

# Disclosure Brochure

May 3, 2017

## **SNW ASSET MANAGEMENT, LLC**

*a Registered Investment Adviser*



This brochure provides information about the qualifications and business practices of SNW Asset Management, LLC (hereinafter "SNW" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. 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 the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). SNW is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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## Item 2. Material Changes

In this Item, SNW is required to discuss any material changes that have been made to the brochure since the last annual amendment filed March 16, 2017. SNW has updated the following items:

- Item 4 was updated to describe that OppenheimerFunds, Inc., through its subsidiary, acquired SNW and its holding company on April 28, 2017.
- Item 10 was updated to describe the affiliation with OppenheimerFunds, Inc. and its affiliates as a result of the acquisition.
- Item 11 was updated to reflect the adoption of policies and procedures related to Code of Ethics and to add disclosure relating to conflicts of interest of SNW and its affiliates including OppenheimerFunds, Inc. and its affiliates.
- Item 12 was updated to revise language regarding cross transactions.



### Item 3. Table of Contents

|          |   |     |
|----------|---|-----|
| Item 1.  | Cover Page .....  | i   |
| Item 2.  | Material Changes .....  | ii  |
| Item 3.  | Table of Contents .....   | iii |
| Item 4.  | Advisory Business .....   | 4   |
| Item 5.  | Fees and Compensation .....                                       | 5   |
| Item 6.  | Performance-Based Fees and Side-by-Side Management .....          | 6   |
| Item 7.  | Types of Clients.....   | 6   |
| Item 8.  | Methods of Analysis, Investment Strategies and Risk of Loss ..... | 7   |
| Item 9.  | Disciplinary Information.....                                     | 11  |
| Item 10. | Other Financial Industry Activities and Affiliations .....        | 11  |
| Item 11. | Code of Ethics .....  | 14  |
| Item 12. | Brokerage Practices .....   | 17  |
| Item 13. | Review of Accounts.....   | 18  |
| Item 14. | Client Referrals and Other Compensation .....                     | 19  |
| Item 15. | Custody .....   | 21  |
| Item 16. | Investment Discretion.....  | 21  |
| Item 17. | Voting Client Securities .....                                    | 22  |
| Item 18. | Financial Information .....                                       | 22  |



## Item 4. Advisory Business

On April 28, 2017, OppenheimerFunds, Inc. (“OFI”), through its subsidiary, OFI Global Institutional, Inc., acquired SNW through SNW’s holding company. This transaction expands OFI’s fixed income offering into high quality municipal bonds and customized separately managed accounts. OFI, was founded in 1959 and has been a financial services pioneer throughout its nearly 60-year history. Today OFI is a leading global asset manager offering investments in every major asset class, both traditional and alternative, and in a variety of investment vehicles.

OFI is an investment adviser registered with the SEC and is a subsidiary of Massachusetts Mutual Life Insurance Company (MassMutual), one of the largest and most respected insurance companies in the United States. MassMutual, through its subsidiary holding companies, MM Asset Management Holding LLC and MassMutual Holdings LLC, is the indirect primary shareholder of Oppenheimer Acquisition Corp., which wholly owns OFI. OFI and certain of its advisory affiliates provide investment advisory services to their family of SEC-registered investment companies (the “Oppenheimer Funds”).

SNW has been in business as an investment adviser registered with the U.S. Securities and Exchange Commission since January 2003. SNW is wholly owned by SNW Asset Management Corporation.

SNW provides active fixed income portfolio management with approximately \$2,752,173,984 in assets under management, of which \$2,713,317,898 is managed on a discretionary basis and \$38,856,086 is managed on a non-discretionary basis as of April 26, 2017 in taxable and tax-exempt accounts for high net worth individuals, municipalities, corporations, credit unions, foundations and other investment advisers.

Prior to the rendering of any of the foregoing advisory services, clients are required to enter into one or more written agreements with SNW setting forth the relevant terms and conditions of the advisory relationship (the “*Agreement*”). While this Brochure generally describes the business of SNW, certain sections also discuss the activities of its *Supervised Persons*, which refer to its officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on SNW’s behalf and is subject to SNW’s supervision or control.

### **Investment Management Services**

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SNW manages customized fixed income portfolios on a discretionary basis by primarily allocating assets among municipal securities, corporate debt securities, U.S. government securities, agency securities, mortgage pass-through securities and money market funds. SNW’s services include the development of investment strategies, evaluation and appraisal of securities held as well as securities considered for purchase, construction of fixed-income investment portfolios, execution of securities purchase and sale transactions, and portfolio administration, including the tracking of and reporting on portfolio performance and investment results.



