

**ITEM 1: COVER PAGE**

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

**SpiderRock Advisors, LLC**  
300 South Wacker Drive  
Suite 2840  
Chicago, IL 60606  
312-847-0300  
www.SpiderRock Advisors.com

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**March 31<sup>st</sup>, 2025**

This brochure provides information about the qualifications and business practices of SpiderRock Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number provided above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about SpiderRock Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SEC registration does not constitute an endorsement of the firm by the Commission, nor does it indicate that the advisor has attained a particular level of skill or ability.

## ITEM 2: MATERIAL CHANGES

Item 2 discusses only the material changes made to the Form ADV Part 2A (the “Brochure”) since the last annual update to the Brochure on March 15, 2024. The material changes to this Brochure include updates throughout to reflect:

Effective May 1, 2024, BlackRock, Inc. (“BlackRock”) completed its acquisition of all of the remaining outstanding equity securities of SpiderRock Advisors, LLC (“SRA”). As a result of the acquisition, SRA is an indirect, wholly-owned subsidiary of BlackRock and a related person of BlackRock’s other subsidiaries. We have made updates throughout this Brochure to reflect BlackRock’s acquisition of SRA, including, in particular, updates to Item 4: Advisory Business, Item 10: Other Financial Industry Activities and Affiliations, Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading, and Item 12: Brokerage Practices. We have also made related updates to SRA’s contact information in Item 1: Cover Page.

SRA no longer provides sub-advisory services for exchange-traded funds (“ETFs”). We have made updates throughout this Brochure to remove disclosure on SRA’s sub-advisory services for ETFs, including, in particular, updates to Item 4: Advisory Business, Item 5: Fees and Compensation, Item 7: Types of Clients, and Item 15: Custody.

BlackRock has established certain information barriers and other policies to address the sharing of information between different businesses within BlackRock, including, effective on or about January 21, 2025, with respect to personnel responsible for managing and voting proxies with respect to certain index equity portfolios versus those responsible for managing and voting proxies with respect to all other portfolios. As a result, portfolio managers within certain units of BlackRock, including SRA, may be restricted from access to certain information or personnel in other units of BlackRock and may also be subject to limitations from making certain investments on behalf of certain clients subject to threshold limitations on aggregate and/or portfolio-level ownership interests in certain companies. We have made updates to reflect these information barriers and policies in Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading.

The previous version of this Brochure is dated May 17<sup>th</sup>, 2024. SRA encourages each client to read the Brochure carefully and to contact us at the telephone number or email address on the cover page of this Brochure with any questions you may have.

Additional information about SRA and its investment advisor representatives is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **ITEM 4: ADVISORY BUSINESS**

### **Overview**

SpiderRock Advisors, LLC (hereafter, “SRA” or the “Firm”) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and registered as a commodity trading advisor with the United States Commodity Futures Trading Commission (“CFTC”). SRA was incorporated in January 2013.

SRA offers advisory services to a variety of clients, across different formats. The Firm primarily provides investment advisory and strategy management services to asset managers, registered investment advisors, banks, broker-dealers, family offices, pension funds and endowments, and other fiduciaries (collectively “Advisors”) for use with their clients and constituents in several different capacities as further described below. The Firm also offers advisory services directly to high-net-worth individuals, family offices, pension funds, endowments, private funds, and other institutional investors through separately managed accounts (“SMAs”).

### **Principal Owners**

Effective May 1, 2024, BlackRock, Inc. (“BlackRock”) completed its acquisition of all of the remaining outstanding equity securities of SRA.

As a result of the acquisition, SRA is an indirect wholly-owned subsidiary of BlackRock and a related person of BlackRock’s subsidiaries, including investment advisory and trust company subsidiaries.

References to “BlackRock” in this Brochure include BlackRock, Inc., together with its subsidiaries, including investment advisory and trust company subsidiaries (“BlackRock Investment Advisors,” which includes SRA).

### **Discretionary Investment and Trading Solutions**

SRA seeks to manage proprietary overlay investment strategies for client portfolios (collectively, “Advisory Services”). These strategies, collectively, and in conjunction with the strategies pursued in a client’s portfolio, can potentially be an efficient means to achieving greater risk adjusted portfolio returns and enhanced yields. The strategies may also seek to hedge certain specific risks inherent in a client’s underlying portfolios.

SRA’s overlay investment strategies are designed to mitigate risk and augment yield in a client portfolio. The Firm provides investment advice and implements strategies that utilize listed derivatives, namely listed equity and index options. SRA

can also offer advice on a wide range of securities, including, but not limited to, fixed income and exchange listed and over-the-counter securities.

All SRA services are offered on a discretionary basis. SRA's investment management services are offered directly pursuant to an advisory arrangement with the client or indirectly through a sub-advisory arrangement with the client's Advisor or other intermediary.

### **Separately Managed Accounts**

SRA provides discretionary Advisory Services to high-net-worth individuals, family offices, pension funds, endowments, private funds, and other institutional investors, including on a sub-advisory basis. SMA clients generally select an investment strategy after consultation with SRA. SMA clients are permitted to impose reasonable restrictions if such restrictions are not materially different from a strategy's investment objectives. SMA clients who impose investment restrictions should be aware that the performance of their accounts may differ from that of the investment strategies not subject to investment restrictions.

Please refer to Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss for detailed information regarding SRA strategies.

### **Other Services**

SRA may also provide other services to clients, including but not necessarily limited to, (i) collateral management with respect to clients' collateral assets and (ii) assistance to Advisors with respect to Advisors' trading of over-the-counter derivatives on behalf of clients.

### **Services of Affiliates**

BlackRock operates its investment management business through the BlackRock Investment Advisors, as well as through multiple affiliates, one of which is a limited purpose national banking association chartered by the U.S. Department of Treasury's Office of the Comptroller of the Currency, some of which are registered only with non-U.S. regulatory authorities and some of which are registered with multiple regulatory authorities. The BlackRock Investment Advisors use the services of their broker-dealer affiliates which are registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and members of the Financial Industry Regulatory Authority, as needed. For additional information, please refer to Item 10 ("Other Financial Industry Activities and Affiliations") and Item 12 ("Brokerage Practices") of this Brochure.

