

Form ADV, Part 2A

Brochure

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Brochure

What you need to know

This brochure provides information about the qualifications and business practices of PFM Asset Management LLC (PFMAM). If you have any questions about the contents of this brochure, please contact us at pfmamrequest@pfmam.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about PFMAM is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for PFM Asset Management LLC is 122141.

PFMAM is a Registered Investment Adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Notice of material changes

We may, at any time, make material changes to this Brochure and if we do, we will either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form). If you would like another copy of this Brochure, please download it from the SEC website as indicated above or you may contact our Chief Compliance Officer, Leo Karwejna, at 717-231-6200 or at pfmamrequest@pfmam.com.

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Item 4: Advisory Business

Effective December 7, 2021, PFMAM became a wholly-owned subsidiary of U.S. Bancorp Asset Management, Inc. (USBAM). USBAM is a direct wholly-owned subsidiary of U.S. Bank National Association (U.S. Bank) and an indirect wholly-owned subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. PFMAM continues to operate as a separate registered investment adviser.

Prior to December 7, 2021, PFMAM was part of the PFM Group of companies which included Public Financial Management, Inc. (PFM, Inc.). PFM, Inc. was founded in 1975 to provide independent financial advisory services to the public sector and began providing investment advisory services to public entities in 1980. Effective June 1, 2016, financial advisory services historically offered through PFM, Inc. were offered through a new operating company, PFM Financial Advisors LLC (PFMFA). PFM, Inc., PFMFA, PFMAM and certain other affiliated companies were collectively referred to as "PFM". PFMAM and other related businesses within PFM were indirect, wholly owned subsidiaries of a holding company, named PFM I, LLC.

PFMAM is a Delaware limited liability company.

As of December 31, 2022, the amount of client assets we managed on a discretionary basis was \$153,597,811,191 and the amount we managed on a non-discretionary basis was \$241,384,417. In addition, as of December 31, 2022, we provided investment consulting services with respect to assets in the amount of \$48,589,041,859.

We offer the following types of investment advice:

Discretionary Advice

We offer discretionary advisory services for government, nonprofit and other institutional investors who invest in fixed-income and multi-asset class strategies. When a client gives us investment discretion, we have the authority to determine, without obtaining specific approval, (1) overall asset allocation, (2) the specific securities to be bought and sold, (3) the amount of securities to be bought and sold and (4) the broker or dealer through which the securities are bought or sold. For some accounts we may also have discretion to select the manager or sub-adviser to be utilized to manage some, or all, of the portfolio assets. These decisions are subject to limitations of law and restrictions in the contract with our client and limitations in our client's written investment policies. For discretionary advisory engagements, we assume day-to-day management responsibility for the assets covered by the investment advisory agreement. Examples of the securities we may recommend include U.S. Treasury securities, Federal Agency securities, high-grade corporate obligations, mortgage and asset backed securities, municipal securities, institutional mutual funds (including exchange traded funds [ETFs]), private fund investments and money market instruments. We arrange for the purchase and sale of these securities to meet the investment objectives and cash flow requirements of each client.

We manage many fixed-income portfolios on a total return basis. We also implement liability-driven strategies that seek to generate cash flows from a portfolio of fixed-income securities to match specific liabilities such as bond-funded defeasance accounts, construction accounts and insurance liabilities.

We also provide services to the PFM Multi-Manager Series Trust (MMST or the Trust), a registered open-end investment company, utilizing predominantly a manager-of-managers structure. The Trust offers several funds (MMST Funds), with each MMST Fund having specific investment objectives, policies, and restrictions. We are responsible for, among other overall management services, determining investment strategies, selecting and monitoring unaffiliated investment sub-advisers for each MMST Fund and for allocating and reallocating assets among the sub-advisers consistent with each MMST Fund's investment objective and strategies. We can also purchase securities directly for the MMST Funds.

For some of our clients, including trusts, pension plans, endowments, foundations, other post-employment benefits (OPEB) plans, insurance and self-insurance pools, or other similar asset pools, we serve as a discretionary

manager to invest a client's assets in multiple types of investments. Generally, these accounts include a variety of asset classes, which may include domestic equity, international equity, fixed income and alternative asset classes, including shares of MMST Funds.

We provide discretionary multi-asset class investment services for multi-asset class mandates (sometimes known as outsourced CIO, implemented consulting and a variety of other generic terms). We work with the client to determine a target asset allocation based on a variety of risk and return characteristics. We then implement the asset allocation, either by buying shares of mutual funds (including ETF's and shares of the MMST Funds) and/or pooled funds or other investment vehicles (collectively, Funds), or by selecting separate investment managers (sub-advisers) who will manage separate accounts of specific asset classes and/or strategies. Under this approach, we have discretion to make the initial selection of the Funds or investment sub-advisers. We also provide ongoing periodic monitoring by evaluating the Fund's or the investment sub-adviser's portfolio management philosophy, policies, processes, controls, personnel and investment performance. Clients who hire us give us authority to change, drop or add funds or investment sub-advisers. The client generally gives the investment sub-advisers both investment and brokerage discretion in managing its portion of the portfolio. We prepare for these clients periodic reports on the investment performance of the various funds, investment sub-advisers and the portfolio as a whole.

We also offer clients the option to integrate ESG (Environmental, Social and Governance) factors into the investment approach employed for their separately managed fixed-income or multi-asset class strategies. Through this approach, our clients define objective ESG investment parameters that would be applied to select permitted issuers for their separately managed fixed-income portfolio and permitted funds, strategies and/or managers for their multi-asset class strategies. In addition, our multi-asset class ESG strategy provides clients with the option to implement ESG into a dedicated sleeve of the portfolio or in funds or managers that incorporate ESG themes or considerations.

We utilize third-party ESG data and analytics to evaluate issuer level and equity fund level ESG risks. For multi-asset class strategies, eligible domestic equity funds are required to meet certain screening criteria on a best-efforts basis. We monitor those funds' ESG risk scores to help ensure they continue to exhibit the appropriate ESG risk characteristics.

Services to Registered Investment Companies and Local Government Investment Pools

PFMAM currently provides investment advisory and/or administrative services to 18 pooled investment programs (generally known as local government investment pools) across 16 states and one registered investment company whose series or classes are registered in multiple states. We generally, but not always, provide administration services and an affiliate generally provides distribution services as described in this document. Where PFMAM is the investment adviser to a pooled investment vehicle, investment objectives, guidelines and any investment restrictions are described in the relevant offering documents for the vehicle.

Non-discretionary Advice

We also may provide advice on a non-discretionary basis where we offer clients investment recommendations, subject to their specific approval and further execution instructions. In this case our client makes trades directly or specifically approves our purchase or sale of specific securities, which may include non-negotiable certificates of deposit.

Consulting Services

We also provide non-discretionary investment consulting services to:

- governmental entities,
- public, Taft-Hartley and corporate pension funds,
- hospital endowments and foundations,
- trusts,
- OPEB plans, and

- other similar institutional investors.

As a consultant we may provide advice to the client in developing or revising its investment policy, evaluating investment options, establishing and implementing a target asset allocation, determining performance benchmarks, and selecting money managers, pooled trusts or mutual funds to carry out the client's investment strategy. Subject to the client's specific approval, we may also purchase or sell pooled trusts or mutual funds, hire or drop managers, or reallocate assets between managers or funds.

We typically begin these services by assessing the client's investment objectives, time horizon and risk tolerance and liquidity needs, if any. As part of our consulting service, we provide reporting that may include an inventory of holdings, portfolio analytics, credit analysis and investment performance, and whether the client's portfolio complies with its investment policy.

Our consulting services to OPEB plans and pension plans may involve financial reporting, analyzing cash flow implications of different funding strategies, and other matters relating to the OPEB benefits or pension benefits and funding arrangements. Often, we perform these services by working with our client's other professional advisors, such as the client's auditor or actuary.

