

**Part 2A of Form ADV: *Firm Brochure***



18925 Base Camp Road  
Suite 203  
Monument, Colorado 80132

Telephone: 719-488-9956  
Facsimile: 719-488-4215  
E-mail: [smaadministration@aamlive.com](mailto:smaadministration@aamlive.com)  
Web Address: [www.aamlive.com](http://www.aamlive.com)

March 30, 2023

**This brochure provides information about the qualifications and business practices of Advisors Asset Management, Inc. (hereinafter “AAM” or “firm” or “we”). If you have any questions about the contents of this brochure, please contact us at (888) 883-2663 or at [smaadministration@aamlive.com](mailto:smaadministration@aamlive.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about AAM is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for AAM is 46727.**

## **Item 2. Summary of Material Changes**

This brochure has been updated since the March 10, 2023, version to reflect certain changes related to Advisors Asset Management Inc. (AAM) having made some adjustments to the following:

- Item 4 Advisory Business – updated to reflect the addition of another ETF and a change in the Assets Under Management
- Item 14 Client Referrals and Other Compensation – updated to reflect the change in Client Referrals and Other Compensation made necessary by the implementation of the Marketing Rule (Rule 206(4)-1)

## Table of Contents

<b>Item</b>	<b>Section</b>	<b>Page Number</b>
2.	Summary of Material Changes	2
3.	Table of Contents	3
4.	Advisory Business	4
5.	Fees and Compensation	10
6.	Performance-Based Fees and Side-by-Side Management	15
7.	Types of Clients	15
8.	Methods of Analysis, Investment Strategies and Risk of Loss	16
9.	Disciplinary Information	18
10.	Other Financial Industry Activities and Affiliations	18
11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	20
12.	Brokerage Practices	22
13.	Review of Accounts	27
14.	Client Referrals and Other Compensation	27
15.	Custody	28
16.	Investment Discretion	28
17.	Voting Client Securities	28
18.	Financial Information	29
19.	Other Matters	30

#### **Item 4. Advisory Business**

AAM Holdings, Inc. (“AAM Holdings”) is the parent company of Advisors Asset Management, Inc. (“AAM”). Sun Life Financial, Inc holds an indirect majority interest in AAM Holdings. Sun Life Financial, Inc. is a publicly traded company that is a leading international financial services organization providing asset management, wealth, insurance and health solutions to individual and institutional investors. The remaining interest of AAM Holdings is owned by current and former employees or their families of AAM. AAM is a registered broker dealer, member FINRA and SIPC, and SEC registered investment adviser.

AAM provides portfolio supervisory and evaluation services to AAM-sponsored unit investment trusts (“UITs”) registered under the Investment Company Act of 1940. The terms and conditions of each UIT are set forth in their offering and governing documents. UITs are not managed funds and their portfolios are designed to remain relatively fixed. However, trusts may buy or sell securities under limited circumstances to pay expenses, issue additional units or redeem units, in limited circumstances to protect the trust, to make required distributions or avoid imposition of taxes on the trust or as otherwise permitted by the trust agreement including in cases where significant credit issues arise or where public tender offers are made with respect to portfolio securities. AAM’s portfolio supervisory services with respect to AAM sponsored UITs consists of monitoring UIT portfolios for such events and making determinations with respect to such portfolios in a manner consistent with the investment objective of the UIT, governing documents of the UIT and applicable law. Where AAM acts as evaluator to a UIT, its evaluation services consist of the valuation of each security in the trust’s portfolio on a daily basis and providing such valuations to the trustee to calculate the UIT’s daily net asset value. AAM may use certain independent pricing services in the course of providing evaluation services to the UITs.

AAM has been in business since 1979. AAM Holdings, Inc. is the firm's sole shareholder.

#### **Investment Management Services to Separately Managed Accounts (hereinafter referred to as “SMA” in the remainder of this document)**

AAM provides continuous advice regarding investment of client funds based on the individual needs of the account holder. Once the particular goals and objectives of an account holder are established, the appropriate AAM SMA strategy is selected that most closely aligns the client objectives with the strategy objectives. AAM then manages the client portfolio to the objectives of the selected strategy and any personal account restrictions that may exist. AAM will manage advisory accounts on a discretionary basis. Account supervision is guided by account holder specific factors such as prior investment experience, current investments, income needs, risk tolerance, income objectives, and other relevant data as obtained directly from the client in our Primary Advised relationships and from the Adviser on our Sub-Advised accounts. AAM may engage a subadvisor to provide investment advice with respect to certain accounts and strategies.

For our direct advised accounts, through personal discussions and a comprehensive information gathering process, each client's investment goals and objectives are established. From this information, AAM will work with the client to determine which portfolio is suitable to their particular circumstances. AAM may, if appropriate, suggest modifications to the model or an allocation among two or more of the models to more adequately address the client's individual needs. AAM provides clients the opportunity to place reasonable restrictions on the types of investments to be held in the client's account. However, AAM reserves the right to refuse or decline the request. Clients will retain individual ownership of all portfolio securities. In addition to the client specific factors mentioned in the preceding paragraph, account supervision is also guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income).

For our sub-advised accounts, AAM will work directly with the primary advisor. The primary advisor shall be solely responsible for determining the suitability of Sub-Advisor's investment management services and the related investment strategy(ies) for each client and each account.

AAM offers account management services through portfolios invested in a variety of fixed income instruments, equity, and may offer unit investment trusts on a discretionary basis. Periodically, AAM may recommend purchases and sales in the account based on shifts in the market, fluctuations in interest rates, updates in customer suitability, goals, or financial objectives, and other related changes.

AAM has several strategies, each with different objectives, to offer clients multiple investment solutions to match their objectives and risk tolerances. These portfolios may consist of the following, as appropriate: individual equities, mutual funds, warrants, corporate debt securities, commercial paper, closed end funds, exchange traded funds (ETFs), bonds, municipal debt securities, structured products, notes and/or other investment products, excluding mutual funds and exchange-traded funds for which AAM also acts in the capacity of Investment Advisor. AAM will allocate the client's assets among various investments taking into consideration the objective of the strategy selected and any personal account restrictions that may exist.

The mutual funds and ETFs will be selected on the basis of any or all of the following criteria as they relate to the security or its underlying index: performance history; industry sector; management style and philosophy; track record; investment objectives; composition and focus, and fee structure and expenses. Weighting among funds and market sectors is determined by the appropriate model.

In order to ensure that AAM's initial determination of an appropriate portfolio continues to be suitable and that the client's account continues to be managed in a manner fitting the client's financial circumstances, AAM will maintain client suitability information in the client's file as provided by the end-client in our primary advised relationships and by the adviser in our sub-advised relationships. On a quarterly basis, AAM will notify Investment

Management Services clients in writing to request updated information regarding the client's financial situation and investment objectives and whether the client wishes to impose or modify existing investment restrictions. In addition, AAM will contact our primary advised clients at least annually to determine whether there have been any changes in the client's financial situation and whether the client wishes to impose investment restrictions or modify existing restrictions.