SNW tailors its advisory services to meet the needs and objectives of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. SNW consults with clients on an initial and ongoing basis to determine various factors relevant to the management of their portfolios. Clients are advised to promptly notify SNW if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if SNW determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

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

SNW offers its investment management services for an annual fee based upon a percentage of assets under management. Generally, the fee is prorated and charged either monthly or quarterly, in advance or arrears. Depending on the engagement, the fee may be calculated using either the average daily balance of the assets during the quarter or the market value of the assets on the last day of the quarter. The specific fee schedule ranges up to 60 basis points (0.60%) and is determined by the type of client and the strategy used to manage the portfolio. Alternatively, certain clients have negotiated a fixed fee for the investment management services.

For the initial term of an engagement, the base fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the base fee for the final billing period is prorated through the effective date of the termination and the outstanding balance is refunded or charged to the client, as appropriate.

### **Fee Discretion**

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SNW, in its sole discretion, may negotiate to charge different management fees based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to SNW, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "*Financial Institutions*"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Fee Debit**

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Clients generally provide SNW with the authority to directly debit their accounts for payment of the Firm's investment advisory fees. The *Financial Institutions* that act as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to SNW. Alternatively, clients may elect to have SNW send them an invoice for direct payment.

### **Account Additions and Withdrawals**

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

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

SNW does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

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

SNW provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, state and municipal government entities, investment advisers, credit unions, corporations and other business entities.

### **Minimum Account Requirements**

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SNW's minimum portfolio value for starting and maintaining an investment management relationship is \$500,000, however SNW may, in its discretion, negotiate a lower minimum portfolio value. SNW does not impose a stated minimum fee value for starting and maintaining an investment management relationship; however, the Firm may, in its discretion, negotiate a minimum quarterly or annual fee for smaller accounts.

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

### Methods of Analysis

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The SNW investment approach is based on a collaborative team environment that is rooted in fundamental and quantitative research. Clients generally invest in one or more of SNW's core investment strategies, portfolio durations, and/or impact overlays described below upon which they can impose reasonable variations or restrictions.

#### *Return*

Research has shown that a bond portfolio's multi-year total return is heavily influenced by the level of income. SNW portfolios typically carry a yield above the benchmark by at least the average fee charged through active sector and security selection. SNW continuously monitors the relative value relationships among sectors and bases the sector positioning on total return potential.

#### *Volatility/Risk*

SNW targets portfolio volatility similar to that of the selected benchmarks. Risk is managed through limits on sector allocation, individual credit weightings and the allocation to various ratings buckets. The DTS (duration times spread) metric is used to monitor total portfolio risk.

#### *Credit*

SNW conducts ongoing, bottom-up fundamental credit analysis on each holding. Portfolio holdings are generally focused on credits with stable to improving fundamental credit profiles. SNW attempts to identify securities that maximize income while managing risk. Portfolio holdings are ranked quantitatively based on their fundamental credit and market risk levels to determine relative value.

#### *Trading*

SNW's trading capabilities allow the firm to execute on their ideas in a cost-effective manner. Tax-efficiency is at the heart of the Firm's investing process.

#### *Duration*

SNW portfolios are managed within a tight duration band around the stated benchmark in a range that is dictated by the shape of the yield curve. Research has shown that the direction and level of interest rates are difficult to predict due to the efficient nature of the Treasury market. Each client's chosen duration strategy is based on their overall portfolio objectives.

The SNW investment process and philosophy is centered on active sector and security selection. Based on extensive research, SNW has concluded that these areas are exploitable from an alpha-generation perspective for bond investors. SNW portfolio managers do not focus their time and energy on active

duration management as research has shown the direction and level of interest rates is unlikely to be consistently predictable over the long-term

### *Risk Management*

Risk management is of paramount importance to SNW and is an upfront and ongoing consideration. Purchasing securities with strong fundamentals and structures is critical. However, fundamentals can and do change. SNW continually monitors all portfolio positions and reacts accordingly. SNW credit analysts, who are responsible for individual security research, develop a buy list that comprises every credit available to SNW for purchase. Based on this buy list and SNW target strategy allocations (developed by the investment committee), SNW traders are tasked with purchasing the securities that offer the highest risk/adjusted yield. SNW will consider a sale if information received from SNW analysts indicates the fundamental financial condition of a credit and/or sector is weakening. SNW may also look to sell a security if it is determined it is overvalued relative to the risk profile or if a more attractive opportunity in the market presents itself.

At a minimum, SNW may sell a security in response to changes in:

- Credit spreads and relative values
- Deterioration in credit quality
- Deterioration of liquidity/marketability
- Broader financial market concerns

The SNW absolute rule: SNW will sell any holding if and when SNW concludes that it has become unsuitable for a client, given the client's investment objectives and tolerance for risk

### *General Analytical Risk*

SNW's analytical methods rely on the assumption that the entities whose securities the Firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While SNW is alert to indications that data may be incorrect, there is always a risk that the Firm's analysis may be compromised by inaccurate or misleading information.