Structured Products

We also provide analytical services for structuring and procuring portfolios in connection with the current issuance or advance refunding of municipal bonds and the investment of bond proceeds. For these engagements we arrange for purchases of specific securities that are generally government obligations or structured investments such as forward delivery agreements or guaranteed investment contracts by obtaining bids on a competitive basis or by negotiating on behalf of our client.

Services for Corporations, Insurers, Banks and Other Similar Financial Institutions

We also provide discretionary and non-discretionary advice tailored for corporations, insurers, banks and other similar financial institutions which invest in fixed-income securities. These services are tailored to the particular investment needs, restrictions and requirements which apply to these types of clients.

These services may be subject to limitations of certain industry or regulatory requirements, and any other restrictions in the contract with our client and our client's written investment policies. Examples of the securities we may recommend include U.S. Treasury securities, Federal Agency securities, high-grade corporate obligations, mortgage and asset backed securities, institutional bond mutual funds, municipal securities and money market instruments. We arrange for or recommend the purchase and sale of these securities to meet the investment objective, strategies, and risk preferences of each client.

Stable Value Management

We also offer stable value investment strategies for employee benefit plans that typically include fixed-income investments and benefit-responsive wrap contracts or "wrappers" offered by insurance companies and banks with an overall objective of seeking capital preservation and current income. Stable value strategies are generally offered to defined contribution retirement plan participants either as a separately managed account which we presently offer or via a sponsor's commingled fund.

These structures may utilize any or all of the following types of investments, which we refer to as "stable value contracts":

- **Guaranteed Investment Contracts (GIC):** A stable value investment contract issued by an insurance company that pays a specified rate of return for a specified period and is backed by the financial strength of the issuing entity. The GIC is supported by securities which are typically held on the issuing insurer's balance sheet in either a general or separate account.

- **Synthetic GIC:** A stable value investment contract issued by an insurance company or a bank that simulates the performance of a GIC through the use of financial instruments. The underlying assets associated with a synthetic GIC are held in trust for the benefit of the investing plan's participants. Those assets typically include high-quality fixed-income securities which are actively managed. To enable the policyholder to realize a specific known value for the assets if there is a need to liquidate them, synthetic GICs utilize a benefit-responsive wrap contract that is designed to provide market, credit and cash flow risk protection to the policyholder.
- **Separate Account GIC:** A stable value investment contract issued by an insurance company. The underlying assets which we may sub-advise are owned by the issuing insurance company but held in a separate account for the benefit of a participating plan or plans.

Synthetic GICs and separate account GICs typically require that the account be managed within specified investment guidelines as a part of the underwriting and contract process of the issuer of the contract. These additional guidelines serve to limit the scope or types of investments otherwise included within a client portfolio.

As part of a stable value strategy for the assets we manage, we make allocations to various underlying internally managed PFMAM and externally managed third-party fixed income investment accounts, monitor and manage portfolio duration within defined ranges, and coordinate the resources of various investment, legal and compliance professionals and third-party managers. An ongoing review of portfolio structure, cash flow history, guidelines and objectives for each client occurs. We may provide a full range of services such as advising on overall structure or third-party manager asset allocation.

Acquiring stable value contracts is an important aspect of stable value management. Where requested, we will identify and select, or assist in the selection of, the financial organizations issuing stable value contracts and negotiate contracts on behalf of clients.

General Approach to Advisory Services

We tailor our advisory services taking into account the following factors:

- the services that the client has requested,
- the client's investment objective,
- the client's investment policy,
- the client's time horizon,
- the client's risk tolerance,
- the client's liquidity needs, if any.

A client may impose additional restrictions, including restrictions on the types, quality or maturity of securities in which we can invest. We adhere to any investment restrictions provided by the client.

Item 5: Fees and Compensation

The fees we charge our advisory clients vary depending upon several factors including the types of investments permitted, the personnel providing the advisory services, the particular strategy, the size of portfolio being managed, the relationship with the client, and service requirements associated with the account.

Fees may also differ based on account type (e.g., a commingled, pooled account or a separate individual portfolio account).

Fees for Discretionary Advice – Separate Accounts

We generally receive compensation calculated as a percentage of assets we manage. We receive this compensation after a service is provided, and we bill in arrears on a monthly or quarterly basis. For some accounts based on assets under management, we charge a minimum fee and for some we apply a fee cap. Related client accounts can be aggregated for purposes of applying fee breakpoints.

As a general guideline, we charge the following fees for investment advisory services for fixed-income separate account management and stable value strategy management:

Fixed-Income Assets Under Management	Annual Rate
First \$25,000,000	0.25%
In excess of \$25,000,000	0.15%

Stable Value Assets Under Management	Annual Rate
First \$50,000,000	0.30%
Next \$50,000,000	0.25%
Next \$150,000,000	0.15%
Next \$250,000,000	0.10%
In excess of \$500,000,000	0.075%

Generally, the fees we charge are calculated based on the value of the assets as determined by us using the agreed-upon measure in the contract with our client, typically month end market value of assets or amortized value plus accrued interest, as determined on a daily basis in good faith by PFMAM.

As a general guideline for the multi-asset class discretionary management, we charge the following fees for investment advisory services:

Assets Under Management	Annual Rate
First \$10,000,000	0.45%
Next \$10,000,000	0.35%
Next \$30,000,000	0.25%
Next \$50,000,000	0.20%
In excess of \$100,000,000	0.15%

Generally, the fees we charge are calculated based on the value of the assets as determined by us using the agreed-upon measure in the contract with our client, typically market value of assets or amortized value plus accrued interest, as determined by the custodian on settlement date.

Registered Investment Company and Pools

The fees we charge for the investment services we provide to the registered investment company and local government investment pools vary by program. The fee schedule may include various breakpoints depending on asset levels and may include fee caps or waivers which can be triggered by the overall expense ratio of the pool. We

may also receive compensation for providing marketing and administrative services to the registered investment company or local government investment pools.

We generally provide these administrative and marketing services as an integral part of our investment advisory services, and the fees we receive for these services may be included as a component of the investment advisory fees we charge.

Non-discretionary Advice

We generally charge fixed fees for these services, depending upon the services that the client requests, and the complexity of the services.

We also offer non-discretionary advice on certificate of deposit investment programs, which are designed to provide clients with a fixed rate to a fixed maturity date. Fees typically range up to 0.25% per annum of the cost of the investment purchased by our clients. Under the certificate of deposit programs, we provide clients with the option to set aside moneys in client accounts to pay our fee after we have performed the service.

Consulting Services

For investment consulting services we generally charge clients either a fixed fee or a fee that is based on a percentage of assets. The fixed fee is based on the size of the portfolio, complexity, and scope of services which we perform. As a general guideline, we charge asset-based fees in a range from 0.05% to 0.30% annually, based on the characteristics listed above. From time to time, we charge hourly fees for these types of services.

Structured Products

In these engagements, we usually charge a fixed fee. We and our clients agree upon a fee at the outset of each of these engagements and the fee is a function of the size and complexity of the engagement. The client may pay the fee or may instruct the investment contract counterparty or underwriter in writing to pay our fee on the client's behalf. As a general guideline, the typical fee for investment of municipal bond proceeds in a structured investment, or in a refunding bond escrow structuring and procurement engagement, is less than or equal to 0.20% of the cost of the portfolio or the sum of the total deposits under the agreement. In limited circumstances, the fee percentage will be higher, often because the portfolio is small.

Other Important Information About Our Compensation

Because we tailor our services to the individual needs of a client, we may offer clients more than one of the services described above. In addition, we may also provide services not mentioned above, such as assisting our clients with a one-time purchase or sale of securities. The fees we charge are negotiable and vary depending upon the particular services we perform and the complexity and extent of the work we provide.

We may charge a minimum fee for small accounts, as explained in Item 5, subsection 1 above. Other than these minimum fee requirements, there are no other requirements for maintaining the account.