While the underlying securities in Investment Management Services client accounts are continuously monitored, each client's account is reviewed at least annually and rebalanced as needed. If AAM believes that a reallocation is necessary, for example, if a particular investment is performing inadequately, or if AAM believes that a different investment is more suitable for the portfolio's goal, then AAM will reallocate the client's account in accordance with the discretionary authority granted by the client.

AAM currently offers the investment portfolios described below as the primary investment strategy offerings for its separately managed account program. However, AAM also manages accounts utilizing other investment strategies and securities and AAM may, from time-to-time, construct customized portfolios upon request and at its discretion. These other investment strategies and/or securities may include, but are not limited to, Convertible Debt, Structured Notes, Reverse Convertible, Derivative Debt, Inflation Linked Securities, Variable Rate Securities and Mortgage Securities.

#### WRAP Fee Programs

AAM serves as an investment manager to SMA accounts that are placed with us through various Wrap Fee Programs. AAM is not a WRAP Sponsor. AAM receives a portion of the wrap fee for services provided to wrap fee programs.

#### Investment Portfolios

Below, please find information on AAM's Core Strategies for SMA accounts:

#### **Fixed Income Portfolios**

AAM's investment process revolves around our quarterly Investment Committee meeting. The quarterly Investment Committee meeting is the primary platform for each committee member to discuss prevailing economic conditions, express an outlook on the domestic and global macroeconomic environment and discuss how these views/conditions impact the direction of the strategy. The Investment Committee derives a macroeconomic consensus and market outlook from the quarterly meeting which in turn is used to determine tactical duration exposure, credit exposures, asset type and sector/revenue source exposures. Where strategy mandates allow, we then implement appropriate exposures in compliance with the quarterly investment committee consensus.

AAM's formal investment process can be generally described through a four-step process:

- Selecting appropriate investments relative to their impact on duration relative to AAM's tactical duration targets
- Selecting appropriate investments relative to the value which the credit exposure introduces in context AAM's macroeconomic and related sector outlooks
- Selecting appropriate investments on a relative value basis through spread analysis, maturity, coupon, duration, and credit quality.
- Portfolio construction techniques which aim to diversify maturity and duration exposure while also diversifying across revenue source, capital structure, geography, issue characteristics and position sizing.

AAM's investment philosophy starts with arriving at an understanding of the dynamic risks that both interest rates and credit exposure pose to fixed income portfolios and how to best manage those risks in the context of defined investment mandates. AAM believes that managing credit risk includes both proactively avoiding unacceptable levels of relative credit risk, but also seeking opportunities to uncover relative value appropriate within the context of the strategy mandates. AAM has long been an advocate for tactically managing duration exposure in an incremental and intelligent manner based upon our capital markets outlook, business and interest rate cycle outlook. Our philosophy is rooted in the fact that time in the market and cashflows are the largest contributors to long-term returns.

*Asset Classes* – The primary asset classes are Treasury, U.S. Agencies, Municipal securities, Mortgage and Asset Backed and Corporate Obligations. Other asset classes are privately issued (144) securities, equities, closed-end funds, exchange traded funds, structured notes, reverse convertible notes, foreign/emerging market U.S. dollar denominated debt, Loan Participation and Assignments, Variable and Floating Rate Securities, Event-Linked Bonds, Convertible and Equity securities, Repurchase Agreements, When-Issued Securities and Derivatives. The account may also include other types of securities and use a variety of investment techniques and strategies, which are not described above.

In the case of tax-exempt investments, the account will invest primarily in obligations of state and local municipalities, their agencies and U.S. Territories and other tax-exempt investments which may include privately issued (144) securities, closed-end funds, auction rate paper, variable and floating rate securities, notes and municipal futures. The account may invest in "private activity" bonds whose interest is a tax-preference item for purposes of the federal alternative minimum tax ("AMT").

### **Equity Portfolios**

AAM offers a number of equity strategies that use separate criteria for investment. In general, our portfolios should be considered to be concentrated as to the number of positions held in any particular strategy. Our quantitative strategies are designed to offer a strict buy and sell discipline based on factors that have historically been attractive to future investors. Each of these strategies is constrained to common stock investment and is always fully invested. While our dividend focused strategies are broadly diversified by industry

sector, other quantitative strategies may not be. AAM's technical strategy will seek attractive stocks in a limited selection of sectors deemed to be superior by management. Cash may be used to limit overall portfolio volatility in this strategy.

### **Mutual Funds**

AAM provides investment advisory services pursuant to an investment advisory agreement to the AAM/Bahl & Gaynor Income Growth Fund, the AAM/Insight Select Income Fund, the AAM/HIMCO Short Duration Fund, and the AAM/Phocas Real Estate Fund (the "Funds"), all series of Investment Managers Series Trust, a Delaware statutory trust and open-end registered investment Company. AAM's investment advisory services to the Fund include (i) the selection, oversight, termination and replacement of sub-advisors, (ii) ensuring quality control of the sub-advisor's investment process; and (iii) monitoring and measuring the Fund's risk and return against appropriate benchmarks and peers. Day-to-day management of the individual Fund's portfolio, selection of the Fund's portfolio investments and supervision of its portfolio transactions (subject to the general oversight of the Fund's Board and AAM) have been delegated as outlined in the below Sub-Advisor table.

<b><u>Fund Name</u></b>	<b><u>Sub-Advisor</u></b>
AAM/Bahl & Gaynor Income Growth Fund	Bahl & Gaynor, Inc.
AAM/HIMCO Short Duration Fund	Hartford Investment Management Company (HIMCO), the asset management arm of The Hartford Financial Services Group, Inc.
AAM/Insight Select Income Fund	Insight North America LLC
AAM/Phocas Real Estate Fund	Phocas Financial Corporation

The investment advisory services provided by AAM to the Fund are governed by the terms of the Fund's statutory prospectus, Statement of Additional Information (SAI), AAM's advisory agreement with the Fund, and AAM's sub-advisory agreement with the respective Fund's sub-advisors.