The BlackRock Investment Advisors, including SRA from time to time, use the services of one or more BlackRock subsidiaries or appropriate personnel of one or

more BlackRock subsidiaries for investment advice, portfolio execution and trading, operational support, and client servicing in their local or regional markets or their areas of special expertise without specific consent by the client, if permitted and except to the extent explicitly restricted by the client in or pursuant to its agreement with SRA, or inconsistent with applicable law. Arrangements among affiliates take a variety of forms, including but not limited to dual employee, delegation, participating affiliate, sub-advisory, sub-agency, or other servicing agreements. This practice is designed to make BlackRock’s global capabilities available to a BlackRock Investment Advisor’s clients in as seamless a manner as practical within a varying global regulatory framework. In these circumstances, the BlackRock Investment Advisor with which the client has its agreement remains fully responsible for the account from a legal and contractual perspective. No additional fees are charged for the affiliates’ services except as set forth in the client’s agreement, governing documents and/or offering memorandum or private placement memorandum (“OM”).

**Wrap Fee Program**

SRA does not currently sponsor any wrap fee program or charge wrap fees to clients. However, SRA may provide sub-advisory services to an Advisor that offers wrap fee programs to its clients. In addition, SRA may enter into direct advisory relationships with clients that participate in a wrap fee program with their Advisor. In each case, SRA’s advisory fees are not included in the wrap fee charged by the applicable Advisor and are separately borne by the client. Clients should consult with their Advisor to determine if their account is part of a wrap fee program and for more information regarding the costs and risks associated with wrap fee programs.

**Amount of Client Assets Managed**

As of December 31, 2024, the following represents the total amount of client assets under management by SRA:

Type of Account	Assets Under Management (“AUM”)
Discretionary	\$ 5,979,259,343
Non-Discretionary	\$0
Total:	\$ 5,979,259,343

**ITEM 5: FEES AND COMPENSATION**

## Advisory Fees

For its Advisory Services, SRA typically charges an annual management fee based on, and calculated as a percentage of, the notional value of the assets in the client account allocated to SRA (collectively, “Advisory Fees”). In general, fees for these programs will depend on the client, strategy, amount of assets managed, and service level. SRA’s Advisory Fees do not include fees charged by intermediaries, custodians, or other service providers.

Fees are negotiable at SRA’s sole discretion and vary depending on account size, account parameters, and overall relationship. A minimum annual fee may be applied in certain cases, which can result in a higher effective fee rate than set forth below; however, SRA has discretion to lower or waive the minimum at any time and for any client.

Standard annual advisory fee rates are set forth below, based on the client account’s chosen investment strategy:

SpiderRock Hedged Equity Concentrated Stock (SRHEC)	.50% AUM
SpiderRock Hedged Equity Portfolio (SRHEP)	.50% AUM
SpiderRock Managed Index Income (SRMII)	.60% AUM
SpiderRock Cash Secured Put (SRCSP)	.50% AUM
SpiderRock Exchange Fund Replication (SREFR)	.85% AUM
SpiderRock Opportunistic Yield Enhancement (SROYE)	.70% AUM
SpiderRock Structured Note Replication (SRSNR)	.60% AUM
SpiderRock Index/Stock Replacement (SRISR)	.60% AUM

Advisory Fees are generally negotiated with the client’s Advisor. Advisory Fees may exceed the advisory fee rates listed in the foregoing table and certain clients pay Advisory Fees that are higher than those paid by other clients. For certain clients, lower Advisory Fees may be available with a different Advisor.

Advisory Fees are typically assessed on the same schedule as the fees assessed by the Advisor, if applicable. Advisory Fees can be assessed monthly or quarterly, in advance or in arrears. In cases where Advisory Fees are paid in advance, any unearned portion of the Advisory Fee is generally subject to refund if the relationship is terminated prior to the end of the relevant billing period.

## **Payment of Fees**

Typically, Advisory Fees are collected by sending the Advisor or clients, as applicable, an invoice for services rendered and collecting such fees from either the Advisor or the underlying client accounts. Alternatively, the fee can be debited directly from the client's account.

## **Other Fees**

Clients should understand that the Advisory Fees discussed above are specific to what SRA charges and do not include certain charges that may be imposed by third parties, such as custodial fees (including margin fees and borrowing costs, as applicable), exchange-traded fund and mutual fund fees and expenses, and any additional fees charged by a client's Advisor. Client assets also can be, depending on the type of account and the types of investments in the account, subject to asset-based transaction fees, brokerage fees and commissions, and other fees and taxes on brokerage accounts and securities transactions.

Clients should understand that all custodial fees and any other charges, fees, and commissions incurred in connection with transactions for a client's account are generally paid out of the assets in the account and are in addition to the Advisory Fee charged by SRA. Please refer to Item 12: Brokerage Practices for additional important information about our brokerage and transactional practices, including considerations for selecting broker-dealers for client transactions.

Clients should review the fees charged to their account(s) to fully understand the total amount of all fees charged. Clients should understand that lower fees for comparable services may be available from other investment advisory firms.

## **Fees for Other Services**

In connection with collateral management services, SRA shall receive an additional fee equal to 0.15% per annum of the aggregate par amount of all collateral assets held in a client's account (or portion thereof) submitted to and accepted by SRA for its management ("Allocated Sleeve"). In connection with over-the-counter derivatives assistance services, SRA shall receive an additional fee equal to 0.40% per annum of the notional value of the assets of a client allocated to such over-the-counter derivatives.

## **Negotiability of Fees**

SRA can, in its sole discretion, negotiate the fees for its services depending upon various factors, including account size, investment strategy being used,



responsibilities involved, relationship to SRA, potential growth, and composition of the portfolio.

### **Fees Associated with ETFs and Affiliated Funds**

Clients may hold shares of exchange-traded funds (“ETFs”), including ETFs that pay fees to an SRA affiliate for providing management, administrative or other services (“Affiliated Funds”), in their account(s). SRA also buys and/or writes options on ETFs, including Affiliated Funds, to implement overlay investment strategies for certain clients. Clients will bear their pro rata portion of the fees and expenses for such Affiliated Funds that are paid to an SRA affiliate in addition to SRA’s Advisory Fee, which is based on a percentage of the client’s account value including the value of the Affiliated Funds held in such account. Clients should consult the ETFs’ prospectuses for a complete description of all fees and expenses.

For information regarding a potential conflict of interest concerning SRA management of Affiliated Funds which may cause clients to pay fees to SRA affiliates that are in addition to any fees received by SRA for providing discretionary investment services, please refer to Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading.

### **Fees in Advance**

SRA’s Advisory Fee is typically billed quarterly in advance based on the account value at the end of the prior quarter. A number of accounts are billed quarterly in arrears typically based on the average daily value of the account during the quarter. SRA also manages certain accounts that are part of Wrap Programs that may be subject to different billing terms as agreed upon by the Wrap Sponsor and each Wrap Client. Details on Wrap Fees are described in a separate section of Item 5.