Fees are negotiable so one client may pay a higher fee than another client with similar investment objectives or goals.

For some accounts, we may charge a minimum fee and for some we may apply a fee cap.

All fees are payable to us only after we perform the services. We do not require our clients to pay our fees in advance. Under the majority of our investment advisory engagements clients authorize us to deduct fees from their investment accounts after they are notified. Under some engagements, the client pays our fees from other sources. The method of payment of our fees is subject to negotiation, and clients have the ability to choose the method of payment, depending on the type of service. For most of our accounts, we bill monthly in arrears. Under

some client contracts we bill the client quarterly. For some services, we bill the client on a one-time basis only when we complete the service.

We have an affiliate, PFM Fund Distributors, Inc. (PFMFD), that is a broker-dealer under the Securities Exchange Act of 1934. PFMFD typically serves as exclusive distributor of shares of the registered investment company and local government investment pools (Pooled Funds) for which we serve as investment adviser and/or administrator and we receive fees from this arrangement, as more fully described in Item 10 below.

No supervised person of our affiliated broker-dealer is compensated for the sale of securities.

PFMAM employees are paid a base salary plus a year-end bonus. The annual bonus is dependent upon the profitability of the firm, each group's contribution to the overall profitability of the firm, and each individual's contribution to the group's success. The firm's compensation plan is intended to recognize and reward excellent performance on the part of individuals; however, no PFMAM employee is compensated on a commission-related basis.

Item 6: Performance-Based Fees and Side-by-Side Management

In rare instances we enter into advisory agreements under which the client pays us a fee, all or part of which is performance based. For example, we may enter into agreements where the client pays us all or part of our fee to the extent that the performance of the portfolio we manage exceeds a predetermined benchmark, measured over a designated period of time. We may manage both accounts that are charged a performance-based fee and accounts which are charged other fees, typically a percentage of the value of assets managed. To address any concern that we may have an incentive to favor certain investment opportunities for a performance-based account we follow written procedures designed to allocate trades on an equitable basis considering the investment objectives of the account and without regard to whether an account has a performance-based fee. Accounts with the same objectives and permitted investments should receive a fair allocation over time of similar securities purchased.

Item 7: Types of Clients

PFMAM provides investment advisory services to institutional investors, including state and local governments and their agencies, local government investment pools, non-profit organizations, pension and OPEB funds, banks, corporations and insurance and self-insurance pools. For information concerning minimum fee requirements, please see Item 5 above.

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

Fixed-Income Portfolios – Analysis and Strategy

Investment strategies are developed by the Fixed-Income Investment Committee which considers the macroeconomic, interest rate, credit market, and other conditions described below. The strategies provide guidance for portfolio managers with regard to appropriate duration and sector allocation for individual portfolios. We may use a variety of analyses as well as internal (including affiliates) and external data sources and market research. External sources include various news and information sources, books, government bulletins, databases, research prepared by others and publications from rating agencies, unaffiliated broker-dealers and third-party information providers. We also collect information from clients to determine their liquidity requirements, risk tolerances and any other policies or procedures that guide the investment of the client's assets.

For clients whose objectives are measured by total return or income our investment approach emphasizes the use of active management strategies that seek to add value. For liability-driven investment portfolios, such as those funded with bond proceeds and used to pay project costs, we identify securities whose cash flows are expected to meet a draw schedule and we may modify the portfolio as the draw schedule changes or as investment opportunities present themselves, although in the latter case the draw schedule is considered first when making modifications.

Our Fixed-Income Active Management Process

The following describes the principles of our fixed-income investment strategy:

- Disciplined decision-making process,
- Duration positioning to manage risk: generally manage durations so they are close to relevant benchmarks, usually no more than +/- 25% of a designated benchmark, and
- Seek relative value through sector weightings, yield spread analysis, yield curve positioning, and duration management.

We use top-down analysis to assess macroeconomic conditions including interest rates, the shape of the yield curve, Federal Reserve monetary policy, and current and historical yield spreads between sectors. Top-down analysis is a key element of our duration and sector allocation decision-making process.

We believe identifying macro-level trends in these areas is important for adding value, controlling risk, and lowering volatility.

We use a bottom-up approach to security selection that seeks to identify those industries and issuers with fundamental characteristics and financial strength that enhances their potential to perform well. We seek to combine fundamentally sound investments into a portfolio that optimizes return potential in consideration of investment guidelines or restrictions.

Lastly, we incorporate low-risk active management techniques designed to augment our relative value approach. We believe active management can capture market inefficiencies that create opportunities for return enhancement. While we expect that every security we buy will be suitable to hold to maturity, we frequently identify opportunities to swap one investment for another to increase earnings, adjust portfolio duration, improve liquidity, or restructure a portfolio to better meet future needs.

Many of the accounts we manage are short and intermediate-term fixed-income assets of governmental entities, so we have tailored our research capabilities and resources to this area of the market. Our portfolio managers and analytical team have access to three major on-line market trading systems: Bloomberg, MarketAxess, and TradeWeb. These systems provide active market quotes, including real-time securities pricing. We also have access to news from Bloomberg News, Dow Jones/Wall Street Journal, CNBC, and other public or specialized news services. In addition, we communicate daily with approximately 60 major government securities dealers and regional and specialty broker-dealers and receive market information from them that assists us in identifying specific market opportunities. We supplement these external systems and data sources with proprietary analytic tools which we have developed.

After selecting investments to meet cash flow requirements and other objectives, we may position a portfolio's duration to take advantage of expected interest rate movements: positioning with a shorter bias when we expect rates to rise and longer when we expect rates to fall. We establish a duration (or average maturity) target for the portfolio based on our macro view of the economy and the financial markets, the type of funds, cash-flow analysis and benchmark chosen by a client. We seek to add value by re-balancing the portfolio to take advantage of market opportunities and in anticipation of interest rate movements. Duration targets for our strategies are established by our Fixed-Income Investment Committee and may be provided to our clients as a management and oversight tool.

While maintaining the target duration range for a portfolio, we add value through asset allocation strategies which involve sector selection (security type), yield curve placement (maturity), yield spread analysis and issue selection. Our overall view of the financial markets provides the context for selecting maturities which we believe represent the best relative value along the yield curve and the highest potential for enhanced return, for example by "rolling down the curve" and for selecting specific securities within a sector. We perform proprietary analysis on the yield curve to identify "cheap" areas of the curve, and to evaluate a variety of portfolio structures. Using the results of this analysis, our portfolios may be over- or under-weighted in certain maturity ranges.

We think there is a significant opportunity to enhance earnings with a strategy that focuses on the selection of securities based on relative value. Sectors are selected which represent the best relative value based on our sector outlook and historical yield spreads. Investments other than Treasuries are purchased when spreads are wide and avoided or sold when spreads are narrow. Many of our portfolio managers and traders are assigned to specific market sectors in order to monitor products and opportunities and these responsibilities run across all portfolios. Individual issues are selected based on our assessment of issuer financial quality and rating trends, interest rate spread, credit trends, issue structure and liquidity. Portfolios are generally diversified by security type, maturity and issuer to avoid a significant investment in a single issuer and to accommodate varying cash flow needs to provide periodic liquidity.

We furnish monthly account summaries to each fixed-income portfolio client with assets under continuous management. The summaries include details of all transactions during the reporting period, and holdings at the end of the period. We also provide access to account summaries on a daily basis via our internet-based client portal. We may also provide an investment advice memorandum upon advising and/or completing an order for a buy or sell of securities.

Fixed-Income Portfolios – Risk

Our fixed-income strategies involve certain risks. For portfolios whose investments are limited to obligations of the U.S government we believe the risk of default is minimal; for those invested in obligations of Federal agencies, we believe the risk is nearly as low as it is for direct obligations of the U.S. government. Portfolios whose investments include corporate and municipal obligations are subject to the risk that an issuer will fail to pay principal or interest on a timely basis, while those containing mortgage-backed securities are also subject to the risk of uncertain timing of principal payments. In order to manage risks, we seek to diversify portfolio holdings and we limit our investments in corporate and municipal obligations and in asset- and mortgage-backed securities to those that are investment grade.