## **Investment Strategy Overview**

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### *Core Investment Strategies*

- *SNW Municipal*: Investment grade tax-exempt municipal bonds; state-specific where applicable.
- *SNW Blend*: Investment grade blend of tax-exempt municipal bonds and taxable bonds which may include corporate, treasury/agency, Government mortgage-backed securities ("MBS"), treasury inflation-protected securities ("TIPS"), and taxable municipal bonds. Sector mix is based on after-tax relative value.



- *SNW Taxable:* Investment grade taxable bonds which may include corporate, treasury/agency, Government MBS, TIPS and taxable municipal bonds. Tax-exempt municipal bonds may also be held.
- *SNW Credit:* Investment grade corporate and taxable municipal bonds. Tax-exempt municipal bonds may also be held.

## *Portfolio Durations*

- *Ultra-Short:* Weighted average portfolio duration of .5 - 1.5 years with individual bond maturities no greater than 3 years. The Ultra Short Duration Strategy exhibits minimal sensitivity to changes in interest rates.
- *Short:* Weighted average portfolio duration of 2 - 3 years with individual bond maturities no greater than 7 years. The Short Duration Strategy exhibits limited sensitivity to changes in interest rates.
- *Intermediate:* Weighted average portfolio duration of 3.5 - 4.5 years with individual bond maturities no greater than 12 years. The Intermediate Duration Strategy exhibits moderate sensitivity to changes in interest rates.
- *Long:* Weighted average portfolio duration of 5 - 7 years with no limitation on individual bond maturities. The Long Duration Strategy exhibits extensive sensitivity to changes in interest rates.

## *Impact Overlay*

*General Impact Overlay:* an undifferentiated approach to impact investing with assets being allocated to any available investment opportunity with impact potential. This includes impact opportunities related to the environment, education, housing, healthcare, social improvement, energy efficiency and infrastructure improvements among other options.

- *Environmental Issues Focus:* This approach leverages capital to address the key environmental challenges of today and tomorrow.
- *Educational Focus:* This approach leverages capital to support better educational outcomes for the next generation.
- *Gender Equity Focus:* This approach leverages capital to help empower women in the workplace and in society.

## **Risks of Loss**

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### *General Risk of Loss*

The profitability of a significant portion of SNW's recommendations may depend to a great extent upon correctly assessing the future course of price movements of certain asset classes. There can be no assurance that SNW will be able to predict those price movements accurately. Investing in securities involves the risk of loss and clients should be prepared to bear potential losses.

### *Fixed Income Securities Risks*

There are a number of risks associated with certain fixed income strategies that can result in significant variability in investment returns and a loss of income or capital value.

- *Credit Risk:* Credit risk is the possibility that an issuer of debt security will be unable to make interest payments or repay principal when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. Credit risk may be heightened for portfolios that invest in lower quality bonds, including "high yield" securities.
- *Interest Rate Risk:* Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, and as such the risk that the value of a portfolio will decline because of rising interest rates. In general, debt securities will increase in value when interest rates rise. Longer term debt securities are generally more sensitive to interest rate changes, and thus entail greater interest rate risk. Rising interest rates may also lengthen the duration of debt securities with call features, since exercise of the call becomes less likely as interest rates rise, which in turn will make the securities more sensitive to changes in interest rates and result in even steeper price declines in the event of further interest rate increases.
- *Municipal Securities Risk:* Municipal securities are subject to various risks based on factors such as economic and regulatory developments, changes or proposed changes in the federal and state tax structure, deregulation, court rulings and other factors. Repayment of municipal securities depends on the ability of the issuer or project backing such securities to generate taxes or revenues. There is a risk that the interest on an otherwise tax-exempt municipal security may be subject to federal income tax. Typically, there is less public information available about municipal bonds than for other types of securities, such as corporate bonds or equities. The secondary market for municipal bonds, and particularly for high-yield municipal bonds, tends to be less well developed and less liquid than many other securities markets. As a result, an account may have to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on performance.
- *Treasury Inflation-Protected Securities (TIPS) Risk:* Inflation risk poses concerns for investors planning to live off of bond income, as inflation rises purchasing power is lowered. Typically, inflation-protected bonds have lower yields than conventional fixed-rate bonds. TIPS generally provide a hedge against inflation, however, during a deflation, the principal and income of inflation-protected bonds would likely decline in value.
- *Mortgage Backed Securities (MBS) Risk:* MBS are often exposed to *extension risk*, where obligations on the underlying assets are not paid on time (which could happen if interest rates rise), and *prepayment risks*, where obligations on the underlying assets are paid earlier than expected (which could happen when interest rates fall). . These risks may have a substantial impact on the timing and size of the cash flows paid by the securities and may negatively impact the returns of the securities. The average life of each individual security may be affected by a large number of factors such as the existence and frequency of exercise of any optional redemption and mandatory prepayment, the prevailing level of interest rates, the actual default rate of the underlying assets, the timing of recoveries and the level of rotation in the underlying assets.
- *Call Risk:* Issuers have the option to call or redeem certain bonds prior to the maturity date. As such, there is a risk that there may not be bonds with similar characteristics paying the same interest rate available to buy with those proceeds if an issuer calls its bonds in a period of declining interest rates.