Since the Advisory Fee is typically billed quarterly in advance, if the Advisory Agreement is terminated during a quarter, the portion of the Advisory Fee paid for the remainder of the period will be refunded. The amount refunded will be prorated according to the portion of the quarter that was prepaid and not earned. For Advisory Fees charged in arrears, the amount billed is prorated for the period in which services were earned.

### **Compensation of Supervised Persons**

No supervised person of SRA receives transaction-based compensation related to investment recommendations or advice that could be considered a conflict of interest.

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

SRA does not charge performance-based fees (i.e., fees calculated based on a share of capital gains on or capital appreciation of the client's assets or any portion of the client's assets). Consequently, SRA does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as fees based on assets under management).

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

SRA offers Advisory Services to a variety of clients, across various different formats. The Firm provides investment advisory and strategy management services to Advisors for use with their clients and constituents in several different capacities as further described below. The Firm also offers Advisory Services directly to high-net-worth individuals, family offices, pension funds, endowments, private funds, and other institutional investors through SMAs.

Account minimums are negotiable and can be subject to changes depending on complexity or other factors with respect to certain strategies.

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

### **Investment Strategies Employed by SRA**

SRA seeks to create a balance between risk and reward over a given time period by combining a systematic, technical, and rules-based approach with quantitative and fundamental considerations when making investment decisions. Investment parameters are programmed into SRA systems and decisions are driven by SRA software tools under the oversight of SRA portfolio and risk managers who leverage these tools. The number of issues traded and positions vary depending upon the strategy traded and capital allocation to each strategy. SRA, via its technology-based algorithms, implements strategies based on the clients' individual portfolios, the objectives of the chosen strategies, and risk constraints. For each client, SRA seeks to optimize portfolio risk through the use of rules-based algorithms, while operating within the agreed-upon risk tolerance parameters specified by each client. For purposes of this section, references to "clients" herein include all clients of SRA, as well as Advisors and their end-clients, as appropriate.

The proprietary strategies SRA deploys as part of its Advisory Services are active and dynamic strategies, typically using single stock and index options as key components, and where SRA seeks to establish optimal hedges for portfolios and

concentrated positions using a variety of option strategies. For certain strategies SRA will employ Flexible Exchange® Options on an index or ETF (“FLEX Options”). FLEX Options are customizable exchange-traded option contracts guaranteed for settlement by the Options Clearing Corporation. SRA may employ FLEX Options in any of its strategies.

Based on the client portfolio information provided to SRA by the client, SRA considers multiple time horizons, (long, medium, and short term) when determining hedging strategies. SRA tracks a variety of portfolio risk exposures and attempts to create appropriate option-based strategies to hedge these risk exposures of the underlying portfolios. As the strategies seek to be dynamic, portfolio risk is measured in real-time and the strategies are rebalanced with respect to market exposure and risks at any given time. Finally, SRA attempts to identify and capitalize on equity market mispricing to allow for a savings on the costs of the strategy implementation, typically achieved by tracking the valuation of option contracts in the market, tracking implied and realized volatility of underlying stocks and indexes, and attempting to place trades intelligently in the marketplace.

The following summaries are not intended to be a complete statement of the investment strategies and related risks. More detailed descriptions of the investment strategies, methods of analysis and risks of a specific ETF are included in the applicable prospectus.

## **Discretionary Investment and Trading Solutions**

### **SpiderRock Hedged Equity Concentrated Stock (SRHEC)**

A risk management option overlay model which seeks to hedge downside risks for concentrated stock positions. The strategy uses options and combinations of options to construct a hedge structure that protects the underlying securities from large downside moves, while at the same time preserving a portion of the upside. The strategy seeks a consistent reduction in stock volatility, while also allowing clients to maintain their current stock positions and related dividends. The option positions are dynamically rebalanced during times of market volatility, and systematically implemented to take advantage of option pricing inefficiencies. SRA allows for up to three tickers per Allocated Sleeve.

### **SpiderRock Hedged Equity Portfolio (SRHEP)**

A risk management option overlay model which uses option combinations of puts and calls to construct a dynamic collar structure that protects the underlying portfolio from large downside moves, while at the same time

preserving a portion of the upside. The strategy seeks a consistent reduction in portfolio volatility, while also allowing clients to maintain their underlying portfolio positions and dividends. The option positions are dynamically rebalanced during times of market volatility, and systematically implemented to take advantage of option pricing inefficiencies.

### **SpiderRock Cash Secured Put (SRCSP)**

The objective of SRCSP is to write puts systematically against cash in clients' Allocated Sleeves. This allows a client to potentially enhance portfolio yield, and acquire long positions in the underlying securities, should the price of the underlying security decline by a predetermined amount. The SRCSP program can be implemented on 50%, 75%, or 100% allocation of the Allocated Sleeve in which the SRCSP program is applied, and is available in taxable and non-taxable Allocated Sleeves.

### **SpiderRock Managed Index Income (SRMII)**

An option overlay model which seeks to profit from the excess premium that is generally attached to major market, index options. The SRMII program sells index call options to target a net long market exposure of 40-60% for a combined stock-and-options Allocated Sleeve. The SRMII program has been designed as a cost effective, hedging vehicle, and can be implemented on a 25/50/75/100 % allocation of the Allocated Sleeve in which the SRMII program is applied. The SRMII program is only available in taxable Allocated Sleeves.

### **SpiderRock Opportunistic Yield Enhancement (SROYE)**

The objective of SROYE is to write calls opportunistically against clients' Allocated Sleeves, single securities, and broad-based indices, thus allowing a client to potentially enhance portfolio yield while possibly lowering portfolio volatility by monetizing the volatility of the client's underlying positions in the Allocated Sleeve. The SROYE program can be implemented on a 50/75/100 % allocation of the Allocated Sleeve and is available in taxable and non-taxable Allocated Sleeves.

### **SpiderRock Exchange Fund Replication (SREFR)**

SREFR is a risk management option overlay model that seeks to reduce market exposure to concentrated single name equity positions while replacing it with exposure to a broad-based index in order to reduce idiosyncratic risk in an Allocated Sleeve. The SREFR program uses options and combinations of options to construct a hedge structure that protects

the underlying securities from large downside moves, while at the same time preserving a portion of the upside. Additionally, the SREFR program uses options to create synthetic long exposure to a broad-based index. The option positions are dynamically rebalanced during times of market volatility, and systematically implemented to take advantage of option pricing inefficiencies.