Portfolios are also subject to interest rate risk. This is because the market value of securities changes as interest rates change, with a rise in rates reducing market values and a decline in rates increasing market values. Changes in interest rates generally affect longer maturity securities more than they affect shorter maturity securities, other things being equal. We manage this risk by managing these portfolios within duration ranges consistent with portfolio objectives. Nonetheless, investors should expect to experience market value and total return volatility which can include unrealized losses in excess of periodic income. Although the investment strategies we employ do not involve significant or unusual risk beyond that of the general investment grade fixed-income markets, investors should recognize that investing in securities involves a risk of loss that the investor should be prepared to bear. Past performance is not a guarantee of future returns.

The risk of our top-down strategy is that our macro view of the economy and financial markets is wrong and we position a portfolio's duration or sector allocation in a manner that is not optimal. We seek to manage this risk by limiting variations from duration or maturity concentrations from those of client benchmarks and by diversifying holdings among security types. For liability-driven investment portfolios, we seek to minimize market risk by approximately matching portfolio cash flows with expected liabilities.

The risk of our bottom-up strategy is that securities that we include in a portfolio because they are perceived to have relative value may later lose value when compared with the general fixed-income market. We seek to manage this risk by careful and systematic analysis of relative values, by reviewing and monitoring credit analysis on issuers of securities we recommend and by diversifying holdings.

Frequent trading of securities can create higher overall transaction costs that will reduce portfolio income. We manage portfolios actively and we seek to minimize trading costs by recommending liquid issues that are actively traded in the markets and by utilizing competitive bidding wherever feasible.

Certain portfolios may invest in ETFs. An ETF is an individual security that trades on an exchange and represents a basket of securities or other assets that is designed to track the performance of specified indices, sectors or asset classes. ETFs are subject to various risks, including the ability of the ETF's managers to meet the

investment objective, and to manage appropriately the ETF's portfolio when the underlying securities are redeemed or sold, particularly during periods of market turmoil and as investors' perceptions regarding ETFs or their underlying investments change. There is also no guarantee that an ETF will achieve a high degree of correlation to its targeted index and therefore achieve its investment objective.

Stable value strategies are subject to many of the risks described above as well as those risks related to stable value contracts, which are designed to permit plan participant withdrawals for permitted purposes in accordance with the plan, to occur at book value on the terms set forth in each contract.

The obligations of providers of stable value contracts are those of the providers, not us. There is no guarantee that stable value contracts will continue to be valued at their contract value rather than market or fair value or that providers under stable value contracts will fulfill their obligations. If the assets under a stable value contract were revalued at their market values, for purposes of redeeming investments by participants in a retirement plan, this could cause a significant loss in value to the investor. In addition, certain stable value contracts typically provide for an adjustment to contract value if a security that is part of the covered assets defaults or otherwise has its credit risk deteriorate or becomes "impaired" as defined in the contract.

The market for stable value contracts is limited. There can be no assurance that sufficient stable value contracts will be available in the future to replace or supplement existing contracts or, even if available, will be available on favorable financial terms. Certain stable value providers offer bundled arrangements, under which the provider has both the contract value obligation and the provider (or an affiliate) manages the underlying portfolio.

Multi-Asset Class Asset Management – Analysis and Strategy

The Multi-Asset Class Investment Committee: 1) oversees multi-asset class portfolio strategies by establishing asset allocation targets and approving investment sub-advisers (investment manager)/funds for all discretionary multi-asset class accounts; 2) provides investment and portfolio risk oversight for investment decisions; and 3) determines Capital Market Assumptions that are utilized to develop our multi-asset class portfolio strategies. Capital Market Assumptions are generally determined annually for intermediate- and long-term time periods and include expected returns and volatility measures for a wide range of asset classes. Intermediate-term (five years) assumptions are derived from our assessment of current economic conditions, including corporate profits, balance sheets, and current valuations for various asset classes. Long-term assumptions (thirty years) are derived using an economic building block approach that projects economic and corporate profit growth; and that takes into consideration the fundamental factors driving long-term real economic growth, and our expectation for inflation, productivity and labor force growth. We may use a variety of analyses as well as internal (including affiliates) and external data sources and market research.

We use a consistent approach to multi-asset class accounts that involves:

- **Portfolio planning** – we use a survey to facilitate a discussion with clients on all the asset classes to help decide which should be permitted in the final overall allocation. The survey also provides information about goals, objectives, cash flow projections, risk tolerance, ability to withstand losses, as well as the view of the economy and the markets. The survey is revisited periodically throughout the life of the engagement as client circumstances change.
- **Determining asset allocation structure** – we believe that the asset allocation decision is the most important factor in determining the expected investment return of a portfolio. The use of the portfolio planning survey and Capital Market Assumptions allow us to determine an asset allocation plan for the client. We use a modeling program from Ibbotson Associates (now owned by Morningstar, Inc.), along with a proprietary modeling program which allow us to conduct a detailed asset/liability modeling study. Each model uses the latest historical data on asset class investment returns, volatility, and correlation with other asset classes. Our goal is to determine an "optimal" portfolio. We do this by running a series of tests on each model to determine the probability of achieving the desired investment objective under different market scenarios. Existing funding requirements may override the more subjective "tolerance for loss." This process helps inform our clients of the range of outcome

possibilities associated with each asset allocation plan, and to identify a plan that best meets the expectations set forth in the portfolio planning survey.

- **Investment manager selection** – our research team monitors the investment products included in our client portfolios. The research team corresponds with investment managers on a regular basis and meets with them routinely to maintain an understanding of each manager’s investment process and strategy. As part of ongoing manager due diligence, research analysts run a series of risk/return statistics, peer universe analysis, portfolio attribution and style analysis on all investment strategies employed in our clients’ portfolios to help ensure they continue to be an appropriate component of the overall portfolio.
- **Rebalancing** - we evaluate a client’s portfolio regularly to determine the need for rebalancing based on factors including current allocation targets, perceived assessment of relative value, and changes in Capital Market Assumptions. For multi-asset class portfolios where we have discretion, we establish target levels for each asset class in the planning stages along with a minimum /maximum range and may update these as our Capital Markets Assumptions and market conditions change. These parameters are recommended for inclusion in the client’s investment policy statement.
- **Ongoing Monitoring** - we monitor a client’s asset allocation, as well as the portfolio’s money managers/mutual funds on an ongoing basis through detailed analysis and our proprietary manager ranking system. For our discretionary accounts, we may place a manager or fund on the watch list as a result of lagging performance, poor risk metrics and/or qualitative issues, among other things. Removal from the watch list is typically based on several quarters of improved performance against peers and an appropriate benchmark or remediation of other issues. If problems endure, probation is a subsequent step in the process of reviewing managers. Ultimately, if the problem persists, our Multi-Asset Class Investment Committee approves a termination recommendation.
- **Reporting** – we report investment performance for multi-asset class accounts on at least a quarterly basis. Each client receives a report containing its own performance measures allowing the client to review its plan and its investment managers’ performance compared to the established benchmark, while monitoring cash flows and other financial indicators. There is also a review of the economy, financial markets and our investment strategy. Quarterly conference calls/meetings are held with clients to review performance reports.

The strategies are implemented in multi-asset class accounts by investing in mutual funds or ETFs and/or separately managed accounts, and for clients who qualify for private investment vehicles advised by advisers that are not affiliated with us. In MMST the strategies are implemented either by allocating assets to investment managers or by investing in mutual funds or ETFs advised by advisers that are not affiliated with us. Shares of MMST Funds may make up a portion or all of the assets of a client’s multi-asset class account.