- *Reinvestment Risk:* Reinvestment risk refers to the risk that future proceeds from investments may have to be reinvested at potentially lower interest rates, or that there may not be similar bonds available paying the same interest rate with equivalent quality, maturity or other characteristics. The reinvestment of proceeds into substantially dissimilar bonds may adversely impact the level of income generated or carry different levels of risk.
- *International Risk:* Fixed income securities of foreign issuers involve increased risks due to adverse issuer, political, regulatory, currency, market or economic developments. These developments may impact the ability of a foreign debt issuer to make timely and ultimate payments on its debt obligations to the portfolio or impair the portfolio's ability to enforce its rights against the foreign debt issuer. Foreign investments may also be less liquid and more difficult to value than investments in U.S. issuers.
- *Liquidity Risk:* Due to a lack of demand in the marketplace or other factors, an account may not be able to sell some or all of the investments promptly, or may only be able to sell investments at less than desired prices. MBS and Asset-backed securities ("ABS") may be subject to greater liquidity risk in comparison to other fixed income securities such as government issued bonds. The market for lower-rated and unrated debt obligations and debt obligations backed by "subprime" mortgages may be less liquid than the market for other obligations, making it difficult for an account to value its investment in a lower-rated or unrated obligation or to sell the investment in a timely manner or at an acceptable price.

## **Item 9. Disciplinary Information**

SNW has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

OppenheimerFunds, Inc. ("OFI") is wholly-owned by Oppenheimer Acquisition Corp. ("OAC") and is the parent company to other companies that provide a wide range of services such as investment advisory, distribution, marketing, and transfer agency. OAC is ultimately owned by Massachusetts Mutual Life Insurance Company ("MassMutual"), a mutual life insurance company that, together with its subsidiaries, is a global, growth-oriented, diversified financial services organization providing life insurance and other financial products and services, including providing advice to pension plans and investment companies. MassMutual, through its subsidiary holding companies, owns a majority of OAC's common stock.

OFI and its subsidiaries and affiliates have business arrangements that are material to their advisory businesses or to their clients. These business arrangements may create potential conflicts of interest, or an appearance of conflicts of interest between OFI, including its subsidiaries and affiliates, and a client. Additionally, OFI and/or certain of its affiliates have entered into agreements to pay affiliated or unaffiliated individuals or firms to solicit and/or refer prospective clients who may need or find value in the



investment services provided by OFI and/or its affiliates. Such potential conflicts of interest are discussed in more detail in Item 11 of this Brochure.

*Registrations of OppenheimerFunds, Inc. and its Subsidiaries*

|  | Investment Adviser with SEC | Broker-Dealer with SEC and MSRB | Commodity Trading Adviser and Commodity Pool Operator with CFTC/NFA | Transfer Agent with SEC |
|--|-----------------------------|---------------------------------|---|-------------------------|
| OppenheimerFunds, Inc. (“OFI”)                           | X                           |                                 | X   |                         |
| OFI Global Asset Management, Inc. (“OFIGAM”)             | X                           |                                 | X   | X                       |
| OFI Private Investments Inc. (“OFIPI”)                   | X                           |                                 |   |                         |
| OFI Global Institutional, Inc. (“OFIGI”)                 | X                           |                                 | X   |                         |
| OFI SteelPath, Inc. (“OFI SteelPath”)                    | X                           |                                 |   |                         |
| HarbourView Asset Management Corporation (“HarbourView”) | X                           |                                 |   |                         |
| VTL Associates, LLC (“VTL”)                              | X                           |                                 |   |                         |
| OppenheimerFunds Distributor, Inc. (“OFDI”)              |                             | X                               |   |                         |
| Shareholder Services, Inc. (“SSI”)                       |                             |                                 |   | X                       |
| SNW Asset Management, LLC (“SNW”)                        | X                           |                                 |   |                         |

**OFI** is the investment sub-adviser to a majority of the OFI’s group of registered investment companies (“Oppenheimer Funds”), the Cayman Island domiciled subsidiaries of certain Oppenheimer Funds (“Cayman Island Subsidiaries”) and a Delaware limited liability company that is wholly-owned by an Oppenheimer Fund (“Delaware Subsidiary”). OFI also is the investment sub-adviser to registered investment companies sponsored by MassMutual (“MassMutual Funds”), registered investment companies sponsored by unaffiliated third parties (“Third Party Funds”) and an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds that is authorized and registered by the Central Bank of Ireland pursuant to the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations 2011, as amended (“Oppenheimer ICAV”). The professionals that provide portfolio management, trading and other investment advisory functions are generally employed by OFI and provide those services on behalf of other advisory subsidiaries of OFI.