### **SpiderRock Structured Note Replication (SRSNR)**

The objective of SRSNR is to structure a payoff profile at a future date to align with client views using listed derivatives and eligible collateral instruments. This allows an investor to create a profile that equity and/or fixed income would not be able to achieve. Strategy structures tend to provide less downside and tailored upside given market conditions versus the long only equivalent. The program can be cash or security collateralized and is available in taxable and non-taxable accounts (certain structures).

### **SpiderRock Index/Stock Replacement (SRISR)**

This strategy seeks to create long index/equity exposure through listed index/stock options. The combination of short puts and long calls in various ratios can “replicate” desired exposures often more efficiently than owning the underlying outright in certain market environments. For clients who are desiring to replicate index or single stock equity exposure to gain a different risk reward profile or gain access to the characteristics and investment exposures that options can deliver as compared to an equivalent long only underlying, SRISR is customizable to fit those objectives.

### **SRA Risk Management**

SRA has a disciplined approach to risk management that is intended to limit risk exposure by evaluating the different ways clients can lose money and their absolute dollars at risk. SRA has established specific risk guidelines for the portfolios of the clients which SRA’s portfolio managers monitor. SRA also utilizes risk management software to evaluate the effect of potential movements in the market for the various model strategies, as well as specific positions. The software allows for real-time monitoring of potential profit and loss in the clients’ assets. The software is used, among other purposes, to allow SRA to: (i) analyze risk according to each instrument, issuer, portfolio manager, industry group or option contract expiration date, each as is applicable to a client; (ii) evaluate the effect of potential movements in various markets on a client’s portfolios as well as each individual position in a client’s inventory; and (iii) attempt to hedge price exposure in an efficient manner. The software attempts to give SRA the ability to identify positions and portfolios that have moved outside of these parameters so that it

may take corrective action. Please refer to the following section, which further discusses the attributes of SRA technology and software.

## **Material Risk Factors**

Investing in securities and derivatives involves a risk of loss that clients should be prepared to bear. By agreeing to SRA's provision of Advisory Services, clients are relying on the discretionary market judgment of SRA. The following is a general summary of some of the material risk factors associated with SRA's strategies. The information below does not attempt to describe all of the risk associated with an investment in the strategies but instead presents a brief summary of certain of the risks involved.

- **Identification of Opportunities**

SRA's activities require a continual ability to monitor and analyze market activity, price movements, individual transactions, the client positions, and a wide range of other information regarding market demand for particular options. SRA may fail to identify and/or take advantage of profit opportunities and opportunities to hedge the portfolios and individual positions. This may be due to flaws in SRA's overall investment strategy, the failure of SRA's systems to identify these opportunities, or SRA's inability to implement the strategy.

- **Market Disruption, Health Crises, Terrorism, and Geopolitical Risk**

A client is subject to the risk that war, terrorism, global health crises or similar pandemics, and other related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of a client's investments. War, terrorism, and related geopolitical events, as well as global health crises and similar pandemics have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events as well as other changes in world economic, political, and health conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of a client's investments. At such times, a client's exposure to a number of other risks described elsewhere in this section can increase.

It is possible that accounts may incur losses in the event of disrupted markets, and other extraordinary events that may not be consistent with historical pricing relationships on which SRA bases its models. The risk of loss can be compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out

positions against which the markets are moving. Global markets are interconnected, and events like hurricanes, floods, earthquakes, forest fires and similar natural disturbances, war, terrorism or threats of terrorism, civil disorder, public health crises, and similar “Act of God” events have led, and can in the future lead, to increased short-term market volatility and can have adverse long-term and wide-spread effects on world economies and markets generally. Such market disruptions, or those caused by unexpected credit crises or other economic issues, can from time-to-time cause losses for certain strategies SRA undertakes, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

- **Model and Risk**

SRA utilizes quantitative and technical valuation models in implementing its investment strategies. As market dynamics shift over time, a previously successful model could become outdated or inaccurate, perhaps after losses are incurred. There can be no assurance that SRA will be successful in developing and maintaining effective quantitative and technical models. Correlations among the instruments in a portfolio will change over time and could result in a loss of diversification and/or substantially more risk than SRA’s models, methods and techniques would have estimated. SRA relies on historical data as part of its risk management, but historical data can prove to be quite different from future dynamics in the marketplace and thus result in a materially greater risk profile than SRA would expect. There is no standard, approved, or accepted methodology for calculating risks in the investment management industry, and SRA uses its best efforts to measure and control risk. As a result, there can be no assurance that models, methods and techniques will enable clients to achieve their investment objectives.

- **Market Judgment**

Although SRA relies heavily on technology, software and systems to evaluate trades and portfolio risks, strategies are by no means wholly systematic; the market judgment and discretion of SRA staff are fundamental to the implementation of these strategies. There can be no assurances that the market judgment and discretion of SRA staff will be successful when applied to current or future markets.

- **General Investing Risk**

SRA’s investment strategies are not intended to be a complete investment program. Clients generally should have a long-term investment perspective and be able to tolerate potentially sharp declines in value and/or investment losses. Investment advisors, other market participants, and many securities markets are subject to rules and regulations and the jurisdiction of one or

more regulators. Changes to applicable rules and regulations could have an adverse effect on securities markets and market participants, as well as on the ability to execute a particular investment strategy.

- **Hedging Risks**

Although certain of SRA investment strategies are intended, in part, to hedge the client portfolios and/or individual holdings, there is no guarantee that they will do so to the degree predicted by historical practice and theory. In fact, hedges could result in losses. SRA can enter into risk offsetting transactions in instruments with which SRA expects to hedge exposure to risk. If the value of the positions change in a direction or manner that SRA has failed to protect against with hedging transactions or if the instruments used in the hedging transactions are not as “correlated” as anticipated, the result may be an imperfect hedge.

- **Illiquid Instruments**

A portion of the strategies used by SRA can consist of securities and other financial instruments that are not actively and widely traded. Consequently, it may be relatively difficult for SRA to dispose of such investments rapidly and/or at favorable prices in connection with a client’s withdrawal requests due to adverse market developments or other factors. Adverse market conditions can lead to a “liquidity crisis,” i.e., the inability to sell many securities at expected prices. There can be no assurance that future market conditions will not result in similar liquidity crises.