Multi-Asset Class Asset Management – Risk

Investing in multi-asset class strategies involves a risk of loss that an investor should be prepared to bear. The investment strategies we employ do not involve significant or unusual risk beyond that of the general markets for international and domestic equities, fixed income, publicly traded real estate, and other investments we recommend. In order to manage the risks inherent in these markets we seek to diversify portfolios by blending equity, fixed income, and cash-based securities, in a manner that is designed to meet the client’s risk tolerance, with the objective of reducing the risk of long-term losses. There is no assurance that client objectives will be met. Past performance is not a guarantee of future returns.

Investing in cash, fixed income, and equity funds through separate account managers, mutual funds ETFs or private investment vehicles involves risk. Each asset class has its own idiosyncratic risk and return characteristics. In modeling portfolios for our clients, we assess the individual characteristics of asset classes from a historic and forward-looking point of view, to optimize the best blend given the client’s investment objectives and tolerance for risk. There is risk that our macro view of the economy and assumptions about asset class characteristics is wrong and we position a portfolio’s asset allocation in a manner that is not optimal.

An ETF is an individual security that trades on an exchange and represents a basket of securities or other assets that is designed to track the performance of targeted indices, sectors or asset classes. ETFs are subject to

various risks, including the ability of the ETF's managers to meet the investment objective, and to manage appropriately the ETF's portfolio when the underlying securities are redeemed or sold, particularly during periods of market turmoil and as investors' perceptions regarding ETFs or their underlying investments change. There is also no guarantee that an ETF will achieve a high degree of correlation to its targeted index and therefore achieve its investment objective.

Use of Co- and Sub-Advisers for Certain Strategy Implementations

When third-party managers are engaged to carry out our fixed-income strategy or multi-asset class strategy, they are chosen based upon their skill in specific investment styles or sectors and there is risk involved. We employ a due diligence process to review the capabilities of any proposed third-party manager and monitor third parties on an ongoing basis. Specifically, we examine their experience, background, expertise, investment philosophies, applicable operational capabilities, and past performance to assess how the manager has invested over a period of time and in different economic conditions. We monitor managers, with such monitoring typically including evaluating the underlying holdings, strategies, concentrations, terms and performing reference checks as part of our initial and/or periodic risk assessment. A risk of investing with a third-party manager who has been successful in the past is that the third-party manager will not be able to replicate that success in the future. In addition, because we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager will deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment. Where multiple third-party managers are employed to manage a single account there is risk that the managers will have offsetting strategies or overlapping investment holdings. We do not control a third-party manager's daily business, regulatory compliance or operations, and seek to mitigate the investment, business, regulatory and reputational risks by undertaking due diligence and ongoing monitoring of the managers including monitoring of their adherence to the investment policy and guidelines they are employed to implement.

ESG Investing – Analysis and Strategy

PFMAM has developed an investment approach to help our clients integrate ESG factors into their investment process and strategy. Our fixed-income ESG service provides our clients with the tools and methodology to develop and implement a customized ESG approach based on their defined ESG criteria. We employ third parties, such as Sustainalytics, who provide ESG data and ratings of companies that issue securities that we may recommend. We may also use third-party sub-advisers to manage funds with specific ESG or impact investing goals, such as geographically-targeted mortgage-backed securities or municipals.

We offer the potential for further customization through a range of screening tools, which can allow our clients to exclude specific issuers, industries, and funds based on certain defined criteria. Once objective ESG criteria are defined, we work with the client to evaluate investment strategies based on ESG investment parameters. Investment parameters are applied using an ESG risk rating system and other evaluation tools. The risk rating system is designed to objectively quantify an issuer's or fund's ESG risk from both an industry/sub-industry and issuer/fund-specific standpoint. Much like traditional credit ratings, the risk rating system provides a basis to evaluate issuers on a consistent basis and facilitates comparisons across industries and issuers.

Our multi-asset class ESG investment strategy enables our clients to select approved funds that meet certain ESG risk rating thresholds as determined by third-party providers. In addition, our multi-asset class ESG strategy provides clients with the option to implement ESG into a dedicated sleeve of the portfolio or into a customized ESG product that addresses a specific theme.

The following provides some additional detail related to our ESG strategies:

- ESG integration strategies include systematic and explicit consideration of ESG factors in the investment decision-making process.
- Values-based strategies, including screening for or avoiding certain companies or industries as specified by the client.
- Best in class strategies include making investments in companies based on positive ESG performance relative to industry peers.

- Theme-based strategies, including making investments based on specific environmental themes or assets related to sustainability.
- Hybrid strategy, including a combination of two or more of the above approaches.

We work through this process with our clients to help them develop and implement ESG investment approaches that are customized to their sustainable investment objectives. This dynamic approach also provides our clients with the flexibility to modify their ESG investment parameters as their sustainable investment objectives evolve.

ESG Risk

ESG approaches could cause an account to perform differently compared to accounts that do not utilize ESG investment strategies. The criteria related to certain ESG approaches may result in an account forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so or selling securities for ESG reasons when it might be otherwise disadvantageous to do so.

In addition, there is a risk that the companies identified by an ESG approach do not operate as expected when addressing ESG issues. A company's or fund's ESG performance or performance of the strategy could vary over time, which could cause a portfolio to be temporarily invested in companies that do not comply with the client's objectives in considering ESG characteristics. There can be significant differences in interpretations of what it means for a company to have positive ESG characteristics and strategy investment decisions may differ depending on these interpretations. In making investment decisions, we rely on information and data that could be incomplete or erroneous, which could cause us to incorrectly assess a company's ESG characteristics.

Consulting Engagements – Analysis Strategy and Risk

For multi-asset class consulting engagements where we do not have discretion, the methods and analysis generally are similar to those for discretionary accounts as described above. However, determining asset allocation, setting an appropriate asset mix and manager selection are the responsibilities of the client, and not us. We generally make recommendations and report the results at quarterly client meetings and follow client direction with regard to selecting managers and re-balancing accounts. As directed by the client, portfolios may include managers that are not approved for our discretionary accounts. In cases where a client directs assets to a manager that is not approved, the level of ongoing diligence we perform may be limited and clients acknowledge this in writing. Risk for these accounts is similar to risk for discretionary multi-asset class accounts.

Regulatory Risk

Changes to monetary policy by the Federal Reserve or other regulatory actions could expose fixed-income and related markets to heightened volatility, interest rate movements, yield spread changes, and reduced liquidity, which may impact the universe of potential investment options, market values, and return potential.

Cybersecurity Risk

In addition to the risks identified above for each strategy, investing involves various operational and financial risks associated with cybersecurity. These risks include both intentional and unintentional events at our facilities or at one of our clients, third-party counterparties or service providers, that may result in a theft, loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our ability to conduct our business. A cybersecurity breach may also result in a third party obtaining unauthorized access to our clients' information, including account numbers, account balances, and account holdings. We have established and maintain business continuity plans and cybersecurity systems and protections designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because we do not directly control the cybersecurity systems of clients, issuers, trading counterparties, or third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

Business, Terrorism, and Catastrophe Risks

These are the risks of loss that may be incurred, indirectly, due to the occurrence of various events, including hurricanes, earthquakes and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on our business and on clients' portfolios, including investments we make.

Item 9: Disciplinary Information

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

We and other entities under the common control of U.S. Bancorp, including USBAM, U.S. Bank, U.S. Bank Global Fund Services (USBGFS), U.S. Bancorp Investments, Inc. (USBII), HighMark Capital Management, Inc. (HighMark), and UnionBanc Investment Services LLC (UBIS), are related persons. We have certain relationships with related persons, as described below, which may conflict with clients' interests. At a minimum, conflicts are addressed by disclosing the conflicts to affected clients or prospective clients.

