate of intrinsic value. The Firm then uses quality rankings to establish a minimum margin of safety and set a maximum purchase price with that margin embedded. As a reality check, the Firm also conducts Risk-Adjusted Return Analysis to establish a maximum purchase price with that margin embedded. The Firm uses both models to help guide buying and selling decisions.

### 4. Portfolio Construction

Typically, the target list is then comprised of 20-45 companies that are trading below the Firm’s maximum purchase price and position sizes will vary based upon the strategy being utilized on behalf of the client.

#### B. Investment Risk

Investing in securities involves the risk of a potentially significant loss which clients should be prepared to bear. Clients should be aware of their risk tolerance level and financial situations. Clients should be aware that there may be a loss or depreciation to the value of the client’s account. There can be no assurance that the client’s investment objectives will be obtained and no inference to the contrary should be made.

SaratogaRIM seeks to protect against permanent loss of capital through multiple levels of analysis from the perspective of a long-term investor and infrequent trading. The Firm’s analysis includes, but is not limited to, evaluations of the business model, capital structure, leverage employed, and price relative to intrinsic value as well as considerations of extreme economic environments ranging from severe recessionary episodes to prolonged inflationary periods. What the Firm cannot factor in are risks associated with unpredictable natural or human-made disasters ranging from catastrophic earthquakes or tidal waves to pandemics and nuclear or biological terrorist attacks. Instead, the Firm designed its investment process generally to protect against these types of risks through the maintenance of adequate diversification. The Firm does not guarantee the successful performance of an investment or portfolio. Each portfolio includes the following material investment risks:

#### 1. Principal Risks

As with any money manager, there is no guarantee that portfolios managed by the Firm will not lose money. The market value of a portfolio will fluctuate, which means clients could lose money by investing with the Firm.



## 2. Active Management Risk

SaratogaRIM portfolios are subject to the risk that the Firm's research and judgment about the attractiveness, value, or potential appreciation of any of its portfolio holdings may prove incorrect. If the securities selected or strategies employed by the Firm fail to produce the intended results, portfolios managed by the Firm could underperform other managers with similar objectives and investment strategies. Furthermore, because the Firm's process is geared towards long-term investment, its portfolios are not immune to short-term market forces (such as a "flash crash"), which could negatively impact the performance for any investor who cannot sustain investment exposure during market downturns.

## 3. Investment Style Risk

The Firm's approach to investing in high-quality companies with low balance sheet, business model and valuation risk generally has meant its strategies tend to underperform in up markets when risk appetites are high. Conversely, these assets tend to outperform in down markets because of their consistency and security. The Firm's primary investment strategies differ in a key way: for the Quality strategy, the Firm will allow cash to accumulate at certain stages of the market cycle, which can cause the strategy to underperform in a rising market due to cash drag. The Focus strategy, however, is limited to a maximum 5% cash position, which limits cash drag in a rising market but makes the strategy more exposed to market drawdowns.

## 4. Stock and Bond Market Risk

The Firm invests primarily in common stocks and bonds. With any bond or stock investment, there is the risk of a loss of capital. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities. While the Firm tries to limit potential loss through careful security selection, investments are subject to the possibility of a permanent loss of capital.

## C. Additional Risk

Additional risks involved in the securities recommended by SaratogaRIM include, among others:

- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- *Issuer risk*, which is the risk that the value of a security will decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.

- *Non-diversification risk*, which is the risk of focusing investments in a small number of issuers or industries, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Foreign (non-U.S.) investment risk*, which is the risk that investing in foreign securities results in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Risks associated with investing in foreign securities include fluctuations in the exchange rates of foreign currencies that may affect the U.S. dollar value of a security, the possibility of substantial price volatility as a result of political and economic instability in the foreign country, less public information about issuers of securities, different securities regulation, different accounting, auditing and financial reporting standards and less liquidity than in the U.S. markets.
- *Interest rate risk*, which is the chance that prices of fixed income securities decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.
- *Credit risk*, which is the chance that an issuer of a fixed income security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that fixed income security to decline.
- *Exchange Traded Fund (ETF) risk*, which is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.
- *Management risk*, which is the risk that the investment techniques and risk analyses applied by SaratogaRIM may not produce the desired results and that legislative, regulatory, or tax developments, affect the investment techniques available to the Firm. There is no guarantee that a client's investment objectives will be achieved.
- *Real Estate risk*, which is the risk that an investor's investments in Real Estate Investment Trusts ("REITs") will subject the investor to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. An investment in REITs subject the investor to management and tax risks.
- *Investment Companies ("Mutual Funds") risk*, when an investor invests in mutual funds, the investor will bear additional expenses based on his/her pro rata share of the mutual fund's operating expenses, including the management fees. The risk of owning a mutual