### **Exchange Traded Funds**

AAM provides investment advisory services pursuant to an investment advisory agreement to the following ETFs:

<b><u>Exchange Traded Funds:</u></b>	<b><u>Ticker</u></b>
AAM S&P 500 High Dividend Value ETF	SPDV
AAM S&P Developed Markets High Dividend Value ETF	DMDV
AAM S&P Emerging Markets High Dividend Value ETF	EEMD
AAM Low Duration Preferred and Income Securities ETF	PFLD
AAM Bahl & Gaynor Small/Mid Cap Income Growth ETF	SMIG
AAM Transformers ETF	TRFM



The AAM ETFs are series of the ETF Series Solutions Trust, a Delaware statutory trust and open-end registered investment company owned and operated by US Bancorp Financial Services. AAM's investment advisory services to the Fund include (i) the selection, oversight, termination and replacement of sub-advisors, (ii) ensuring quality control of the sub-advisor's investment process; and (iii) monitoring and measuring the Fund's risk and return against appropriate benchmarks and peers. Day-to-day management of the individual Fund's portfolio, selection of the Fund's portfolio investments and supervision of its portfolio transactions (subject to the general oversight of the Fund's Board and AAM) have been delegated pursuant to a sub-advisory agreement between AAM and the Sub-Advisor the following sub-advisor for each fund:

<b><u>Exchange Traded Funds:</u></b>	<b><u>Sub-Advisor</u></b>
AAM S&P 500 High Dividend Value ETF	Vident Investment Advisory
AAM S&P Developed Markets High Dividend Value ETF	Vident Investment Advisory
AAM S&P Emerging Markets High Dividend Value ETF	Vident Investment Advisory
AAM Low Duration Preferred and Income Securities ETF	Vident Investment Advisory
AAM Bahl & Gaynor Small/Mid Cap Income Growth ETF	Bahl & Gaynor, Inc
AAM Transformers ETF	Pence Capital Management

The investment advisory services provided by AAM to the Fund are governed by the terms of the prospectus, AAM's advisory agreement with the Fund, and AAM's sub-advisory agreement with the Sub-Advisor.

### **Assets Under Management**

As of December 31, 2022 we were actively managing \$3,734,957,784 of clients' assets on a discretionary basis and \$5,227,953 on a non-discretionary basis (investment model provider).

### **Business Continuity**

AAM has developed and maintained a comprehensive Business Continuity Plan (BCP). The BCP is an internal document that is not available to the public. AAM has summarized the BCP and created a separate document, the Business Continuity Plan Summary, which is available on AAM's public website and is intended to provide our customers and other interested parties with information regarding our BCP.

### **Cybersecurity**

Advisors Asset Management, Inc. (AAM) is critically dependent on both information and information systems. Ensuring that all employees have access to the information they need

when they need it and that the information they depend on is accurate and remains confidential is paramount to the continued success of AAM. These three attributes—confidentiality, integrity and availability—are the three critical components of information security.

The mission of the Information Security Team (InfoSec) is to act as a central point for information security within the organization and to establish and maintain enterprise wide information security policies, standards, and procedures. Strong policies and internal controls are only effective when employees understand both the value of AAM information and their role in securing that asset. The security of AAM information and information systems is ultimately and critically dependent on the actions of each and every employee of AAM. A key part of the AAM information security strategy is to provide ongoing Security Awareness and Cybersecurity training with the central theme that information security is everyone's responsibility.

InfoSec strives to continuously evaluate, recommend, and help implement changes to manage risk and to improve the overall security stance of the AAM network environment. This cycle of continuous improvement helps to enable all employees to work within a high-availability and secure environment, and also helps to gain and maintain the trust that our customers and business partners place in our control environment.

## **Item 5. Fees and Compensation**

Generally, AAM's advisory fees are based on a percentage of assets under management. AAM generally does not charge fixed fees except in special situations.

Fees and services may be negotiated and will typically vary based on factors such as client type, asset class, pre-existing relationship, service levels, portfolio complexity, number of accounts, account size, anticipated future earning capacity, anticipated future additional assets or based on other unique circumstances or requirements. Some existing clients may pay higher or lower fees than new clients. Related accounts could be aggregated for fee calculation purposes in certain circumstances at the discretion of AAM.

Fees and related terms of payment of such fees for all AAM advisory services are governed by the terms of the applicable agreement(s).

### **Advisory Fees for SMAs**

Fees for portfolio management services to SMAs will customarily be charged as a percentage of assets under management. Annual fees for our fixed income strategies range from 0.20% to 2.00%. Annual fees for our equity strategies range from 0.45% to 3.00%.

NOTE: all fees referenced above reflect our standard ranges. Some accounts have fees that fall outside our standard range.

SMA accounts, depending on the particular arrangement with each client, will be charged either by invoicing clients or directly debiting their custodial accounts. Clients should

contact their custodian for more information relating to the deduction of fees from client accounts.

For SMA accounts, AAM's preference is to bill in advance however we do accommodate both advance and arrears billing. Billing "in advance" or "in arrears" is based on the portfolio value as of the last business day of the previous calendar quarter. In most cases, the value is calculated using the trade date positions with ICE Data Services. ICE is a large, well regarded, independent pricing service. In those few cases where ICE pricing is not available due to non-traded corporate actions, custodian or proprietary pricing is used. The fee is calculated by multiplying the portfolio value by the contracted rate. Typically, the fee is one quarter of the annual fee, but for new accounts, days are subtracted for billing in arrears or one time added for billing in advance to reflect the proper number of days managed. Frequency and timing of billing is determined by the applicable advisory agreement.

For direct accounts, AAM usually requires a minimum account size of \$250,000 for fixed income strategies and \$100,000 for equity strategies. For platform accounts, AAM usually requires a minimum account size of \$125,000 for fixed income strategies and \$100,000 for equity strategies. AAM can and has negotiated these terms and conditions with clients at its discretion. We could group certain related client accounts for the purposes of determining the account size and/or annualized fee.

Clients can terminate their advisory agreement by providing us with a 30-day written notice at our principal place of business subject to the terms of their advisory agreement. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

### **Advisory Fees for Sub-Advisory Relationships**

AAM also provides investment management services as a sub-adviser to certain accounts. In other words, an investor may engage an independent investment adviser (the "primary adviser") which, in turn engages AAM to provide portfolio management services to all or part of such investor's portfolio. In this situation, AAM will typically receive a fee charged as a percentage of assets sub-advised by AAM, typically ranging from 0.25% to 0.70% of the assets managed by AAM. Such fees are generally charged by directly debiting the end-investor's custodial accounts although this will vary by agreement. Clients should contact their custodian for more information relating to the deduction of fees from their accounts.

For sub-advised accounts, AAM's preference is to bill in advance however we do accommodate both advance and arrears billing. Billing "in advance" or "in arrears" is based on the portfolio value as of the last business day of the previous calendar quarter. In most cases, the value is calculated using the trade date positions with ICE Date Services pricing. ICE is a large, well regarded, independent pricing service. In those few cases where ICE pricing is not available due to non-traded corporate actions, custodian or proprietary pricing is used. The fee is calculated by multiplying the portfolio value by the contracted rate.

Typically, the fee is one quarter of the annual fee, but for new accounts, days are subtracted for billing in arrears or one time added for billing in advance to reflect the proper number of days managed. Frequency and timing of billing is determined by the applicable sub-advisory agreement.

End-investors should refer to the primary adviser's disclosure documents for full information on the primary adviser's advisory services.