Our affiliate, PFMFD, is registered as a broker-dealer under the Securities Exchange Act of 1934. Its sole activities are to serve as exclusive distributor to the registered investment company and local government investment pools (Pooled Funds) for which we serve as investment adviser and/or administrator. If our client invests in a Pooled Fund, we disclose this relationship to the client, through the Form ADV Part 2A and the offering statement for the Pooled Fund. In addition, where Pooled Funds are employed as part of our investment strategy, our investment advisory agreement with the client provides that if we invest client assets in a Pooled Fund, either we will not take these assets into account for purposes of calculating our fees under the client's investment advisory agreement, or we will credit the investment advisory fee we earn on the client's Pooled Fund investment against investment advisory fees due us related to the client's separately managed account that holds assets in the Pooled Fund. This includes any assets that we may invest in registered investment companies advised by USBAM.

We serve as investment adviser to the MMST and the MMST Funds. We may enter arrangements with a third party to compensate for services provided. Such compensation payable to the third party is paid out of the fee we receive from the Pooled Fund. We also serve as administrator and/or investment adviser to the following local government investment pools:

- California Asset Management Trust (CAMP),
- Colorado Statewide Investment Pool (CSIP),
- Florida Public Assets for Liquidity Management (FL PALM),
- Illinois Trust,
- Massachusetts Development Finance Agency Short-Term Asset Reserve Fund (Mass STAR),
- Michigan Liquid Asset Fund Plus (MILAF+),
- Minnesota Association of Governments Investing for Counties (MAGIC),
- Minnesota School District Liquid Asset Fund Plus (MSDLAF+),
- Missouri Securities Investment Program (MOSIP),
- Nebraska Liquid Asset Fund (NLAF),
- New Hampshire Public Deposit Investment Pool (NH PDIP),
- New Jersey Asset & Rebate Management Program (NJ/ARM),
- North Carolina Investment Pool (NCIP),
- Pennsylvania Local Government Investment Trust (PLGIT),
- Pennsylvania OPEB Trust (adviser and distributor only),
- TexasTERM Local Government Investment Pool d/b/a Texas Range Investment Program (Texas Range)
- Virginia State Non-Arbitrage Program (SNAP), and
- Wyoming Government Investment Fund (WGIF).

PFMFD serves as distributor to all pools listed above.

We may receive referral business from our related persons and may pay referral fees to them, as described further under "Client Referrals and Other Compensation" below.

USBAM also provides credit research and analysis to PFMAM, including development and management of various approved issuers lists and approved counterparties used by both PFMAM and USBAM.

U.S. Bank serves as custodian and/or depository for a significant number of our separately managed accounts and Pooled Funds. We may provide various investment advisory services to U.S. Bank for compensation, including managing accounts of certain U.S. Bank clients as sub-adviser under authority delegated by U.S. Bank, for which we may earn a negotiated fee.

We may invest client assets in mutual funds (including the First American Funds for which USBAM serves as investment adviser) or other pooled investment vehicles to whom USBGFS provides services and receives a fee.

USBII, a direct subsidiary of U.S. Bancorp, is a registered broker-dealer and SEC-registered investment adviser. USBII may participate as a member of underwriting syndicates in securities offerings, for which it may receive underwriting discounts or commissions. In certain circumstances and in compliance with applicable laws, regulations and regulatory guidance, including Rule 10f-3 under the Investment Company Act of 1940 (the "Investment Company Act"), we may recommend or purchase such securities for a client from a member of an underwriting syndicate of which USBII is also a member. For non-investment company client accounts, we may recommend or purchase such securities in which USBII participates in the underwriting syndicate if client investment guidelines, restrictions, or other directives do not specifically prohibit the account from purchasing during such securities offering and purchases are made from unaffiliated broker-dealers, unless client consent is obtained to allow for purchases from USBII.

We have no arrangements with other investment advisers for direct or indirect compensation for recommending those advisers to our clients. As a matter of policy and practice, we do not accept any fees, commissions or other forms of compensation from any underlying investment managers or others affiliated with our clients' accounts.

We may invest client assets in the publicly traded securities of other PFMAM clients or prospective clients. In such circumstances, we do not and will not receive any compensation from the issuers specifically for investing client assets in such issuers' securities. We may also invest the assets of the clients in securities issued by companies that are customers of our affiliates. For example, an issuer may be an investment advisory or commercial banking customer of one of our affiliates, or one of our affiliates may be involved in the underwriting or distribution of debt securities purchased by us on behalf of our clients. In such circumstances, the potential for a conflict of interest exists between our obligation to seek the most suitable investments for our clients and the perception that we have an incentive to assist in the success of our affiliate. In certain cases, we may also manage an issuer's proceeds from an underwriting in which an affiliate has been involved, and may receive an advisory fee for doing so, including where we have used our discretionary authority to purchase a portion of that issue for other clients.

PFMAM has arrangements with certain of its affiliates under which PFMAM provides or receives supplemental account administration, operations, client service, sales and marketing, product development and management, risk management, information technology, legal and compliance services, human resources and other corporate, finance or administrative services to or for such affiliates or its clients, or PFMAM or its clients receive such services from such affiliates. Certain personnel perform services for both PFMAM and one or more of its affiliates. The scope of certain such services and arrangements varies depending on the particular strategy, distribution channel, program, and client size and type.

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

Under Rule 204A-1 of the Investment Advisers Act of 1940, our employees are subject to our Code of Ethics ("Code"). Compliance with the Code is a condition of employment for all our employees.

This Code sets out ethical standards applicable to our employees. Employees are expected to maintain the highest ethical standards, embody a business culture that supports actions based on what is right rather than expediency, deal fairly with clients and one another, protect confidential information and seek guidance about ethical questions. More specifically with respect to advisory activities, the Code requires that whenever our personnel act in a fiduciary capacity, we will endeavor to put the client's interest ahead of the firm's. We will disclose actual and potential meaningful conflicts of interest. We will manage actual conflicts in accordance with applicable regulatory and legal standards. If applicable regulatory and legal standards do not permit management of a conflict, we will seek to avoid the conflict.

We will not engage in fraudulent, deceptive or manipulative conduct with respect to clients. We will act with appropriate care, skill and diligence.

Our employees are required to know when we are acting as a fiduciary with respect to the work they are doing. If we are acting as a fiduciary, they are expected to comply with all fiduciary standards which apply to us in performing their duties. In addition, they must also put the client's interest ahead of their own personal interest. An employee's fiduciary duty is a personal obligation. While advisory personnel may rely upon subordinates to perform many tasks that are part of their responsibilities, they are personally responsible for fiduciary obligations even if carried out through subordinates.

In general, the Code expresses our recognition of our responsibilities to the public, clients and professional associates. Our Code also contains various reporting, disclosure and approval requirements regarding employees' personal securities transactions. The Code requires that our employees whom we deem to be "Access Persons" must report certain personal securities transactions, including transactions in mutual funds advised by us, to our Chief Compliance Officer, or to the person he designates. Additionally, Access Persons are required to pre-clear personal securities transactions. We prohibit our Access Persons from participating in initial public offerings unless our Chief Compliance Officer gives his approval. We also prohibit our employees from purchasing any security on PFMAM's restricted list.

You can receive a copy of our Code by contacting us at 213 Market Street, Harrisburg, PA 17101, by calling 717-231-6200 or by emailing pfmamrequest@pfmam.com.

On infrequent occasions, our employees may invest in securities that coincidentally we also recommend for purchase or sale in our client accounts. The securities we recommend for purchase and sale within our fixed-income and multi-asset class portfolios are of the type which the Securities and Exchange Commission has expressly recognized as presenting little opportunity for the type of improper trading which compliance with the Code reporting requirements is designed to uncover. Further, our employees are subject to our Code described above, and because our personnel are acting in a fiduciary capacity, we require our employees to put the client's interests ahead of their individual interests or that of the firm with respect to the purchase and sale of securities.