fund generally reflects the risks of owning the underlying investments the mutual fund holds.

- *Cybersecurity risk*, which is the risk related to unauthorized access to the systems and networks of SaratogaRIM and its service providers. The computer systems, networks and devices used by SaratogaRIM and service providers for us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices can potentially be breached. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. Cybersecurity breaches cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or other compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issues of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers and other financial institutions; and other parties. In addition, substantial costs may be incurred by those entities in order to prevent any cybersecurity breaches in the future.
- *Closed-End Funds risk*, Closed-end funds typically use a high degree of leverage. They may be diversified or non-diversified. Risks associated with closed-end fund investments include liquidity risk, credit risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds may trade below their net asset value.

Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk. SaratogaRIM does not guarantee the future performance of a client's portfolio, as investing in securities involves the risk of loss that clients should be prepared to bear. Past performance of a security or a fund is not necessarily indicative of future performance or risk of loss.

## **ITEM 9: DISCIPLINARY INFORMATION**

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

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Neither SaratogaRIM nor any of its officers or employees have outside business affiliations that present material conflicts of interest to its clients. As of March 1, 2021, SaratogaRIM has entered into an arrangement with Alpha Theory in which we receive up to \$100,000 annually towards the

use of certain software tools in exchange for providing certain proprietary research data to Alpha Theory and Alpha Theory associated parties. SaratogaRIM is acting neither as a sub-advisor nor fiduciary to Alpha Theory or the designated associated parties, and vice versa. Under the agreement, the Firm is also eligible for certain participation and performance payments, should SaratogaRIM data be used and certain mutually agreed upon metrics be met.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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

SaratogaRIM has adopted a set of enforceable guidelines and requirements under its Code of Ethics (the “Code”), in compliance with the requirements under the Investment Advisers Act of 1940, as amended, and the Investment Company Act of 1940, as amended. The Code requires SaratogaRIM’s employees (“supervised persons”) to comply with their legal obligations and fulfill the fiduciary duties owed to the Firm’s clients. Among other things, the Code of Ethics sets forth policies and procedures related to conflicts of interest, outside business activities, gifts and entertainment, compliance with insider trading laws and policies and procedures governing personal securities trading by supervised persons.

Personal securities transactions of supervised persons present potential conflicts of interest with the price obtained in client securities transactions or the investment opportunity available to clients. The Code addresses these potential conflicts by prohibiting securities trades that would breach a fiduciary duty to a client and requiring, with certain exceptions, supervised persons to report their personal securities holdings and transactions to SaratogaRIM for review by the Firm’s Chief Compliance Officer. The Code also requires supervised persons to obtain pre-approval of certain investments, including initial public offerings and limited offerings. Trades placed for the accounts of employees that are managed by the Firm are aggregated with those of other clients and allocated fairly pursuant to the Firm’s allocation procedures. The aggregation of orders prevents employees from receiving a better price. Additional information about block trades and aggregation of orders is provided in Item 12: Brokerage Practices.

SaratogaRIM will provide a copy of the Code of Ethics to any client or prospective client upon request.