**OFIGAM**, a wholly-owned subsidiary of OFI, is the investment adviser and transfer agent to a majority of the Oppenheimer Funds and Cayman Island Subsidiaries. OFIGAM has engaged OFI to provide investment sub-advisory services to those respective Oppenheimer Funds and Cayman Island Subsidiaries. OFIGAM has also engaged SSI to provide sub-transfer agency services to those respective Oppenheimer Funds.

**OFIPI**, a wholly-owned subsidiary of OFI, serves as program manager to certain qualified tuition plans under Section 529 of the Internal Revenue Code (“Section 529 Plans”).

**OFIGI**, a wholly-owned subsidiary of OFI, provides investment advisory services on a discretionary basis to various types of clients, including individual separate accounts, endowments, trusts, pension plans, insurance company separate accounts, foundations, corporations, ERISA qualified retirement plans, foreign entities (including governmental entities, corporations, investment companies and pension plans), certain MassMutual Funds, investment companies excepted from the definition of investment company by Section 3(c)(7) of the Investment Company Act (“Private Funds”), and bank sponsored collective investment trusts excepted from the definition of investment company by Section 3(c)(11) of the Investment Company Act (“Trust Funds”). OFIGI is also the manager and distributor of the Oppenheimer ICAV.

**OFI SteelPath**, a wholly-owned subsidiary of SNW, provides advisory services to certain Oppenheimer Funds, Third Party Funds, a Private Fund, unit investment trusts, domestic and foreign institutions that may include but is not limited to high net worth individuals, corporations, foundations, endowments, insurance companies and retirement and benefit plans.

**HarbourView**, a wholly-owned subsidiary of OFIGI, provides investment advisory services to structured finance vehicles.

**VTL**, a wholly-owned subsidiary of OFI, provides advisory services to the Oppenheimer Revenue Weighted ETF Trust, a registered investment company that is part of the Oppenheimer Funds, as well as separate accounts.

**OFDI**, a wholly-owned subsidiary of OFI, is the general distributor of shares of the Oppenheimer Funds and Section 529 Plans managed by OFIPI. OFDI is also the distributor of the Oppenheimer ICAV, Private Funds and Trust Funds.

**SSI**, a wholly-owned subsidiary of OFI and doing business as OppenheimerFunds Services, is the sub-transfer agent to a majority of the Oppenheimer Funds.

**OFI Global Trust Company** (“OFIGTC”), a wholly-owned subsidiary of OFIGI, is a trust company organized under the banking laws of the state of New York and sponsors the Trust Funds for which OFIGTC serves as investment manager and trustee. OFIGTC has engaged OFIGI to serve as sub-adviser to the Trust Funds.

#### *Other Affiliated Arrangements*

**MML Investment Advisers, LLC**, a subsidiary of MassMutual, has engaged OFI and OFIGI to provide investment sub-advisory services to certain MassMutual Funds.

**Barings LLC** (“Baring”), a subsidiary of MassMutual, has engaged OFI to provide trading, accounting and other administrative services to certain clients of Barings. In addition, OFI has engaged Baring to provide investment sub-advisory services to certain Oppenheimer Funds that invests in real estate investment trusts and other real estate securities.

## Item 11. Code of Ethics

SNW has implemented policies and procedures designed to prevent and address conflicts of interest. Some of those policies and procedures are listed below.

### *Code of Ethics and Personal Trading*

SNW has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 of the Advisers Act of 1940 and Rule 17j-1 under the 1940 Act. Key provisions of the Code are summarized below and a copy of the Code is available to any Client or prospective client upon request.

The Code requires employees (and their immediate family members living in the same household) to pre-clear their personal securities transaction (as defined in the Code). The Code also includes additional pre-clearance provision requirements on Investment and Management Persons (as defined in the Code). Employees are generally required to maintain personal accounts with an approved broker-dealer. The Code imposes holding periods and restricts certain investment activities, such as participation in IPOs or limited offerings, frequent trading, insider trading and selling short. The Code also sets forth employee reporting and certification requirements.