We have no obligation to buy, sell or recommend for purchase or sale any security that we or our employees may purchase or sell for themselves or for any of our clients. We have no obligation to seek to obtain any material nonpublic information about any issuer of securities, nor to effect transactions for our clients based on any material nonpublic information as may come into our possession.

"Cross transactions" are generally defined as transactions where an adviser effects transactions between and among client accounts. We do not engage in cross transactions.

Certain client assets are invested in investment companies for which we or an affiliate provide investment advisory services. However, in such circumstances, we do not charge a separate advisory fee with respect to the portion of the assets in a client's account that are invested in such fund(s).

Item 12: Brokerage Practices

We generally exercise brokerage discretion as follows: typically, our clients allow us to choose the broker or dealer to execute the trades. In these situations, we deal with brokers and dealers whom we determine to be major market makers for the types of securities purchased or sold. As a matter of policy, we do not recommend, request or require a client to direct us to execute transactions through a specified broker-dealer. If a client provides us with an approved list of brokers and dealers, we place all orders for the purchase or sale of securities for the client's account with those brokers or dealers and this may limit our ability to achieve the most favorable price or execution. Under these circumstances, the client and the broker or dealer determine the commission rates.

The factors that we consider in selecting or recommending a particular broker or dealer may include: the execution, clearance and settlement capabilities of the firm; our knowledge of negotiated commission rates currently available and other current transaction costs; the nature of the portfolio transaction; the size of the transaction; the timing of the trade; the activity existing and expected in the market for the particular transaction; confidentiality; the availability of research and research related services provided through such firms (as discussed below); our knowledge of the financial stability of the firm; and our knowledge of actual or apparent operational problems of the firm. Given these factors, our clients may pay transaction costs in excess of those which another firm might have charged for effecting the same transaction.

When we select or recommend a firm that executes orders or is a party to portfolio transactions, relevant factors taken into consideration may also include whether that firm has furnished research and research related products and/or services. We receive a broad range of research services, including information on the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and tax law interpretations, political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information which may affect the economy and/or security prices. Research may also consist of computer databases. Currently, as a matter of policy, we do not enter into any third party or proprietary soft dollar arrangements where a broker-dealer provides research services in exchange for an expectation of receiving a certain dollar amount of commissions.

From time to time some brokers offer us market commentary and data and statistical research reports on the economy and financial markets and on specific issuers. We believe that this information improves the quality of our investment and trading decisions for the benefit of all our clients. We obtain express authorization from our clients to consider the furnishing of statistical research and other information by the broker or dealer. It is possible that the use of a particular brokerage firm or firms may result from time to time in a less favorable price for a transaction than if we canvassed a broader range of brokers. We believe that the practice of taking into account the furnishing of market information is reasonable. For fixed-income and ETF securities we seek to minimize the effect, if any, of research on the transaction costs by seeking multiple competitive bids and offers and involving major market makers wherever feasible and use electronic trading platforms for many trades to facilitate market access and to minimize transaction costs.

We have no agreement, understanding or other arrangement, either internal or with brokers and/or dealers, which would influence the allocation of securities transactions among brokers and/or dealers, and we do not utilize soft dollar arrangements other than those activities explicitly authorized under Section 28(e) of the Securities Exchange Act of 1934.

In the fixed-income and ETF markets, we may cause securities transactions to be executed for a client's account concurrently with authorizations to purchase or sell the same securities or shares for other accounts we manage. It is our policy where feasible to aggregate the purchase or sale of securities or shares for various client accounts in order to achieve efficiency of execution and better pricing. Each client participating in an aggregate transaction will participate at the same price. Where we receive an allocation that is less than our aggregate order, we normally allocate the securities or shares to the participating client accounts on a pro rata basis in proportion to

the size of the orders placed for each account, to the extent that we can. We may increase or decrease the amount of securities or shares allocated to a client if necessary due to factors including avoiding odd lots in a particular security.

We do not currently anticipate effecting brokerage transactions with any broker-dealer affiliated with us, except for potential transactions with USBII, as described above under "Other Financial Industry Activities and Affiliations."

We are prohibited from entering into any agreements or understandings under which brokerage with respect to portfolio securities transactions, or other compensation, is directed to a broker-dealer as consideration for the promotion or distribution of the First American Funds' shares, also referred to as "directed brokerage arrangements." Portfolio management and management involved in the process of selecting broker-dealers for portfolio securities transactions are prohibited from considering the level of the First American Funds' sales or promotional efforts of any broker-dealer in connection with such selection process.

Item 13: Review of Accounts

For fixed-income accounts our Fixed-Income Investment Committee generally meets monthly, or more frequently as necessary to review the overall strategic direction and relative value and market risks. Tactical opportunities are presented routinely through a report and analysis prepared and distributed by a sector specialist and may be discussed at a meeting. These reports highlight interest rate trends and the relative value of different sectors and maturity structures in the market. This investment committee consists of portfolio managers, senior research staff and our chief investment officer.

Ad-hoc strategy discussions take place regularly, and may occur after any significant market moving event, such as sudden changes in financial market conditions, change in general economic conditions, credit ratings downgrades, and/or a material change in the value of a particular portfolio security or market sector.

Many of our fixed-income portfolio managers and traders are assigned specific accounts and review client portfolios on a regular basis. The review includes upcoming maturities and any upcoming deposits or cash needs in a portfolio. Stable value portfolios are overseen by the Stable Value Investment Committee which also typically meets monthly. The stable value portfolio managers and research analysts monitor client positions on a regular basis. They discuss regular cash positions, changes in issuers' credit conditions, anticipated cash flow, economic conditions, potential liquidity needs and anticipated upcoming placements.

Multi-asset class accounts are overseen by our Multi-Asset Class Investment Committee which also meets generally on a monthly basis, or more frequently as necessary to review the overall strategic direction of markets. This investment committee consists of portfolio managers, research staff, our chief investment officer, and other investment professionals. We monitor the performance of multi-asset class accounts on at least a quarterly basis to determine whether the underlying investments selected are performing in line with expectations and are meeting the needs of the individual client. We provide our multi-asset class clients a quarterly analysis of the performance of the underlying funds in which the client's assets are invested and of any reallocation of assets among these underlying funds. At least annually, we will consult with the client to determine whether there are reasons to revise the client's target investment strategy.

Changes in our Capital Market Assumptions, our outlook for asset class valuation, sudden changes in financial market conditions, and general economic conditions may trigger a review of our multi-asset class accounts. Accounts are reviewed by an investment professional or in consultation with research staff or a portfolio manager. Normally, we sequence account reviews in a manner that provides for first review of the accounts that have the greatest potential exposure to the effects of the event which triggers the review.

Pursuant to our investment advisory agreements, we may also provide quarterly performance and economic reviews for some clients.

The custodian of our multi-asset class portfolio clients provides each client with a monthly statement of account detailing the client's month-end balances and any transactions which occurred during the month. We review these statements monthly to determine whether transactions executed by the custodian are in agreement with any

instructions which we or the client provided. In addition, we provide monthly written statements and quarterly performance reports.

Item 14: Client Referrals and Other Compensation

We maintain relationships with U.S. Bank, and at times with unaffiliated third parties pursuant to which we pay U.S. Bank and such unaffiliated third parties if they are responsible for introducing new client relationships. Under these arrangements, we enter into a written agreement with the party that describes the party's activities on our behalf and the amount we agree to pay the party. The agreement also contains the party's undertaking to act in a manner consistent with our instructions and with the provisions of the Investment Advisers Act of 1940. If the referral subsequently enters into an investment advisory agreement with us, we pay the promoter a percentage of our investment advisory fee, which fee arrangement is disclosed to the prospect by the promoter prior to any contact or meeting with the prospect.