## **ITEM 12: BROKERAGE PRACTICES**

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### **A. Selecting Custodian/Brokers**

SaratogaRIM generally recommends that its investment management clients utilize the custody and brokerage services of an unaffiliated broker/dealer custodian (a “BD/Custodian”) with which SaratogaRIM has an institutional relationship. Clients are responsible for selecting their custodian/brokers. Currently, this includes Charles Schwab & Co., Inc. (“Schwab”), member FINRA/SIPC; TD Ameritrade Institutional (“TDA Institutional”), a division of TD Ameritrade, Inc. (“TD Ameritrade”), member FINRA/ SIPC; or National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, “Fidelity”), which are all

“qualified custodians” as that term is described in Rule 206(4)-2 of the Advisers Act. Each BD/Custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed on behalf of clients of SaratogaRIM. If client accounts are custodied at Schwab, for example, Schwab will hold the client assets in a brokerage account and buy and sell securities when SaratogaRIM instructs them to do so. Clients may pay fees to the custodian for custody and the execution of securities transactions in their accounts.

In cases where the Firm sub-advises an account on behalf of another investment adviser, the investment adviser selects the BD/Custodian. If that BD/Custodian does not provide execution services and the investment adviser has not otherwise directed brokerage, the Firm has discretion to select a broker-dealer for trade execution. The trading costs for a broker-dealer selected by the Firm may be greater than those available to the client on a directed basis.

In selecting a BD/Custodian, the Firm considers a wide range of factors, including without limitation:

- Capability to execute, clear, settle, and aggregate trades (buy and sell securities for client accounts);
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.);
- Reputation, financial strength, and stability;
- Quality of services and error resolution;
- Prior service to the Firm; and
- Availability of other products and services that benefit the Firm’s ability to serve its clients, as discussed below.

Recognizing the value of these factors, clients may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. For all other accounts, SaratogaRIM will make recommendations to its clients regarding the engagement of custodian/brokers who will hold the client assets and execute transactions on their behalf. In making such a recommendation, the Firm considers the same list of factors as noted above with regard to broker selection, with the addition of considering the availability of a combination of transaction execution services and asset custody services (generally without a separate fee for custody). Generally, a client will incur the majority of the brokerage transactional cost either upfront upon the initial investment of an account or as a result of a material deposit or withdrawal of cash or securities.

The Firm does not have arrangements with any custodian or executing broker-dealer to receive any portion of the commission generated by trades placed by the Firm on behalf of clients, commonly referred to as “soft dollars”. However, certain custodian/brokers selected by either clients or the Firm provide access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to their retail customers. They also make available various support services, some of which may help the Firm to manage or administer client accounts, while others may help the Firm manage and grow its business.

Support services generally are available on an unsolicited basis (i.e., the Firm does not request these services) and are offered to the Firm at no charge. There is no direct link between the Firm's participation in such programs and the investment advice the Firm gives to its clients, although the Firm may receive economic benefits through its participation in the programs.

Certain products and services provided to the Firm by a client's BD/Custodian that assist the Firm in managing and administering its clients' accounts (without cost or at a discount) and may benefit clients indirectly include software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to the client accounts);
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping, client reporting.

Certain services provided by a client's custodian/broker that are intended to help the Firm manage and further develop the Firm's business enterprise and may benefit only the Firm include:

- Educational conferences and events;
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

BD/Custodians may provide some of these services themselves. In other cases, they may arrange for third party vendors to provide their services to the Firm. They may also discount or waive their fees for some of these services or pay all or a part of third party fees. BD/Custodians may also provide the Firm with other benefits, such as occasional business entertainment for the Firm's employees.

The benefits received by the Firm or its employees through participation in the programs do not depend on the number of brokerage transactions directed to specific custodial/brokerage services. In addition, there is no corresponding commitment made by SaratogaRIM to invest any specific percentage of assets in any particular security with any BD/Custodian. As part of the Firm's fiduciary duties to its clients, it endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the Firm's receipt of economic benefits in and of itself creates a potential conflict of interest and may indirectly influence its recommendation of BD/Custodian services. The Firm believes, however, that its recommended list of BD/Custodians is in the best interest of its clients.

SaratogaRIM will periodically review its arrangements with the BD/Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including, but not limited to, the following:

- A broker-dealer's trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- A broker-dealer's infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;
- A broker-dealer's ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- A broker-dealer's ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and
- A broker-dealer's ability to provide services to accommodate special transaction needs, such as the broker-dealer's ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

#### B. Brokerage for Client Referrals

SaratogaRIM does not select or recommend BD/Custodians based solely on whether or not it may receive client referrals from a BD/Custodian or third party. The Firm does not receive client referrals from custodian/brokers in exchange for cash or other compensation.