As compensation for assistance provided by the primary adviser to AAM in connection with AAM's performance of services with respect to such accounts, AAM could, but currently does not pay to the primary adviser a portion of the fee it receives for such sub-advised accounts. Payment of such compensation would likely increase the level of sub-advisory fee charged by AAM relative to fees charged with respect to accounts for which no similar amount is paid.

### **Advisory Fees for Non-Discretionary Accounts and Model Portfolio Advice**

For certain strategies, AAM provides certain non-discretionary investment service to clients such as banks, broker-dealers, investment adviser or other financial services firms. Such services may include model portfolio recommendations. Such model portfolios are typically provided to such financial services firm and such firm will make any investment or trading decisions with regard to the end-investor account. Fees for non-discretionary accounts and model portfolios are individually negotiated with the purchaser of such services.

### **Advisory Fees for Wrap Fee Programs**

For accounts offered through wrap fee programs, AAM's fee is determined by agreement between AAM and any such wrap fee program sponsor. The sponsor of the wrap fee program usually pays AAM a monthly or quarterly fee for its investment advisory services. Such fees are generally up to .60% of the assets AAM manages under the wrap fee program depending on the size of the program, services performed, the strategy selected and other factors. Fees paid to AAM for fully bundled wrap fee programs are typically less than partially bundled or unbundled arrangements. In certain such programs, AAM and wrap fee program sponsors may charge their fees separately and such advisory fees for AAM are individually determined between AAM and the end-investor. The overall bundled fee is up to 2.00% for Fixed Income programs and up to 3.00% for Equity programs.

In evaluating wrap fee programs, investors should recognize that transactions are usually effected "net," i.e., without commission. A portion of the wrap fee is generally considered as being in lieu of commissions. Trades are generally expected to be executed only with the broker-dealer with which the end-investor has entered into the wrap fee arrangement, so that the investment managers in the program may not be free to seek best price and execution by placing transactions with other broker dealers. No assurance can be given that the broker-dealers will be able to obtain best execution with respect to transactions effected for such programs.

Accordingly, the end-investor may wish to satisfy him/herself that the broker-dealer offering the “wrap fee” arrangement can provide adequate price and execution of most or all transactions. The end-investor should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the end-investor's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

In wrap programs that permit AAM to trade away from the wrap program sponsor or its broker-dealer affiliates when such sponsor or its affiliate cannot provide best price or execution under certain circumstances, AAM will typically trade away from such parties. In such cases, end-investors may incur transaction and other costs and fees in addition to the wrap fee such as mark-ups or mark-downs on the transaction. In addition, a wrap fee program sponsor charge additional fees for settling step-out transactions and typically do charge additional fees for trade away and prime brokerage transactions.

Wrap fee program clients should review all materials available from a wrap fee program sponsor concerning the wrap fee program, the wrap fee program sponsor and the wrap fee program's terms, conditions and fees.

### **Other Fees and Expenses**

AAM may invest client assets or recommend that clients invest in shares of closed-end funds, open-end funds, exchange-traded funds (“ETFs”) and other pooled investment vehicles, excluding those open-end funds and exchange-traded funds for which AAM acts in the capacity of Investment Advisor. All fees paid to our firm for investment advisory services are separate and distinct from the fees and expenses charged by these vehicles to their shareholders. These fees and expenses are described in each such fund's prospectus. These fees will generally include a management fee, other fund expenses, and possible distribution fees. A client could invest in a fund directly without the services of our firm. In that case, the client would not receive the services provided by us which are designed, among other things, to assist the client in determining which mutual fund or ETF are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by us to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

In addition to advisory fees paid to our firm, end-investors will also be responsible for all transaction, brokerage, and custodian fees incurred as part of their account management. For more information about AAM's brokerage practices and brokerage costs, refer to Item 12.

Clients in certain international and global strategies may incur additional fees and costs associated with the purchase of non-U.S. securities.

AAM supervised persons and related sales personnel typically market AAM's investment capabilities to various prospects and intermediaries. AAM's investment capabilities may be available directly through provision of investment advisory services (through SMA accounts) or indirectly by investment in certain funds or where AAM acts as adviser, sub adviser or sponsor. AAM supervised persons and related sales personnel will be internally compensated for successful marketing or selling activities with respect to AAM's investment advisory services. Prospective clients are encouraged to consult their own financial, tax and legal advisors regarding any investment decision regarding AAM's investment advisory services. Certain AAM supervised persons and related sales personnel are also engaged in marketing or selling activity with respect to shares or units in AAM advised funds and/or AAM sponsored unit investment trusts. AAM supervised persons and related sales personnel will be internally compensated for successful marketing or selling activities with respect to shares or units of AAM advised funds and/or AAM sponsored unit investment trusts.

### **UIT Supervisory and Evaluation Fees**

AAM's fees for portfolio supervisory and evaluation services to AAM-sponsored UITs are generally assessed as a fixed amount per unit. The amount and method of payment of such fees are specified in the offering and governing documents of each corresponding UIT.

### **Advisory Fees for Mutual Funds**

For providing services to each AAM Fund, AAM receives the following annual advisory fee by Fund.

<b><u>Fund Name</u></b>	<b><u>Advisory Fee*</u></b>
AAM/Bahl & Gaynor Income Growth Fund	0.65%
AAM/HIMCO Short Duration Fund	0.38%
AAM/Insight Select Income Fund	0.38%
AAM/Phocas Real Estate Fund	0.65%

\* The Advisory Fee for each Fund is calculated as a percentage of the average daily net assets of the Fund.

Pursuant to a Sub-Advisory Agreement for each Fund, AAM pays a portion of the Fund's Advisory Fee to the respective Fund's Sub-Advisor managing the Fund.

For further clarification on these and other fees associated with the AAM Funds, please consult the Fund's summary prospectus, statutory prospectus or Statement of Additional Information (SAI).

### **Advisory Fees for Exchange-Traded Funds**

For the services it provides to the Funds, each of the Funds pays AAM a unified management fee, which is calculated daily and paid monthly, at an annual rate based on the applicable Fund's average daily net assets as set forth below.

<b><u>Exchange Traded Funds:</u></b>	<b><u>Unified Management Fee</u></b>
AAM S&P 500 High Dividend Value ETF	0.29%
AAM S&P Developed Markets High Dividend Value ETF	0.39%
AAM S&P Emerging Markets High Dividend Value ETF	0.49%
AAM Low Duration Preferred and Income Securities ETF	0.45%
AAM Bahl & Gaynor Small/Mid Cap Income Growth ETF	0.60%
AAM Transformers ETF	0.49%

Under the Investment Advisory Agreement (the “Advisory Agreement”), AAM has agreed to pay all expenses of the Funds, except for: the fee paid to AAM pursuant to the Advisory Agreement, interest charges on any borrowings, dividends, and other expenses on securities sold short, taxes, brokerage commissions and other expenses incurred in placing orders for the purchase and sale of securities and other investment instruments, acquired fund fees and expenses, accrued deferred tax liability, extraordinary expenses, and distribution fees and expenses. AAM, in turn, compensates the Sub-Adviser from the management fee it receives.