- **Margin Investing**

Certain client accounts can utilize margin financing, which may be at the discretion of the client and/or the client’s Advisor. Margin financing, as a form of indebtedness, incurs interest charges on the amount borrowed. A client account utilizing margin financing may be required to segregate liquid assets or otherwise cover the account’s obligation created by a transaction that can give rise to leverage. To satisfy the account’s obligations or to meet segregation requirements, positions may be required to be liquidated when it may not be advantageous to do so. Leverage can cause the value of a client account to be more volatile than if it had not been leveraged, as certain types of leverage can exaggerate the effect of any increase or decrease in the value of securities in an account. The loss on leveraged transactions may substantially exceed the initial investment. A client may also incur unrealized losses on any positions held through margin financing. If SRA closes out a position held through margin financing that has incurred unrealized losses, the client would owe a balance with respect to the losses and any interest charges that may have accrued on the amount borrowed to enter into the position on margin – such



client would be required to pay such negative balance and interest charges regardless of whether their account has experienced any gains.

- **Risks Associated with Tax Efficient Strategies**

Certain of the investment strategies offered by SRA contain a tax-conscious component designed to generate tax losses and/or dividend income taxed at favorable tax rates (each, a “Tax Efficient Strategy”). Market conditions and future tax legislation may limit SRA’s ability to execute a Tax Efficient Strategy effectively, and there can be no guarantee that such Tax Efficient Strategies will accomplish their intended effect. In all cases, the tax consequences of SRA’s strategies is the responsibility of the applicable client and never the responsibility of SRA. SRA does not provide tax advice, nor make any representations as to the tax treatment of any client account or any securities within any client account. Clients should consult with and rely solely on their own tax advisors, who are familiar with the specifics of their situation, prior to entering into any transaction described herein. ***SRA’s offering of a Tax Efficient Strategy should not be construed as financial, legal, or tax advice. Clients seeking a Tax Efficient Strategy must consult their own financial, legal, and tax advisors as to the tax consequences of such an investment strategy.***

- **Structured Downside (Buffered) Protection Risk**

There can be no guarantee that SRA will be successful in its strategy to provide downside protection against ETF or index losses if the ETF or index decreases in the investment period by an amount greater than the targeted downside protection. A client may lose its entire investment. The strategy seeks to deliver returns that match an ETF or index (but will be less than the ETF or index due to the cost of the options used by SRA), while limiting downside losses, over the investment period. If a client exits the strategy prior to the expiration of the options, the downside protection that SRA seeks to provide may not be available. SRA does not seek to provide principal protection and a client may experience significant losses on its investment, including the loss of its entire investment.

- **Risks Unique to Options**

Several risks are unique to options trading that the client must be fully aware of before engaging SRA. Options involve additional risk and are not suitable for all investors. The following is a list of some specific common risks to options trading but it is by no means intended to be an exhaustive list and clients should consult with their Advisor and tax advisor before participating in a service offered by SRA. Please refer to the Options Clearing Corporation Publication: “The Characteristics & Risks of Standardized Options,” (<https://www.theocc.com/about/publications/publication-listing.jsp>) for additional information.

Writing and buying options are speculative activities and entail investment exposures that are greater than their cost would suggest, meaning that a small investment in an option could have a substantial impact on performance that may result in losses exceeding the amounts invested. SRA's use of call and put options can lead to losses because of adverse movements in the price or value of the underlying stock, index, or other asset, which may be magnified by certain features of the options. These risks are heightened when SRA use options to enhance a client's return or as a substitute for a position or security. When selling a call or put option, a client will receive a premium; however, this premium may not be enough to offset a loss incurred by the client if the price of the underlying asset is above or below, respectively, the strike price by an amount equal to or greater than the premium. The value of an option may be adversely affected if the market for the option becomes less liquid or smaller and will be affected by changes in the value or yield of the option's underlying asset, an increase in interest rates, a change in the actual or perceived volatility of the stock market or the underlying asset and the remaining time to expiration. Additionally, the value of an option does not increase or decrease at the same rate as the underlying asset(s).

### **Assignment**

Writing a call or put in a position can result in an assignment and involuntary transaction (i.e., "called away"), which cannot otherwise be avoided, upon an exercise of a call or put in the client account. In the case of a short call, an assignment can result in a forced sale of the underlying security being held as collateral for the options trading, whether the security is held long in the portfolio (covered) or not (uncovered). Being short a put can lead to a forced purchase of the underlying security for which additional capital may have to be contributed to the account by the account holder (i.e., "margin call"). Such involuntary sale and purchase transaction may occur at inopportune market times, which could result in losses to an account.

### **Losses and Limited Gains**

In the case of an option purchase (long call or long put), a client's entire initial investment of premium can be lost. In the case of a covered option short sale (short call or short put), upside gains can be limited by the sale of a short call against an underlying stock position (see also Assignment risk above) and a forced purchase of stock can occur in the case of a short cash covered put sale. In the case of a naked call or put sale (a call with no underlying stock position or a put with no cash to cover the possibility of a forced stock purchase), there is the risk of unlimited loss in the call position and substantial loss in the put position.

### **Lack of Liquidity**

Some option markets are very thinly traded and highly illiquid, resulting in wide markets and limited trading opportunities. Should it be determined that an option trade will be attempted in such a market, there is the risk of a fill price that is either substantially higher (purchase) or substantially lower (sale) than mid-market. In such illiquid markets and despite best efforts there is the risk that no fill will occur at all for the intended order.

### **Other Options Risks**

There are various other risks associated with option positions. Options are complex derivative securities and should not be traded without full knowledge of all the factors affecting their value. These factors include changes in implied volatility in the market that can cause an increase or decrease in the value of an option with no concurrent change in the underlying price of the stock. In addition, changes in the underlying stock dividend, time to expiration, market interest rates and other factors can affect the value of an option position.

### **Option Investment Strategy and Portfolio Management Risk**

There can be no assurance that an investment strategy will produce an intended result, which could result in losses to a client. The performance of a strategy depends on the skill of SRA in making appropriate investment decisions and many other factors beyond SRA's control.

### **Hedging with Options**

Hedging techniques may involve one or more of the following risks: (i) imperfect correlation between the performance and value of the hedging instrument and the position being hedged; (ii) possible lack of a secondary market for closing out a position in such instruments; (iii) losses resulting from interest rate, spread or other market movements not anticipated by SRA; and (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the client's position. Furthermore, to the extent that any hedging strategy involves the use of derivatives instruments, such a strategy will be subject to the risks applicable to such instruments, including the effects of the implementation of the various regulations adopted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

### **FLEX Options Risk**

SRA may invest in FLEX Options issued and guaranteed for settlement by the OCC. The client will bear the risk that the OCC may be unable or unwilling to perform its obligations under the FLEX Options contracts.