#### C. Directed Brokerage

In general, the Firm's clients select their custodian and direct brokerage. The Firm will accept directed brokerage with broker-dealers that it can reasonably work under its current operational structure. The client generally negotiates the terms and conditions relating to all services provided by such broker-dealers. The Firm does not negotiate brokerage commissions or transactional costs with respect to transactions executed by directed broker-dealers. Directed brokerage may adversely affect the Firm's ability to achieve best execution for these clients. In directing brokerage transactions, a client should consider whether the commission expenses, execution, clearance, settlement capabilities, and custodian fees, if any, are comparable to those that would result if SaratogaRIM exercised its discretion in selecting the broker-dealer to execute the transactions.

Directing brokerage to a particular broker-dealer may involve the following disadvantages to a directed brokerage client:

- SaratogaRIM's ability to negotiate commission rates and other terms on behalf of such clients could be impaired;
- Such clients could be denied the benefit of SaratogaRIM's experience in selecting broker-dealers that are able to efficiently execute difficult trades;
- Opportunities to obtain lower transaction costs and better prices by aggregating (batching) the client's orders with orders for other clients could be limited; and
- The client could receive less favorable prices on securities transactions because SaratogaRIM may place transaction orders for directed brokerage clients after placing batched transaction orders for other clients.

Generally, in the absence of specific instructions to the contrary, for brokerage accounts that clients engage SaratogaRIM to manage on a discretionary basis, the Firm has full discretion with respect to securities transactions placed in the accounts. This discretion includes the authority, without prior notice to the client, to buy and sell securities for the client's account and establish and effect securities transactions through the BD/Custodian of the client's account or other broker-dealers selected by SaratogaRIM. In selecting a broker-dealer to execute a client's securities transactions, the Firm seeks prompt execution of orders at favorable prices.

In cases where the Firm acts as a sub-adviser to another investment adviser's client, the investment adviser generally directs the Firm to execute, clear and settle all trades through the custodian/broker of their choice. Directed brokerage may adversely affect the Firm's ability to achieve best execution for these clients.

#### D. Trade Errors

SaratogaRIM's goal is to execute trades seamlessly and in the best interests of the client. In the event a trade error occurs, SaratogaRIM endeavors to identify the error in a timely manner, correct the error so that the client's account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

Trade errors generally are corrected through the use of a "trade error" account or similar account at Schwab, or another BD, as the case may be. In the event an error is made in a client account custodied elsewhere, the Firm works directly with the broker in question to take corrective action. In all cases, SaratogaRIM will take the appropriate measures to return the client's account to its intended position.

#### E. Aggregation and Allocation of Orders

To the extent that SaratogaRIM determines to aggregate client orders for the purchase or sale of securities, including securities in which the Firm's supervised persons may invest, the Firm will generally do so in a fair and equitable manner in accordance with applicable rules promulgated



under the Advisers Act and guidance provided by the staff of the SEC and consistent with policies and procedures established by the Firm. When the Firm transacts in a security for multiple clients, the Firm generally aggregates the trades to the extent practicable and allowable under its investment management agreements in order to promote equality of results for the Firm's clients and then allocates the results on an average price basis to the participating clients. When trading at multiple broker-dealers, strategy-wide block trades for either a single strategy or multiple strategies are generally entered simultaneously to help ensure no broker takes priority over the other. Trades for different strategies may be aggregated separately.

Clients whose accounts are custodied at (and whose transactions are executed by) one brokerage firm often will not receive the same execution prices as clients whose accounts are custodied at another brokerage firm. Transactional fees typically are calculated and assessed on an account-by-account basis regardless of whether the transaction is part of an aggregated order. Aggregation of orders often will not result in lower commission rates or transactional costs, particularly from custodian/brokers that already provide the clients with negotiated pricing.

Before trading, the investment team determines the total amount of the security needed across all client accounts, the total amount per broker, and the amount per client account. If the Firm receives a partial fill on a trade comprising multiple accounts, the partially filled trade will be allocated on a pro rata basis across participating accounts. On occasion, order size may constrain the Firm's ability to submit orders proportionally across brokers (e.g., if the total order size at a broker is disproportionately small). In such cases, the Firm will make best efforts to ensure equitable execution.