#### Other Compensation

AAM receives compensation from other Investment Advisors who may market or refer clients to AAM.

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

AAM does not charge performance-based fees.

### **Item 7. Types of Clients**

Our firm generally provides SMA advisory services to individuals, banking or thrift institutions, trusts, estates, broker-dealers, pension or profit sharing plans, corporations or other businesses, other Investment Advisers and charitable organizations. AAM also has AAM-sponsored UITs as a type of client. AAM also provides investment advisory services to open end management investment companies, as described above under “Advisory Business.”

For direct accounts, AAM generally requires a minimum account size of \$250,000 for fixed income strategies and \$100,000 for equity strategies. For platform accounts, AAM generally requires a minimum account size of \$125,000 for fixed income strategies and \$100,000 for equity strategies. AAM may negotiate these terms and conditions with any client at its discretion. We may group certain related client accounts for the purposes of determining the account size and/or annualized fee.

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

Our firm employs fundamental, technical, and charting analysis to formulate SMA client recommendations. AAM may engage a sub-advisor to provide investment advice with respect to certain accounts and strategies.

Fundamental Analysis: Fundamental analysis of a business involves analyzing its income statement, financial statements and health, its management and competitive advantages, and its competitors and markets. Fundamental analysis school of thought maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by trading the mis-priced security and then waiting for the market to recognize its "mistake" and re-price the security. However, fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Therefore, unforeseen market conditions and/or company developments may result in significant price fluctuations that can lead to investor losses.

Technical Analysis: Technical analysis seeks to identify price patterns and trends in financial markets and attempt to exploit those patterns. We follow and examine such indicators as price, volume, and market sentiment.

Charting: In this type of technical analysis, we review charts of individual security activity and the market itself in an attempt to identify trends and predict when, or for how long, the trends may last or might reverse.

Since technical analysis predictions are extrapolations from historical price patterns, investors bear risk that these patterns will not reoccur as expected. Moreover, technical analysis does not consider the underlying financial condition of a company. This may present a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Cyclical analysis: In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security. Since cyclical analysis is based on examination of rising and falling trends, investors bear risk of mis-timing, with a specific trend lasting longer or shorter than expected.

Risks for all forms of analysis: Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.



Our firm employs the following investment strategies to implement investment advice given to our SMA clients:

Long-term purchases: We typically purchase securities with the idea of holding them in the clients account for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases: At times, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Trading: When appropriate to the needs of the SMA client, AAM may recommend the use of trading (securities sold within 30 days). Because these investment strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

AAM generally does not recommend leverage or margin trading as a part of its core SMA investment strategies. If certain advisory clients engage in borrowing using assets in their account(s) as collateral (with or without the knowledge or control of AAM) such clients should understand the risks of leverage or margin trading, such as greater risk of loss and increased volatility, and should understand that such borrowing could make AAM's investment strategies inappropriate for these clients.

***Clients should understand that investing in any securities, including mutual funds & ETFs, involve a risk of loss of both income and principal.***

AAM acts as advisor to one or more open-end investment companies. Investors in the Fund should read the Fund's prospectus, annual and semi-annual reports and other Fund-specific material for a complete description of the Fund's investment strategies and risks.

Cybersecurity: AAM recognizes that the threat of a cybersecurity breach represents a significant risk to the investing public. As mentioned previously, AAM has developed

and maintains current or higher standards for cybersecurity to mitigate this risk and to safeguard the confidential information of our clients and partners.

Trade Errors: In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

Natural & Unavoidable Events: Global markets are interconnected, and events like hurricanes, floods, earthquakes, forest fires and similar natural disturbances, war, terrorism or threats of terrorism, civil disorder, public health crises, and similar “Act of God” events have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term and wide-spread effects on the world economies and markets generally. Clients may have exposure to countries and markets impacted by such events, which could result in material losses.

## **Item 9. Disciplinary Information**

.

**20140416211** – During a 2014 FINRA review of trade reporting, the firm entered into an AWC to settle a matter regarding trade reporting and confirmations. Without admitting or denying the findings, the firm consented to the sanctions (censure and \$10,000 fine) and to the entry of findings that it failed to report information regarding purchase and sale transactions effected in municipal securities to the real-time transactions reporting system (RTTS).

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

AAM has financial industry activity arrangements which are material to its advisory business. Specifically, Advisors Asset Management, Inc. is also a registered broker/dealer. In addition to its proprietary individual account advisory services, AAM currently offers access to non-proprietary asset managers and/or alternative investments. After a thorough due diligence process is completed, AAM offers access to certain separately managed accounts and/or alternative investments, managed by non-AAM third-party managers to its clients. In this arrangement, AAM does not enter into a Primary Advised or Sub-Advised relationship with any end-client or other adviser. Rather, it acts as a distribution agent for the third-party manager. In the event an unaffiliated investment manager is called upon by AAM to provide services, the client will be informed of the nature and extent of the participation of the unaffiliated manager, the specific amount of compensation to the manager, and other such disclosures as may be appropriate under state and federal rules and regulations.

Prior to receiving a portion of a client’s advisory fee all third-party investment advisers will be licensed as investment advisers in the appropriate state or with the Securities and Exchange Commission.

In their capacity as registered representatives outside of separately managed accounts, AAM advisory associates may receive commissions for executing securities transactions. Under no circumstance will a client be charged a management fee by AAM and pay other brokerage compensation to AAM. Clients are advised that the transaction charges may be higher or lower than the charges the client may pay if the transactions were executed at other broker-dealers.

As described above under “Advisory Business”, AAM provides various services to AAM-sponsored UITs and has material business arrangements with various affiliated and unaffiliated entities in connection with such services.

As described above under “Advisory Business”, AAM provides advisory services to open end management investment companies and has material business arrangements with various affiliated and unaffiliated entities in connection with such services.

### **Adviser’s Relationship with Sun Life Financial, Inc.**

As a indirect majority-owned subsidiary of Sun Life Financial Inc., AAM is part of a global financial services organization, with an affiliation to many types of U.S and non-U.S. financial services providers, including insurance companies, broker-dealers, commodity trading advisors, commodity pool operators and other investment advisers.

### **Advisers Relationships with Affiliated Broker-Dealers**

AAM is under common ownership with Sun Life Institutional Distributors (U.S.) LLC (“SLID”), a registered broker dealer and member of FINRA, through Sun Life Financial’s indirect ownership of SLID. SLID markets private funds and limited partnerships managed by Sun Life Financial affiliated investment advisers.

AAM is under common ownership with MFS Fund Distributors, Inc., a registered broker dealer and member of FINRA, through Sun Life Financial’s indirect ownership of MFS Fund Distributors, Inc.