Additionally, FLEX Options may be illiquid, and in such cases, a client may have difficulty closing out certain FLEX Options positions at desired times and prices.

- **Risks Associated with Equity Securities**

SRA uses equity-related instruments in its investment program. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and could have adverse long-term effects on world economies and markets generally.

- **Exchange-Traded Funds**

From time to time, SRA invests client assets in ETFs to gain exposure to certain markets or implement certain hedging or risk management strategies. ETFs represent shares of ownership in funds, unit investment trusts or depository receipts that hold portfolios of securities or individual issuers that closely track the performance of specific instruments, including broad market, sector or international indexes. There is typically some tracking error between an ETF and the index that the ETF attempts to replicate and ETFs can be subject to periods of illiquidity. There must be an active market in order to use ETFs effectively to express market views, and there can be no assurance that there will be adequate liquidity.

- **Futures Risk**

In certain strategies, SRA utilizes futures contracts, including options on futures, on securities or on an index of securities. Futures positions may include both long and short positions. Because of the low margin deposits normally required in futures trading, a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses and, like other leveraged investments, any trade may result in losses in excess of the amount invested.

- **Derivatives Risk**

The use of derivatives can lead to losses resulting from adverse movements in the price or value of the underlying asset, index, rate or instrument, due to

failure of a counterparty or to tax or regulatory constraints. Derivatives can create investment leverage in an account, magnifying an account's exposure to the underlying investment. The risks associated with derivatives use in an account may be heightened when they are used to enhance return or as a substitute for a position or security, rather than solely to hedge the risk of another investment held in the account. When derivatives are used to gain exposure to a particular market or market segment, their performance may not correlate as expected to the performance of that market or segment, thereby causing the account to fail to achieve its original purpose in using such derivatives. Derivatives used for hedging purposes may not reduce portfolio risk if they are not sufficiently correlated to the position being hedged. A decision as to whether, when and how to use derivatives involves the exercise of specialized skill and judgment, and even a well-conceived transaction may be unsuccessful because of subsequent market behavior or unexpected events. Derivative instruments may be difficult to value, illiquid, and subject to wide swings in valuation caused by changes in the value of the underlying asset, index, rate or instrument. The loss on a derivatives transaction may substantially exceed the initial investment.

- **Portfolio Turnover Risk**

Because a client may "turn over" some or all of its options as frequently as monthly, a client may incur high levels of transaction costs from commissions or mark-ups in the bid/offer spread. Higher portfolio turnover may result in the client paying higher levels of transaction costs and generating greater tax liabilities. Portfolio turnover may cause a client portfolio's performance to be less than you expect.

- **Brokerage and Custodial Risk**

There are risks involved in dealing with the custodians or brokers that settle client trades. A client will maintain custody accounts with its brokers and primary custodians. Although SRA will monitor the broker and custodial relationships, there is no guarantee that the brokers or a custodian that a client uses will not become bankrupt or insolvent. While both the United States Bankruptcy Code and the United States Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer or custodian, there is no certainty that, in the event of a failure of a broker or custodian that has custody of client assets, a client would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

- **Pandemic Risks**

An outbreak of disease or similar public health threat, or fear of such an event could have a material adverse impact on the performance of client

accounts. In addition, outbreaks of disease could result in increased government restrictions and regulation, including quarantines, which could adversely affect SRA's operations. The extent of the impact of a pandemic on the financial performance of client accounts, including SRA's ability to execute a client account's investment strategy in the expected time frame, may depend on future developments, including the duration and spread of the pandemic and the impact of the pandemic on local, national, and global financial markets, all of which are uncertain and cannot be predicted. An extended period of global supply chain and economic disruption could materially affect the performance of client accounts, results of operations, access to sources of liquidity, and financial condition.

- **Risks of Technology**

SRA's services are highly reliant on the accurate performance of its technology infrastructure, including software, communication networks, market data, and algorithms. A malfunction or failure in any of these could cause you to experience losses, some or all of which could be significant. With respect to each of its clients, through the use of its technology, SRA seeks to direct required transactions to meet the parameters of a given strategy or risk limit. However, there are numerous scenarios including failure of the communication lines, networks, technology and software systems, or inaccurate data, which could prove critical in SRA's ability to fulfill its responsibility. As with any technology, software, algorithm, data point, or communication line, their performance or accuracy can be compromised or prove unpredictable. It is important to note that SRA's reliance on the collective technology and communication infrastructure is critical for SRA to perform its advisory services. Any interruption or failure of these systems could have an adverse effect on client accounts, as it could limit or prohibit SRA from performing its advisory duties. In addition, this interruption could result in material client losses.

- **Cybersecurity Risk**

With the increased use of the Internet to conduct business, SRA and its clients are susceptible to operational and information security risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, infection by computer viruses or other malicious software code, gaining unauthorized access to digital systems through system-wide "hacking" or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks could also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on a website. In addition, authorized persons could inadvertently or intentionally release confidential or proprietary information stored on the systems of SRA or a client.

Cyber security failures or breaches by third party service providers of SRA or a client (including, but not limited to, the custodians and financial intermediaries) and the issuers of securities in which a client invests, could cause disruptions and impact the business operations of the service providers, SRA and its clients, potentially resulting in financial losses, the inability of a client to transact business or process transactions, inability to calculate a client's net asset value, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs.

While SRA has established business continuity and cyber security plans and risk management systems designed to prevent or reduce the impact of such cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been adequately identified or prepared for. Furthermore, a client cannot directly control any cyber security plans and systems put in place by third party service providers, or by issuers in which a client invests. A client could be negatively impacted in the event of a cyber security failure or breach.

SRA does not offer any technology products, option strategies, or services that guarantee rates of return on any investments for any time period to any client. Investing in securities of any type may result in the loss of principal. All clients also assume the risk that investment returns may be negative or below the rates of return of other investment advisors, market indices or investment products. Investment returns can fluctuate as the investment environment changes.

SRA services are highly reliant on the accuracy of the information provided to it by the Advisor or custodian regarding their clients. If a client or a client's representatives or agents were to provide SRA with inaccurate information, this could result in losses and materially impact the quality and applicability of SRA's services. Such information could include client positions, client's portfolio values, client's approved affirmation to participate in SRA programs, client's suitability to participate as determined by Advisor, and clients' general circumstances which might change from time to time and dictate whether certain investment risks are appropriate.

Investing in any type of securities involves a risk of loss and is inappropriate for those who are unable to bear the economic risk of loss. The recommendations provided by SRA are not intended to comprise any client's complete investment program. SRA does not make any assurance that its services, algorithms, and the technology that generates these algorithms can result in profitable return or avoidance of loss.