Item 15: Custody

Custody

We do not have direct custody of client funds or securities. The custody function is performed by other providers such as brokers, banks, or other qualified custodians with whom our clients contract. However, there are certain cases in which we have authority to initiate a withdrawal from a client account to pay our management fees; we are deemed to have custody for regulatory purposes solely as a consequence of this. For example, certain of our clients have authorized us to charge our fee against the account we manage after they have received our invoice. The client also has instructed the custodian to disburse funds from the managed account to pay our advisory fees. At all times, the custodial bank maintains actual custody of those assets. We expect that clients should receive regular statements from their custodians which list their assets, including information such as cost and market value, and transaction activity for the period. We urge clients to review these statements carefully and to contact their custodians if they have any concerns.

Differences Between Our Statements and Custodial Statements

The statements clients receive from us can differ from the statements clients receive from their custodian. We advise clients to consider the records of its custodian as the official records of their assets. A common difference involves the market value of certain securities. Since custodians may use a different pricing vendor to price securities than we do, the reported prices for certain securities may vary. In addition, the accounting system used by a client's custodian may differ from our accounting system and may employ a different reporting method. Our reports are based upon trade date accounting with accruals, whereas some custodians report activity on a settlement date basis with or without accruals. While both reporting methods are accurate and acceptable, clients should be aware of the potential differences that could appear. We urge clients to compare our reports with those received from their custodian and to contact us with any questions they may have.

Item 16: Investment Discretion

We offer discretionary advisory services with respect to a client's investable assets. When a client gives us investment discretion, we then have the authority to determine, without obtaining their specific approval, (1) overall asset allocation, (2) the manager or sub-adviser to be utilized for the portfolio, (3) the specific securities to be bought and sold, (4) the amount of securities to be bought and sold including overall asset allocation and (5) the broker or dealer through which the securities are bought or sold. These decisions are subject to limitations of law and any other restrictions in the contract with our client or in our client's investment policies. Many of our clients have their own investment policies which usually contain restrictions on the types and credit quality of investments. We agree contractually to follow those guidelines. In addition, many of our clients are subject to state investment statutes or other applicable regulatory requirements which we comply with as well. Our clients typically grant us discretionary authority in the investment advisory agreement which we enter into with them.

Item 17: Voting Client Securities

Because many of our clients will be invested primarily in fixed-income securities, the receipt of proxy requests on behalf of a client are infrequent. In these situations, while we expect client accounts will rarely hold voting securities, clients may confer upon us complete discretion to vote proxies. We also offer certain of our clients discretionary investment advice on securities which are mutual funds (including ETFs). These mutual funds send us proxies, which we vote on behalf of these discretionary clients if they have given us the authorization to vote them. We also occasionally receive consent requests related to fixed-income securities. Generally we arrange for the portfolio manager overseeing the client's investments to be responsible for making proxy-voting or consent decisions. We seek to vote proxy proposals, consents or resolutions in a manner that serves the best interests of our clients because it is our fiduciary duty to do so. When reviewing whether a proposed action would be in our client's best interests, we take into account the following factors:

- The impact on the valuation of securities,
- The anticipated costs and benefits associated with the proposal,
- An increase or decrease in costs, particularly management fees, of investment in the securities,
- The effect on liquidity, and
- Customary industry and business practices.

In reviewing proxy issues of the type described below, we will apply the following general principles:

- With respect to an election of directors, we will typically vote in favor of the management-proposed slate of directors unless there is a proxy contest for seats on the board of a portfolio fund or other important reasons for withholding votes for directors. We may abstain if there is insufficient information about the nominees disclosed in the proxy statement.
- Similarly, we will also generally support management's recommendation for the appointment of auditors unless there are reasons for us to question the independence or performance of the nominees.
- We will vote in accordance with management's recommendations on issues that are technical and administrative in nature, such as changes to increase the number of directors or to adopt term limits. However, we review and vote on a case-by-case basis any non-routine proposals which are likely to affect the structure and operation of the portfolio company. Examples of these types of proposals include any limitations on shareholder rights, or those which have a material economic effect on the company.
- We will generally vote in favor of proposals that give shareholders a greater vote in the affairs of the company and oppose any measure that seeks to limit those rights.
- We also generally support proposals promoting transparency and accountability within a company to ensure that the directors fulfill their obligations to shareholders.
- We review proposals that result in an increase of compensation to investment advisors and other service providers of portfolio mutual funds on a case-by-case basis, with particular emphasis on the relative performance of the fund.
- We also review proposals relating to executive compensation plans to ensure that the long-term interests of management and shareholders are properly aligned.
- We generally oppose proposals to give shareholders the right to vote on executive compensation.

These policies are not exhaustive due to the variety of proxy voting issues that we may be required to consider.

With the exception of a client's shareholdings in the Pooled Funds, a conflict of interest between us, and a client whose investments are managed by us, is unlikely. We are the investment adviser to the Pooled Funds. We either receive no investment advisory fee from a client for managing client assets which we invest in the Pooled Funds, or we credit to the client any investment advisory fee we receive from the Pooled Funds investment. In regard to voting of securities in the Pooled Funds for which we are the investment adviser (or where it would appear that we have an interest), we apply the following principles:

- If the proposal relates to the matters in which the outcome does not directly affect us, we will follow our general voting policies.
- If the proxy proposal relates to a transaction which directly affects us, or otherwise requires a case-by-case determination by us under our voting policies, we will seek the advice either of the managers of the client or of a qualified, independent third party, and we will submit the proxy statement to them. We will then follow the decision of our client's management or the recommendation of the third party in voting the proxy.

As an indirect, wholly-owned subsidiary of U.S. Bancorp, a large, multi-service financial institution, we recognize that there are circumstances where we have a perceived or real conflict of interest in voting the proxies of issuers or proxy proponents (e.g., a special interest group) who are clients or potential clients of some part of the U.S. Bancorp enterprise. Directors and officers of such companies may have personal or familial relationships with the U.S. Bancorp enterprise and/or its employees that could give rise to potential conflicts of interest. We will vote proxies in the best interest of our clients regardless of such real or perceived conflicts of interest. To minimize this risk, we will discuss conflict avoidance at least annually with our affiliates to ensure that appropriate parties understand the actual and perceived conflicts of interest we face in voting proxies on behalf of our clients.

If we become aware of a material conflict, we will discuss with our affiliates and determine a course of action designed to address the conflict. Such actions could include, but are not limited to: (1) obtaining instructions from the affected clients on how to vote the proxy; (2) disclosing the conflict to the affected clients and seeking their consent to permit us to vote the proxy; (3) abstaining from voting; (4) voting in proportion to the other shareholders to the extent this can be determined; or (5) recusing a party from all discussion or consideration of the matter, if the material conflict is due to such person's actual or potential conflict of interest.

In addition to the above, our employees must notify the CCO of any direct, indirect or perceived improper influence exerted by any employee, officer or director within the U.S. Bancorp enterprise about how we should vote proxies. The CCO will investigate any such allegations and report the findings to the appropriate parties, typically the CEO and legal personnel. If it is determined that improper influence was attempted, appropriate action will be taken, which may include disciplinary action, notification of the appropriate senior managers within the U.S. Bancorp enterprise, or notification of the appropriate regulatory authorities. In all cases, we will not consider any improper influence in determining how to vote proxies and will vote in the best interests of clients.

We maintain records relating to all proxy voting for five years. We will provide information to any client about how we voted proxies for securities in the client's account. Our Proxy Voting Policy is available upon request by contacting us at 213 Market Street, Harrisburg, PA 17101, by calling 717-231-6200 or by emailing pfmamrequest@pfmam.com.

Under certain of our engagements we do not assume the responsibility for voting proxies on client securities. The clients make arrangements to receive proxies from their custodian. If we receive a proxy and we do not have authority to vote on it, we forward it to our client. Clients may contact the portfolio manager for their account if they have questions about a particular solicitation.

Item 18: Financial Information

We are not aware of any financial condition that is reasonably likely to impair our ability to carry out our commitments and responsibilities under our client contracts.