Penalties for violations of the Code may include, but are not limited to, a warning memorandum, profit disgorgement, personal trading ban, negative adjustment to compensation, suspension and/or termination of employment.

### *Gifts and Entertainment*

Employees are subject to the Gifts and Entertainment Policy and the Anti-Bribery and Anti-Corruption policy, both of which limit the giving or receiving of gifts and entertainment.

### *Political Contributions*

Employees are prohibited from making or soliciting political contributions for the purpose of procuring and retaining business with government entities. The U.S. Political Contribution and Activities Policy is designed to (i) limit political contributions of the Advisor's employees, their family members and domestic partners, and (ii) to comply with applicable federal state and local laws and rules. Employees and certain immediate family members are required to obtain pre-approval from Compliance, prior to making personal political contributions in accordance with the policy.

### *Outside Business Activities*

Employees are subject to the Outside Business Activities policy which documents the process around the reporting and approval of the outside business activities in which employees are engaged.

### *Fees Received by SNW and its Affiliates*

SNW, on behalf of its client accounts, may invest in securities, assets, funds or products with respect to which SNW's affiliates receive a fee for investment advisory, administrative, index component selection, marketing, distributing or other services. The receipt of compensation by SNW's affiliates may create a conflict of interest for SNW's client accounts and may create an incentive for SNW to invest in such funds or products. SNW will address any such conflict by crediting or waiving its advisory and/or management fees to offset such compensation received by its affiliates.

SNW and its affiliates may receive greater fees or other compensation (including performance-based fees) from one client account compared to another client account, which may create an incentive for SNW or its affiliates to favor such accounts. SNW and its affiliates have or will have adopted policies, procedures and guidelines to address and minimize any potential conflicts of interest that may arise as a result of such arrangements. These policies and procedures are designed to monitor and prevent SNW from inappropriately favoring one type of an account over another. Generally, SNW makes allocation decisions at the strategy-level, followed by an assessment of how to allocate investments between clients within the same strategy regardless of the investment advisory fees paid to SNW.

### *Proprietary Accounts and Client Accounts*

SNW or its affiliates makes decisions for client accounts and any proprietary account of SNW or its affiliates (i.e., any account where the adviser or its affiliates is the beneficial owner of 25% or more) in accordance with its fiduciary obligations as investment manager. SNW may have potential conflicts in connection with the provision of advisory services, the allocation of investments or transaction decisions for client accounts, including situations in which SNW, its affiliates or their personnel may have interests in the investment being allocated and situations in which a proprietary account may receive certain of the investments being allocated. SNW seeks to manage client accounts and proprietary accounts according to each account's investment objectives, strategies and guidelines and applicable legal and regulatory requirements.

A client account may buy or sell positions while another account, which may be another client account or proprietary account, is undertaking the same or a differing strategy, which could advantage or disadvantage either or both the client account and/or other accounts. For example, a client account may buy a security and the other account may establish a short position in that same security and subsequent short sales may result in impairment of the price of the security which is owned or held by the client account. Conversely, a client account may establish a short position in a security and other accounts may buy that same security and the subsequent purchase(s) may result in an increase in the price of the underlying position in the short sale exposure of the client account. In addition, transactions in investments by one or more client accounts and/or other accounts may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of another client account. This may occur when portfolio decisions regarding a client account are based on research and other information



that is also used to support portfolio decisions for other accounts which could impact the timing and manner in which the portfolio decisions are implemented for other accounts. When SNW implements an investment decision or strategy ahead of, or contemporaneously with, similar investment decisions or strategies for a client account, market impact, liquidity constraints, security or asset availability, or other factors could result in the client account receiving less favorable trading results or prices and the costs of implementing such investment decisions or strategies could be increased or the client account could otherwise be disadvantaged. SNW may, in certain cases, elect, or be required, to implement internal policies and procedures designed to limit such consequences to the client accounts which may cause a client account to be unable to engage in certain activities, including purchasing or disposing of securities, when it might otherwise be desirable for it to do so.

SNW's management of client accounts may benefit SNW or its affiliates, investment management, broker-dealer, trading, transfer agency and administrative activities, businesses and other accounts. For example, the purchase, holding and sale of securities or other investments or assets by a client account may enhance the profitability of SNW's and its affiliates' business or other accounts' investments in and investment activities with respect to such securities, other investments, assets or issuer. A client account may also be adversely affected by cash flows and market movements arising from purchase and sale transactions, as well as increases of capital in and withdrawals of capital from other accounts.

SNW and its affiliates have or will have adopted allocation policies and procedures to address and minimize any potential conflicts of interest that may arise between a client account and a proprietary account. These policies and procedures are designed to monitor and prevent SNW and its affiliates from inappropriately favoring one type of an account over another.