AAM is under common control with BentallGreenOak Real Estate US LLC, a registered broker dealer and member of FINRA, which acts a placement agent for certain funds advised by Sun Life Financial affiliated investment advisers other than AAM.

### **Adviser’s Relationship with Affiliated Investment Advisers**

AAM is affiliated with the following SEC registered investment advisers:

Crescent Capital Goup LP;  
Sun Life Capital Management (U.S.) LLC;  
Massachusetts Financial Services Company;  
BentallGreenOak (U.S) Limited Partnership;  
MFS Institutional Advisers, Inc;

BGO US Real Estate LP;  
BentallGreenOak Strategic Capital Partners, LLC;  
InfraRed Capital Partners Limited;  
InfraRed Capital Partners (US) LLC;  
Crescent Cap NT Advisors, LLC

Sun Life Financial Inc. has a majority (direct or indirect) ownership interest of each of the above referenced registered investment advisers are each majority owned (directly or indirectly) by Sun Life Financial Inc. Thus, AAM and each of the above referenced investment advisers are under common control of Sun Life Financial Inc. It is anticipated that AAM will act as a distributor of certain investment products of one or more of the above referenced advisers.

### **Adviser's Relationship with Affiliated Insurance Companies**

Sun Life Financial Inc is the 100% owner, directly or indirectly, of many insurance companies and dental plans, none of which AAM provides services to, directly or indirectly

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

#### **Code of Ethics Disclosure**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code provides for oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients upon request to our Chief Compliance Officer, at the firm's principal office address.

Our firm or individuals associated with our firm may buy or sell securities identical to those recommended to customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may, without Compliance Approval, purchase or sell any security on the same day subsequent to a decision to implement a trade for a SMA advisory account. This and other restrictions are intended to prevent employees from benefitting from transactions place on behalf of our SMA advisory accounts. With specific regard to fixed income securities, it should be noted that the firm is also a registered broker-dealer that primarily services other dealers and

advisers. In that capacity, the firm can make a market in or otherwise handle orders for the same fixed income securities that are being traded for an SMA advisory account. This broker-dealer trading is not coordinated with the SMA Department and could result in trades at or about the same time as and/or trades in the opposite direction of SMA advisory account trades. For that reason, the firm periodically reviews the trading in its principal accounts to ensure traders, where applicable, are not using SMA trade information to their benefit. Moreover, AAM will not trade for advisory accounts in a principal capacity. As such, AAM will never cross or combine SMA and broker-dealer transactions. As a result, SMA advisory accounts will lose any benefit of combining orders. That noted, SMA advisory account fixed income trades are promptly routed to the market and best execution is achieved commensurate to order size and time.

As these situations represent a conflict of interest, we have established the following restrictions in order to ensure its fiduciary responsibilities:

1. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No principal or employee of our firm may prefer his or her own interest to that of the advisory client.
2. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by our compliance team.
3. We emphasize the unrestricted right of the SMA client to decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
4. No portfolio manager of an AAM strategy may trade on behalf of an AAM strategy, in any mutual fund or exchange-traded fund for which AAM also acts in the capacity of Investment Advisor.
5. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. Any individual not in observance of the above may be subject to disciplinary action, up to and including termination.
7. All access persons are required to pre-clear security transactions, subject to certain exemptions and exclusions, and to report to AAM compliance their initial, quarterly and annual holdings.
8. All employees of AAM are required to disclose to AAM's Compliance Department any outside business activity (OBA) in which they are engaged, regardless of compensation (excluding purely volunteer or charitable non-paid activities). This

reporting requirement allows the Compliance Department the opportunity to identify those OBA's that may involve unacceptable business practices, conflicts of interest, legal risks to the firm, or potentially involve Selling Away.

AAM offers similar strategies managed by, advised by, sub-advised by or consulted on by the same manager in multiple product structures (SMAs, Funds and UITs). While each product typically does have different revenue streams to AAM, the sales compensation paid to the sales team is similar for each product, and as a result the sales team is compensated to market the appropriate strategy and product structure to financial advisers. Various factors may influence the investor and Financial Advisor's ability on behalf of the investor to purchase one particular product structure over another (including but not limited to cost, ease of entry, availability, liquidity, etc.)

### **Political Contributions (No "Pay to Play")**

Investment advisors who seek to influence the awarding of advisory contracts by public entities (e.g., for government sponsored pension plans) by making political contributions to public officials of such public entities have compromised their fiduciary duty. Therefore, the Firm and its employees are prohibited from directly or through a third-party making political contributions (whether in the U.S. or to non-U.S. officials), in excess of \$350 to any public official *affiliated with a current or potential public entity client of the Firm* for which the employee is eligible to vote and/or in excess of \$150 if for a public official for which the employee is not eligible to vote. Political contributions include payments to political action committees, political parties, inauguration/transition committees and to foundations or other charitable organizations associated with the public official.

Limited exceptions to these policies may be made with the written approval of the Chief Compliance Officer.

All disclosures and requests for prior approval to make a political contribution shall be made through the ComplySci application, and tracked accordingly. ComplySci is AAM's vendor and is accessible to all employees for this purpose.

### **Item 12. Brokerage Practices**

We do not have any formal or informal soft-dollar arrangements and do not receive any soft-dollar benefits.

For those SMA accounts which AAM acts as the primary advisor, AAM will have discretionary authority and will recommend to the client the custodian to be used for client accounts. Generally speaking, AAM will direct that equity trades be executed with the Custodian, and AAM's fixed income trades will be executed directly into the AAM Average Price Account and will not trade with Firm inventory accounts, nor will any commission, mark-up or mark-down be imposed. Please note that clients may be charged trade-away fees by the account custodian when fixed income trades are executed. For all

equity and fixed income trades, AAM will test for Best Execution by periodically reviewing the Best Execution reports of the executing broker dealer(s).

For those SMA accounts which AAM acts as a sub-advisor, AAM will execute equity trades with the Custodian selected by the Primary Advisor and/or the end client. The primary advisor will be responsible for any test of Best Execution for these accounts. It should be noted that AAM will not have authority to negotiate commissions with the selected custodian and higher transaction costs may exist.

For those SMA accounts which AAM acts as a sub-advisor AAM will direct that equity trades be executed with the Custodian, and AAM's fixed income trades will be executed directly into the AAM Average Price Account (unless other arrangements are made) and will not trade with Firm inventory accounts, nor will any commission, mark-up or mark-down be imposed. Please note that clients are often charged trade-away fees by their account custodian when AAM executes the fixed income trade. AAM will test for Best Execution by reviewing the AAM's Best Execution report.