For model delivery platforms and other financial institutions, the Firm generally communicates model portfolio recommendations only after the completion of the corresponding trades for the Firm's separately managed accounts. At the Firm's sole discretion, it communicates model portfolio recommendations to model delivery platforms and other financial institutions with whom the Firm provides consulting services on a randomized basis using a random number generator to determine the order. Therefore, model delivery platforms or other financial institutions may not receive the same price as the Firm's separately managed account clients and may receive a lower price in a declining market.

## **ITEM 13: REVIEW OF ACCOUNTS**

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### **A. Review of Client Accounts**

The Firm's separately managed accounts are all run on a model portfolio basis. As such, the Firm's account review process focuses on ensuring that each account is maintained within certain tolerances against each strategy's relevant model. On a monthly basis, the Firm's Director of Research runs a detailed comparison of each account against its strategy model to identify outliers and determine whether and how to rebalance the account. Other situations that may trigger additional review are large asset flows and changing market conditions. Upon request, a portfolio manager will meet with clients to review their accounts in more detail.

Regarding relationships with investment advisers and investment consulting clients, the Director of Investor Relations and the Firm's portfolio managers periodically meet with these clients to satisfy their due diligence requirements.

#### B. Reports to Clients

Written brokerage statements are generated no less than quarterly and are sent directly from the qualified custodian. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived. SaratogaRIM's direct clients can view monthly performance reports, annual gain/loss reports, and annual income and expense reports through the Firm's password-protected client portal. Generally, sub-advised and model delivery clients should receive reports directly from their investment advisers or other financial institutions.

Clients are urged to carefully review all custodial account statements and compare them to any statements and reports provided by SaratogaRIM. SaratogaRIM statements and reports may vary from custodial statements based on account procedures, reporting dates, or valuation methodologies of certain securities.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

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#### A. Other Compensation

SaratogaRIM does not receive benefits from third parties for providing investment advice to clients. The Firm may receive an economic benefit from custodian/brokers in the form of support, products, and services they make available to independent investment advisers whose clients maintain their accounts in their custody. These products and services, how they benefit the Firm, and the related conflicts of interest are described above (see Item 12: Brokerage Practices). The availability of custodial brokers' products and services is not based upon the Firm giving particular investment advice, such as buying particular securities or placing a particular number of trades for the Firm's clients. The Firm does not receive economic benefits from sales awards or other prizes.

#### B. Client Referrals

SaratogaRIM has not, and does not intend to, enter into agreements with individuals and organizations that are unaffiliated with SaratogaRIM for the referral of clients to us. If at such time that the Firm revises this policy, it will implement policies, procedures and forms so as to comply with applicable state and federal regulations.

### **ITEM 15: CUSTODY**

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All clients must utilize a "qualified custodian" as detailed in Item 12. Clients are required to engage the custodian to retain their funds and securities and direct SaratogaRIM to utilize the custodian for the client's securities transactions. SaratogaRIM's agreement with clients and/or the clients' separate agreements with the B/D Custodian may authorize SaratogaRIM through such

BD/Custodian to debit the clients' accounts for the amount of SaratogaRIM's fee and to directly remit that fee to SaratogaRIM in accordance with applicable custody rules.

The account custodian has physical custody of client assets, but the SEC deems SaratogaRIM to have legal custody over client assets under the following circumstances: if the Firm is authorized to instruct the custodian to deduct the Firm's advisory fees directly from clients' custodial accounts, when SaratogaRIM personnel serve as trustee for advisory clients, when SaratogaRIM acts as general partner of a private investment fund, and when the Firm has the authority to instruct the custodian to transfer assets to third parties pursuant to standing letters of authorization ("SLOA"). SaratogaRIM reports having custody of client assets under Item 9 Part 1 of Form ADV Under Rule 206(4)-2, and the Firm is required to obtain a custody audit to verify client assets over which it has authority as general partner or trustee. For the remaining assets, the SEC has exempted advisers from the custody audit requirement by rule or no-action relief. Clients will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing address clients provide to the custodian. Promptly upon receipt, clients should carefully review those statements, and compare them with any reports they receive from SaratogaRIM. Clients are encouraged to note that the account custodian does not verify the accuracy of SaratogaRIM's advisory fee calculation. For more information about custodians and brokerage practices, see Item 12: Brokerage Practices.