***SRA makes no guarantee or representation that its investment recommendations will be successful. Past performance is no guarantee of future results. Investing in options involves additional risk and is not suitable for all investors.***

***There can be no assurance that a client's investment objectives will be obtained, and no inference to the contrary is being made. Prior to entering into an agreement with SRA, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of three to five years; (2) that volatility from investing in the stock market can occur; and (3) that over time, the value of the client's assets can fluctuate and at any time be worth more or less than the amount invested.***

***SRA does not represent, guarantee, or imply that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.***

## **ITEM 9: DISCIPLINARY INFORMATION**

There are no adverse disciplinary events affecting SRA that would be deemed material to a client's decision to use SRA's investment advisory services or the integrity of SRA's management.

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

BlackRock is a broad financial services organization. In some cases, the BlackRock Investment Advisors have business arrangements with related persons/companies that are material to the BlackRock Investment Advisors' advisory business or to our clients. In some cases, these business arrangements create a potential conflict of interest, or the appearance of a conflict of interest between SRA and a client. The services that BlackRock provides its clients through its BlackRock Investment Advisors or through investments in a BlackRock investment product, as well as related conflicts of interest, are discussed in Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading of this Brochure. Potential conflicts of interest are also discussed in other governing documents, including but not limited to in an OM and/or agreement.

### **Affiliated Broker-Dealers**

BlackRock Investments, LLC ("BRIL") and BlackRock Execution Services are indirect wholly-owned subsidiaries of BlackRock registered under the Exchange Act. BRIL is an indirect wholly-owned subsidiary of BlackRock registered under the Exchange Act. BRIL is primarily engaged in the distribution of BlackRock proprietary and third-party registered investment companies, including through wholesale marketing, to other registered broker-dealers, investment advisors,



banks and other entities as well as through self-directed online cash management platforms, marketing 529 municipal securities and the sale of certain other investment products to institutional investors. BRIL acts as the distributor for U.S. iShares ETFs, which may be held in certain SRA accounts at the client's direction. Certain SRA employees are registered with BRIL to maintain financial professional licenses, but SRA does not currently engage with BRIL to provide any services to SRA clients.

### **Affiliated Registered Investment Advisors**

SRA has affiliates that are direct or indirect wholly-owned subsidiaries of BlackRock, registered as investment advisors with the SEC under the Advisers Act. Additional information about the BlackRock Investment Advisors is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

As described elsewhere in this Brochure, SRA clients may fund their account with shares of Affiliated Funds where one or more BlackRock Investment Advisors serves as investment advisor to such Affiliated Funds, and SRA may be authorized to buy and/or write options on Affiliated Funds. The Affiliated Funds pay fees to the BlackRock Investment Advisors for providing management, administrative or other services for such Affiliated Funds, which fees are in addition to the Advisory Fees payable by the client to SRA. Please refer to Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading for a description of the potential conflict of interest where SRA provides discretionary investment services for a client's account that holds Affiliated Fund shares.

### **Commodity Trading Advisor**

SRA is registered with the United States Commodity Futures Trading Commission as a "commodity trading advisor" and is a member of the National Futures Association, the self-regulatory organization for the futures industry.

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

SRA makes decisions for its clients in accordance with its fiduciary obligations. BlackRock is a worldwide asset management, risk management, investment system outsourcing, and financial services organization, and a major participant in global financial and capital markets. As such, SRA's evaluation of and policies and procedures governing any potential or actual conflicts of interest necessarily take into consideration its broader affiliate relationships.

### **BlackRock's Code of Business Conduct and Ethics**

BlackRock's Code of Business Conduct and Ethics (referred to, collectively with related policies and procedures, such as the Global Personal Trading Policy, as the "Code") requires employees to comply with the applicable federal securities laws,

as well as fiduciary principles applicable to BlackRock's business, including that employees must avoid placing their own personal interests ahead of BlackRock clients. We will provide a copy of the Code to any client or prospective client upon request.

### **Participation or Interest in Client Transactions**

As allowed under the Code, SRA employees are permitted to purchase for their own or for related accounts the same securities that are recommended and purchased for SRA's clients. SRA's policy is that, in all circumstances, the interests of our clients take precedence over the interests of employees or personal relationships. Any conflicts or potential conflicts of interest must be disclosed. In addition, to address these conflicts, employee trading is continually monitored, to help prevent conflicts of interest between our clients and us. Further, SRA may participate or have an interest in client transactions as described below. SRA makes all investment management decisions in its clients' best interests.

SRA does not conduct any principal or agency cross-securities transactions for client accounts, nor do we conduct cross-trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross-transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Should SRA decide to conduct principal trades or cross-trades in client accounts, we will comply with the provisions of Rule 206(3) of the Advisers Act, as applicable.

### **Employee Accounts**

SRA provides sub-advisory services to accounts maintained by SRA employees, BlackRock employees and/or their family members. SRA adheres to its trade allocation procedures for all accounts.

### **Buying and Selling Securities that are Recommended to Clients**

SRA recommends to clients its strategies in which its affiliates or employees are also invested. SRA could also recommend to clients, securities in which a related person has established an interest independent of SRA. SRA provides investment advisory services to various clients that may differ from the advice given, or the timing and nature or action taken, with respect to any one account. SRA, its affiliates, employees (to the extent not prohibited by the Code), and other clients may have, acquire, increase, decrease, or dispose of securities or interests at or about the same time that SRA is purchasing or selling securities or interests for an account which are or may be deemed to be inconsistent with the actions taken by

such persons. All such investments are made in conformity with SRA's Code and compliance manual.

### **Client Holdings in Affiliated Funds**

Certain client accounts may hold shares of Affiliated Funds. BlackRock Investment Advisors, including SRA, face potential conflicts when buying or writing options on, one or more Affiliated Funds with respect to which BlackRock receives fees and/or other compensation. In hindsight, circumstances could be construed that such recommendation, allocation or inclusion conferred a benefit upon the Affiliated Fund or BlackRock Investment Advisor, to the detriment of the client. This conflict is mitigated, however, because SRA does not recommend purchases of Affiliated Funds in SRA portfolios, but instead only integrates options on Affiliated Funds into a portfolio at the client's direction when circumstances warrant and doing so is in the best interest of such client. A client holding shares of an Affiliated Fund in an SRA portfolio will result in increased assets under management, and therefore, increased fees received by a BlackRock Investment Advisor in connection with the operation of or services provided to that Affiliated Fund, which fees are in addition to the Advisory Fees payable by the client to SRA. SRA will have an incentive to hold shares of Affiliated Fund in the client's portfolio. A client may be able to hold shares of an Affiliated Fund outside of the SRA portfolio without paying an additional management fee to SRA.