To ensure fair pricing on all equity trades, AAM has established a rotation policy in which custodians or sponsors are cycled through so each executes in a different order per trade. After each trade, each sponsor is moved down one turn, with the last executing sponsor being first in the following trade. For example, the below represents a hypothetical rotation scenario for three trades in to be executed by the Custodians:

Trade 1:

Custodian 1 executes first  
Custodian 2 executes second  
Custodian 3 executes third  
Custodian 4 executes fourth

Trade 2:

Custodian 4 executes first  
Custodian 1 executes second  
Custodian 2 executes third  
Custodian 3 executes fourth

Trade 3:

Custodian 3 executes first  
Custodian 4 executes second  
Custodian 1 executes third  
Custodian 2 executes fourth

The sub-advisors (identified in Item 4 above) to which AAM has delegated certain responsibilities related to portfolio management for those mutual funds which AAM provides investment advisory services may have soft dollar arrangements and may receive soft-dollar benefits.

### Summary of Custodial arrangements:

Direct Advised Accounts: For SMA accounts directly advised by AAM, AAM recommends that assets be custodied with Pershing, LLC or Charles Schwab & Co., Inc. (see descriptions below of our arrangements with Pershing and Schwab. AAM would consider other custodians if Pershing, LLC or Charles Schwab & Co., Inc are not the preferred custodian of the Investment Advisor.

Direct (non-platform) Sub-Advised (where AAM acts in the capacity of sub-advisor) accounts are typically custodied with Charles Schwab & Co., Inc, National Financial Services, LLC or TD Ameritrade, Inc. AAM participates in each custodian's own managed account program and Investment Advisors can select AAM as the Investment Manager from these programs.

Sub-Advised accounts managed via various platforms, such as Envestnet, may utilize the custodian of the Investment Advisor's choosing. AAM would request the custodial data feeds be received into its' portfolio accounting software for daily reconciliation.

### Schwab:

Our firm participates in the Schwab Institutional (SI) services program offered to independent investment advisers by Charles Schwab & Company, Inc. ("Schwab"), a FINRA-registered broker dealer. SMA clients in need of brokerage and custodial services will have Schwab recommended to them. As part of the SI program, our firm receives benefits that it would not receive if it did not offer investment services. These benefits include: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk serving SI participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client account; access to an electronic communication network for client order entry and account information; receipt of compliance publications; and access to mutual funds & ETFs which generally require significantly higher minimum initial investments or are generally available only to institutional investors. The benefits received through participation in the

SI program may or may not depend upon the amount of transactions directed to, or amount of SMA assets custodied by, Charles Schwab & Co., Inc. Participation in the SI program creates a conflict of interest for our firm. The receipt of the above benefits creates an incentive for us to recommend Schwab to clients.

Nonetheless, we have reviewed the services of Schwab and recommend the services based on a number of factors. These factors include the professional services offered, commission rates, and the custodial platform provided to clients. While, based on our SMA business model, we will not seek to exercise discretion to negotiate trades among various brokers on behalf of clients, we will, however, periodically attempt to negotiate lower commission rates for our clients with Schwab.



### Pershing:

AAM has also negotiated an arrangement with Pershing LLC (hereafter “Pershing”), an unrelated FINRA-member broker dealer, to provide custodial and brokerage services. SMA clients in need of brokerage and custodial services will also typically have Pershing recommended to them. AAM has evaluated Pershing and believes that it will provide AAM clients with a blend of execution services, commission costs and professionalism that will assist AAM in meeting its fiduciary obligations to clients. As part of the Pershing program, our firm receives benefits that it would not receive if it did not offer investment services. These benefits include some or all of the following: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk serving Pershing participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client account; access to an electronic communication network for client order entry and account information; receipt of compliance publications; and access to mutual funds & ETFs which generally require significantly higher minimum initial investments or are generally available only to institutional investors. The benefits received through participation in the Pershing program may or may not depend upon the amount of transactions directed to, or amount of SMA assets custodied by, Pershing. Participation in the Pershing program creates a conflict of interest for our firm. The receipt of the above benefits creates an incentive for us to recommend Pershing to clients.

Nonetheless, we have reviewed the services of Pershing and recommend the services based on a number of factors. These factors include the professional services offered, commission rates, and the custodial platform provided to clients.

### SMA Trade Aggregation

#### **SMA Block Trading and Allocation Procedures**

AAM will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Block trading typically allows equity trades to be executed in a timelier and more equitable manner while allowing AAM to obtain a consistent share price for clients participating in the block.

With respect to Separately Managed Account Fixed Income Trades, AAM will block trades where possible and when advantageous to clients. Trades are placed in the AAM Average Price account at Pershing. The trade executions are then averaged and allocated to the appropriate clients across custodians. Depending on the custodian, these trades are delivered as Prime Broker, Trade Away, Step Outs, or Dealer to Dealer trades. Clients are typically charged trade-away fees by the account custodian when fixed income trades are executed away from the custodian.

The accounts receiving an allocation will be determined by reviewing several factors (including but not limited to) the following:

Account Cash Available

Account Asset Class Percentage Guidelines

Account Duration

When a Block Buy decision is made, the Separately Managed Accounts Manager or delegate will review the reports available in the Advent Portfolio Exchange System (Portfolio Management System) and the Trade Order Management System to identify all accounts that have a need for the security in question and submit the report to the Portfolio Managers for review. Once the list of potential accounts is reviewed, the trade is executed and allocation instructions are sent to the Operations team. If the total bonds requested are not purchased the Portfolio Manager will allocate based on determining factors which utilize rankings by individual portfolio need in the Trade Order Management System. These factors include, but are not limited to, account cash percentage, asset class allocation, duration, and security trade minimums.

When a Block Sell decision is made, the Managed Accounts Manager or delegate will review the reports available in the Portfolio Management System and scoring data in the Trade Order Management System to identify all accounts holding the position. This information will then be reviewed by the Portfolio Manager. Once the list of potential accounts is reviewed, the trade is executed and allocated by an AAM Trader. If the total bonds requested are not purchased the Portfolio Manager may allocate the trade on a pro rata basis or allocate the trade based on determining factors which utilize rankings by individual portfolio need in the Trade Order Management System. These factors include, but are not limited to, account cash percentage, asset class percentage, duration, and security trade minimums.

If deviation from pro rata is required, then AAM will consider a variety of factors and principles, including, but not limited to, the following:

- The need for liquidity in an account
- Each accounts own investment restrictions
- Sector and asset class diversification within accounts
- Portfolio characteristics related to the stated strategy
- The size of the account and the avoidance of odd lots or excessive transaction costs relative to the size of the account
- The need to rebalance positions held by an account due to capital infusions or withdrawals
- Transactions are allocated promptly, usually on the trade date, and no reallocations adjustments are allowed without documentation
- Inception dates for new accounts

**Prime Determinants**

- Overall market exposure;
- Industry sector exposure;
- As necessary, portfolio characteristics relative to model and
- Cash availability

**Item 13. Review of Accounts****Investment Supervisory Services**

AAM will continuously monitor the underlying securities in SMA client accounts and perform at least annual reviews of account holdings for all clients. Accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Economic and macroeconomic specific events may also trigger reviews. These reviews are conducted by the Managed Account Operations Department and AAM's Compliance Department also performs quarterly internal audits. The Vice President of Managed Accounts oversees these reviews.