## **ITEM 16: INVESTMENT DISCRETION**

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To participate in SaratogaRIM's investment strategies, clients are required to provide SaratogaRIM with investment discretion on their behalf, pursuant to a grant of a limited power of attorney contained in SaratogaRIM's client agreement. By granting SaratogaRIM investment discretion, a client authorizes the Firm to direct securities transactions and determine which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be affected. In limited circumstances, clients may impose reasonable limitations in the form of specific constraints on any of these areas of discretion with the consent and written acknowledgement of SaratogaRIM if the Firm determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for SaratogaRIM.

## **ITEM 17: VOTING CLIENT SECURITIES**

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Unless the client directs otherwise in writing, SaratogaRIM is responsible for voting proxies and monitoring corporate actions for its clients' securities consistent with the client's best economic interest. In order to help ensure that proxies are voted in the best interest of clients, the Firm has adopted a proxy voting policy that describes its procedures.

The Firm utilizes recommendations provided by Glass, Lewis & Co., an independent third party provider of proxy voting guidelines and research. With respect to individual issuers, SaratogaRIM may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. The Firm generally votes in favor of routine corporate housekeeping proposals, such as the election of directors and selection of auditors, absent conflicts of interest raised by an

auditor's non-audit services, and against proposals that cause board members to become entrenched or cause unequal voting rights. In reviewing proposals, the Firm considers management's opinion and the effect on management, shareholder value, and the issuer's business practices. These voting guidelines and practices generally coincide with those of Glass, Lewis & Co.

The Firm may vote client shares inconsistent with Glass, Lewis & Co.'s recommendations if it believes the vote is in the best interest of its clients and does not create a conflict of interest between the Firm and its clients. In cases where the Firm's voting is inconsistent with Glass, Lewis & Co.'s proxy voting recommendation, the Firm retains written disclosures detailing why it believes its vote was in the client's best interest.

The Firm's proxy voting process is designed to identify potential conflicts of interest between its interests and those of its clients, such as the following:

- Proxy votes regarding non-routine matters are solicited by a company that has (or whose retirement plans have) an institutional separate account relationship with the Firm;
- The Firm has a material business relationship with a proponent of a proxy proposal; and
- A Firm employee has an interest in the outcome of a particular proxy proposal (which might be the case if, for example, a member of the employee's immediate family were a director or executive officer of the relevant company).

Designated Firm personnel will review any received conflict of interest disclosure and determine whether any revision to the Glass Lewis recommended related proxy vote is warranted. The designated portfolio manager will document any proxy vote recommended by Glass Lewis that is subject to change due to a possible conflict of interest and present a written explanation to the Chief Investment Officer for the reason of the deviation, as well as a representation that SaratogaRIM is not conflicted in making the chosen voting decision. If a material conflict of interest exists, the Firm may rely on guidance from a third party or outside counsel to determine whether to disclose the conflict to affected clients so the clients can vote the proxies themselves or to address the voting issue through other objective means, such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation. The Firm documents any material conflict and maintains a record of the voting resolution. SaratogaRIM shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Investment Advisers Act of 1940.

If a client grants proxy voting authority to the Firm, they may not provide direction to the Firm regarding voting. A client may obtain, free of charge, a copy of the Firm's Proxy Voting Policy or records detailing how the Firm voted proxy issues on their behalf by submitting a written request.

If a client elects to retain the authority to vote proxies, they will receive proxy statements and other related paperwork directly from either their custodian or the transfer agent.

## **ITEM 18: FINANCIAL INFORMATION**

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SaratogaRIM is not required to disclose any financial information pursuant to this item due to the following:

- SaratogaRIM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of rendering services;
- SaratogaRIM is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts; and
- SaratogaRIM has never been the subject of a bankruptcy petition.