#### *Trading and Brokerage Selection*

SNW and/or its affiliates may have ownership interests or business relationships with broker-dealers, securities exchanges or other entities that facilitate trade execution. A conflict may arise in instances where SNW's affiliates direct trades to such a broker-dealer or entity, or directs trades to a broker-dealer based on an understanding that such broker-dealer will execute a certain volume of such trades through a securities exchange in which its affiliate has an ownership interest, that will directly or indirectly benefit that affiliate. While SNW or its affiliates seek to achieve best execution and will not consider ownership interests or business relationships of its affiliate as a factor when seeking to achieve best execution, such trades may result in a benefit to that affiliate.

#### *Principal Transactions*

From time to time, SNW and/or its affiliates may engage in principal securities transactions in which it purchases or sells securities from an account of SNW or an affiliate to an account of a client in compliance with applicable law, including the Advisers Act. The execution of each principal securities transaction is subject to the approval of each client participating in such transaction and the applicable regulatory requirements. Moreover, there may be a conflict of interest in instances where SNW or its



affiliates own more than 25% of a mutual fund or other fund advised by SNW or its affiliates (i.e., a proprietary fund). In such circumstances, that fund will be placed on a principal transaction restricted list to prevent SNW or its affiliates from affecting any such principal transaction with any those funds.

#### *Material Non-Public Information/Insider Trading*

SNW, its affiliates and their directors, officers and employees may acquire confidential or material, non-public information pertaining to an issuer that may prevent or prohibit SNW and its affiliates from providing investment advice to client accounts with respect to such issuer irrespective of a client account's investment objective or guidelines. SNW and its affiliates have or will have adopted policies and procedures reasonably designed to detect and prevent SNW, its affiliates and any of their officers, directors or employees from trading, either personally or on behalf of others on material non-public information or communicating material non-public information to others in violation of law.

## **Item 12. Brokerage Practices**

SNW primarily invests in fixed-income securities, which are traded in dealer markets. When determining which dealers with whom to trade, SNW takes into account dealers' (i) expertise and market-making capabilities with respect to the type of securities being bought or sold, (ii) history of making competitive bids and offers, and (iii) history of flexibility with respect to settlement dates. It is the Firm's practice to transact business with the dealer making the best bid or offer on each security transaction, consistent with settlement date needs of its clients.

### **Research and Other Soft Dollar Benefits**

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SNW does not use soft dollars for any accounts. SNW generally does not accept research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions.

### **Brokerage for Client Referrals**

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SNW does not consider, in selecting broker-dealers, whether SNW or a related person receive client referrals from such broker-dealer or third parties.

### **Directed Brokerage**

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SNW does not recommend, request or require that a client direct execution of transactions through a specified broker-dealer and the Firm does not permit its clients to direct execution of transactions through a specified broker-dealer.

### **Trade Aggregation and Allocation**

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SNW will aggregate trades across various client accounts. This is done only when the purchase or sale of a security is in the best interest of each individual client account. When a trade is aggregated across client accounts, one or all of the following characteristics of each individual account is considered: chosen investment strategy, risk tolerance, investment objective, investment horizon, liquidity needs, place of residence, marginal tax bracket, and any limits or preferences the client has specified regarding their account.

In allocating the aggregated trades to client accounts, SNW's practice is to allocate securities to portfolios on a fair and equitable basis, taking into account (i) the suitability of the available security for each portfolio, given the credit and maturity profiles of the portfolios, (ii) the proportion of cash awaiting investment to the overall size of each portfolio, (iii) the opportunity to break the security purchased into transactional-efficient multiples when distributing allocations among portfolios, and (iv) the availability of close substitutes among securities offered in the new issue and secondary markets.

### **Cross Trades**

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SNW may effect cross transactions between client accounts where one client account purchases securities held in another client account. Typically, SNW will arrange for cross transactions to be effected through a third-party broker-dealer, however, from time to time, SNW may effect cross transactions without the use of a broker-dealer. Cross transactions in municipal bonds are effected at a price obtained from an independent pricing service, plus or minus any applicable mark-up or mark-down ("transaction cost") charged by the facilitating broker-dealer to the applicable clients. Cross transactions in bonds other than municipal bonds are effected at a price equal to the mean between the highest bid and lowest ask obtained on the bond, plus or minus any transaction costs charged by the facilitating broker-dealer to the applicable clients. These transaction costs will result in a client paying more for a purchase or receiving less from a sale than if the trade was crossed without the use of a broker-dealer. SNW will arrange for cross transactions to be effected only when they are in the best interest of all affected clients, when such transactions satisfy its duty of best execution, and when SNW has a reasonable basis for believing that the price at which the transaction is booked is fair to all affected clients. SNW does not effect cross transactions between and among client accounts governed by the U.S. Employee Retirement Income Security Act of 1974, as amended.