In addition to the monthly statements and confirmations of transactions that SMA clients receive from their broker dealer, our firm will provide quarterly performance reports for non-platform accounts.

UIT portfolios supervised by AAM are reviewed by AAM as described above under "Advisory Business".

Where AAM acts as investment advisor to mutual funds as described above under "Advisory Business", while the Fund's sub-advisor is responsible for the day-to-day management of the Fund's portfolio, AAM provides oversight of the sub-advisor and monitors and measures the Fund's risk and return against appropriate benchmarks and peers and seeks to ensure quality control of the sub-advisor's investment process subject to the terms of the Fund's prospectus.

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

From time to time, AAM will enter into written agreements with unaffiliated third parties ("Promoters") to refer prospective SMA clients to AAM. Such relationships overwhelmingly result in the payment of fees by AAM to solicitors if any such referred clients open an investment advisory SMA account with AAM. Fees paid by AAM to Promoters are usually calculated as a percentage of assets under management by AAM in such referred clients' accounts but be based, in whole or in part, on other factors, including total assets under management and/or compensation received by AAM related to clients referred by Promoters. Fees are paid to Promoters directly by AAM. These fees will only be paid to Promoters meeting certain requirements who have entered into a written

agreement with AAM in accordance with Rule 206 (4) – 1 (The Marketing Rule) of the Investment Advisers Act of 1940. In compliance with such rule, Promoters will agree to provide prospective clients with written disclosure of its relationship with AAM prior to or at the time of any solicitation activities for which fees are to be paid by AAM and obtain an acknowledgement of receipt of such disclosure from the prospective client. The client is paying the fee which does increase the overall fee paid by the client.

#### **Item 15. Custody**

We urge all our SMA clients to carefully review and compare their quarterly reviews of account holdings and/or performance results to those they receive from their custodian.

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

AAM requires its SMA clients to grant discretionary authority to determine which securities and the amounts of securities that are to be bought or sold for their account(s) in writing. This discretion is typically granted in the executed SMA advisory agreement.

Should the client wish to impose reasonable limitations on this discretionary authority, such limitations shall be included in this written authority statement. SMA clients may change/amend these limitations as desired. Such amendments must be submitted to us by the client in writing.

Where AAM acts as investment advisor to mutual funds AAM's investment discretion with respect to the Fund is governed by the terms of the Fund's prospectus and AAM's investment advisory agreement with the Fund. The Fund's sub-advisor is responsible for the day-to-day management of the portfolio subject to AAM's oversight.

Where AAM acts as investment advisor to exchange-traded funds, AAM's investment discretion with respect to the Fund is governed by the terms of the Fund's prospectus and AAM's investment advisory agreement with the Fund. The Fund's sub-advisor is responsible for the day-to-day management of the portfolio subject to AAM's oversight.

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

SMA advisory clients could elect to delegate their proxy voting authority to us. Alternatively, clients can, at their election, choose to receive proxies related to their own accounts, in which case we cannot ensure we will be available to consult on those matters. To direct us to vote a proxy in a particular manner, clients should contact SMA Administration by telephone, electronic mail, or in writing.

When we have discretion to vote proxies for our SMA clients, we will vote those proxies in the best interests of clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period

of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to deciding how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

SMA clients can obtain a copy of our complete proxy voting policies and procedures by contacting SMA Administration directly. Clients can request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

Except as specifically provided below, AAM does not accept responsibility for giving notice of, filing, collecting, or otherwise taking any action on any claims that an SMA client may be entitled to assert in securities class action lawsuits or other legal actions relating to any securities held (or formerly held) in a client account including, but not limited to, in connection with responses to claims eligibility notices. We will generally neither advise nor act on behalf of an SMA client in taking any action on any such claim relating to securities held in an SMA client's account(s). We may facilitate the completion of a claim's eligibility notice, at our sole discretion, for an AAM primary advised account (i.e. not for an AAM sub-advised account) if permitted by the applicable notice where the estimated recovery in connection with such notice for a particular client account is greater than or equal to \$250. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices received by AAM in a timely manner

Where AAM acts as investment advisor to mutual funds, the duty to vote proxies for securities held in the Fund's portfolio has been delegated to the Fund's sub-advisor.

Where AAM acts as investment advisor to exchange-traded funds, the duty to vote proxies for securities held in the Fund's portfolio has been delegated to the chairman and/or the secretary of the AAM ETF Committee. Through the use of ProxyEdge, a third-party proxy voting platform, the chairman and/or the secretary of the AAM ETF Committee are setup to automatically vote in line with Glass Lewis recommendations, a service offered by ProxyEdge.

Advisors Asset Management, Inc. uses ProxyEdge, a third-party proxy voting platform, to aid in the voting process as well as record maintenance. Votes are submitted through the platform in accordance with AAM's written voting policies and procedures. Voting records are maintained through the platform in accordance with our written voting policies and procedures.

## **Item 18. Financial Information**

Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered.

## **Item 19. Other Matters**

### **Non-Disclosure of Client Information**

Advisors Asset Management, Inc. maintains safeguards to comply with federal and state standards to guard each client's nonpublic personal information ("NPI"). Advisors Asset Management, Inc. does not share any NPI with any nonaffiliated third parties, except in the following circumstances:

- As necessary to provide the service that the client has requested or authorized, or to maintain and service the client's account;
- As required by regulatory authorities or law enforcement officials who have jurisdiction over Advisors Asset Management, Inc., or as otherwise required by any applicable law; and
- To the extent reasonably necessary to prevent fraud and unauthorized transactions.

Employees are prohibited, either during or after termination of their employment, from disclosing NPI to any person or entity outside Advisors Asset Management, Inc., including family members, except under the circumstances described above. An employee is permitted to disclose NPI only to such other employees who need to have access to such information to deliver our services to the client.

### **Social Media**

Social media is a popular means of communication and has revolutionizing how businesses interact with clients. AAM wants to continue to embrace these technologies in a professional and compliant manner. Although we do not want to hinder our employees' ability to participate in social media, we must recognize that the financial industry has specific limitations and record-keeping requirements that must be strictly followed when used for business purposes.

AAM and its employees may use social networking sites, such as Facebook, LinkedIn, Twitter, and You Tube, for business purposes, and subject to pre-approval by AAM's eServices and Compliance departments, and subject to conditions and limitations as described in its Social Media Policies and Procedures. These policies, under separate cover, are, to the extent practical, designed to meet industry and regulatory requirements and protect the interest of the firm and its employees, including:

- Content Requirements and responsibilities;
- Restrictions and prohibited actions for business communications;
- Approval and record-keeping requirements.