## **Item 13. Review of Accounts**

### **Account Reviews**

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SNW monitors investment portfolios as part of a continuous and ongoing process. All investment advisory clients are encouraged to discuss their needs, goals and objectives with SNW and to keep SNW informed of any changes thereto. SNW contacts ongoing investment advisory clients at least annually to

review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* where their assets are custodied. On a quarterly basis, SNW also sends GIPS compliant performance reports, which clients are encouraged to compare with the information contained in the account statements they receive from their custodians.

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

### **Client Referrals**

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SNW is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. SNW may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

In addition, if a client is introduced to SNW by either an unaffiliated or an affiliated solicitor, SNW may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Unless otherwise disclosed, any such referral fee is paid solely from SNW's investment management fee and does not result in any additional charge to the client. If the client is introduced to SNW by an unaffiliated solicitor, the solicitor provides the client with a copy of this Brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of SNW discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this Brochure at the time of the solicitation.

### **Fidelity Wealth Advisor Solutions Program<sup>®</sup>**

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SNW has entered into an agreement with Fidelity to participate in the Fidelity Wealth Advisor Solutions Program (the "WAS Program"), through which SNW receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. SNW is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control SNW, and SAI has no responsibility or oversight for SNW's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for SNW, and SNW pays referral fees to SAI for each referral received based on the firm's assets under management attributable to each client referred by SAI

or members of each client's household. The WAS Program is designed to help investors find an independent investment adviser, and any referral from SAI to SNW does not constitute a recommendation or endorsement by SAI of SNW's particular investment management services or strategies. More specifically, SNW pays the following amounts to SAI for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by SAI and (ii) an annual percentage of 0.25% of all other assets held in client accounts. For referrals made prior to April 1, 2017, these fees are payable for a maximum of seven years. Fees with respect to referrals made after that date are not subject to the seven year limitation. In addition, SNW has agreed to pay SAI a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by SNW and not the client.

To receive referrals from the WAS Program, SNW must meet certain minimum participation criteria, but SNW may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). SNW has procedures in place to address any conflicts of interest inherent to this type of arrangement, as the firm seeks to ensure that any client-related recommendations or decisions remain objective and aligned with its clients' best interests. Nonetheless, as a result of its participation in the WAS Program, SNW may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and SNW may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to SNW as part of the WAS Program. Under an agreement with SAI, SNW has agreed that it will not charge clients more than the advisory fees disclosed in its Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, SNW has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when SNW's fiduciary duties would so require; therefore, SNW may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit SNW's duty to select brokers on the basis of best execution.

#### **Arrangement with HIP Investor Inc.**

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SNW has entered into a Portfolio-Rating Collaboration Agreement ("PRCA") with HIP Investor Inc. ("HIP"), an independent registered investment adviser. HIP has developed a proprietary process for assessing social, environmental and human-impacts and sustainability attributes associated with investment assets. This proprietary process calculates numerical "HIP Scores" and other sustainability ratings for individual investment assets and investment portfolios. HIP focuses on the sustainability of long term investments for improved financial, social and environmental health to mitigate risk through a tailored performance strategy. SNW and HIP have collaborated in connection with the development of HIP Scores or ratings for fixed income, including municipal securities. Under the terms of the PRCA, if SNW manages an account or portfolio in connection with HIP Scores or ratings, the Firm pays to HIP thirty-three and one

third percent (33 1/3%) of all management, advisory and other fees billed by SNW in connection with such services. The PRCA also provides that SNW is a preferred fixed-income manager for HIP. In the event that HIP refers clients to SNW, then SNW pays to HIP thirty-three and one third percent (33 1/3%) of all management, advisory and other fees billed by SNW in connection with such services and accounts. Similarly, in the event that HIP generates any revenues associated with the calculation or dissemination of HIP Scores, or the provision of other ratings, scoring, selection, evaluation, or analysis services, to any party with respect to municipal bonds, then HIP pays to SNW 33.3% of all management, advisory and other fees billed by HIP in connection with such services.

### **Item 15. Custody**

SNW's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize SNW through such *Financial Institution* to debit the client's account for the amount of SNW's fee and to directly remit that management fee to SNW in accordance with applicable custody rules.

The *Financial Institutions*, all of which are "qualified custodians" as defined in the Advisers Act, recommended by SNW have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SNW. In addition, as discussed in Item 13, SNW also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from SNW.

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

SNW generally retains the authority to exercise discretion on behalf of clients. SNW is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. SNW is given this authority through a power-of-attorney included in the agreement between SNW and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). SNW takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made



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

SNW does not accept the authority to vote securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions* and may contact SNW using the information on the cover of this Brochure with questions about such solicitations.

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

SNW is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