### **Personal Trading**

SRA employees are subject to the Code, as well as policies incorporated herein, including, but not limited to, its Global Personal Trading Policy, Outside Activity Policy, Political Contribution Policy, as well as restrictions involving proprietary information, material non-public information, and potential restrictions on investment advisor activity. Each of these policies governs the conduct of BlackRock's directors, managers, members, officers, and employees—including all SRA employees (collectively, the "BlackRock Group") — and are described in detail below.

### **BlackRock's Global Personal Trading Policy and Other Ethical Restrictions**

Members of the BlackRock Group buy, sell, and hold for their own and their family members' accounts public securities, private securities, and other investments in which such BlackRock personnel have a pecuniary interest, whether because they are also bought, sold, or held for BlackRock clients or through accounts (or investments in funds) managed by BlackRock Investment Advisors or otherwise. As a result of differing trading and investment strategies or constraints, positions taken by BlackRock directors, officers, and employees can be the same as or different from, or made contemporaneously with or at different times than, positions taken for BlackRock clients.

As these situations involve potential conflicts of interest, BlackRock has adopted policies and procedures relating to personal securities transactions, insider trading, and other ethical considerations, including the Global Personal Trading Policy in accordance with Rule 17j-1 under the Investment Company Act of 1940, as amended (the “Investment Company Act”) and Rule 204A-1 under the Advisers Act (the “Rules”). These policies and procedures are intended to identify and prevent actual conflicts of interest with clients and to resolve such conflicts appropriately if they do occur.

In conformity with the Rules, the Global Personal Trading Policy contains provisions regarding employee personal trading and reporting requirements that are designed to address potential conflicts of interest that might interfere, or appear to interfere, with making decisions in the best interest of BlackRock clients. Together with BlackRock’s Code, the Global Personal Trading Policy requires employees to comply with the applicable federal securities laws, as well as fiduciary principles applicable to BlackRock’s business, including that employees must avoid placing their own personal interests ahead of BlackRock clients’ interests.

The Global Personal Trading Policy requires that employees at BlackRock conduct all personal investment transactions in a manner consistent with applicable federal securities laws, the Global Insider Trading Policy, and other BlackRock policies. These requirements include reporting personal investment accounts, preclearing personal trading and private investment transactions. The Global Personal Trading Policy also generally prohibits employees from acquiring securities in initial public offerings, and contains prohibitions against profiting from short-term trading, subject to very limited exceptions. The Global Personal Trading Policy additionally imposes “blackout” periods on certain employees, including portfolio management personnel, prohibiting transactions in certain securities during time periods surrounding transactions in the same securities by BlackRock client accounts. Moreover, the Global Personal Trading Policy and other BlackRock policies contain provisions that are designed to prevent the use of material non-public information.

Any member of the BlackRock Group covered by the Code who fails to observe its requirements, or those contained in related BlackRock policies and procedures, is subject to potential remedial action. BlackRock will determine on a case-by-case basis what remedial action should be taken in response to any violation, including potential voiding or reversal of a trade, the cost of which will be borne by the employee or owner of the account, or limiting an employee’s personal trading for some period of time.

### **Outside Activities**

Members of the BlackRock Group have a duty to act solely in the interest of BlackRock’s clients. BlackRock’s Global Outside Activity Policy requires that

BlackRock employees obtain approval from their line manager and Compliance before engaging in any outside activities so that BlackRock has the opportunity to consider whether such activities create actual or potential conflicts of interest. The Global Outside Activity Policy is intended to identify activities that have the potential to conflict with an employee's role at BlackRock and/or BlackRock's activities.

### **Political Contributions**

BlackRock's political contributions policy establishes the requirements that apply when BlackRock and its employees make or solicit U.S. political contributions or engage in political activities in the U.S. The policy prohibits BlackRock and its employees from making or soliciting U.S. political contributions for the purpose of obtaining or retaining business. The policy requires employees to preclear U.S. political contributions before they, their spouse, domestic partner, or dependent children make any contributions to a political candidate, government official, political party, or political action committee ("PAC") in the U.S.

The BlackRock PAC, a nonpartisan political action committee, is supported voluntarily by eligible U.S. employees to help elect U.S. federal candidates who the PAC's Board of Directors determine share BlackRock's values and goals.

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

BlackRock Group receives material non-public information in the ordinary course of its business. This is information that is not available to other investors or other confidential information which, if disclosed, would likely affect an investor's decision to buy, sell, or hold a security. This information is received voluntarily and involuntarily and under varying circumstances, including, but not limited to, upon execution of a nondisclosure agreement, as a result of serving on the board of directors of a company, serving on ad hoc or official creditors' committees and participation in risk, advisory, or other committees for various trading platforms, clearinghouses, and other market infrastructure-related entities and organizations. Under applicable law, members of the BlackRock Group are generally prohibited from disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether that person is a BlackRock client.

Accordingly, should a member of the BlackRock Group obtain, either voluntarily or involuntarily, material non-public information with respect to an issuer, it may limit the ability of BlackRock clients to buy, sell, or hold investments and may result in an underlying security or investment being priced inconsistently across BlackRock clients. BlackRock has no obligation or responsibility to disclose the information to, or use such information for the benefit of, any person (including BlackRock clients), even if requested by BlackRock or its affiliates and even if failure to do so would be detrimental to the interests of that person. BlackRock has adopted a

Global Insider Trading Policy and a Global Material Non-public Information Barrier Policy, which establish procedures reasonably designed to prevent the misuse of material nonpublic information by BlackRock and its personnel. Under the Global Insider Trading Policy, BlackRock Investment Advisor generally are not permitted to use material non-public information obtained by any department or affiliate of BlackRock in the course of its business activities or otherwise, in effecting purchases and sales in securities transactions for BlackRock clients, or for their personal accounts.

BlackRock also has adopted policies establishing information barriers to minimize the likelihood that particular investment advisory units or teams will inadvertently come into possession of material non-public information known by some other unit or team at BlackRock and thereby also minimizing the likelihood that a particular unit or team will be inadvertently precluded from taking action on behalf of its clients. Nonetheless, the investment flexibility of one or more of the BlackRock Investment Advisors or business units on behalf of BlackRock clients may be constrained as a consequence of BlackRock's policies regarding material non-public information and insider trading and related legal requirements.

Consequently, BlackRock Investment Advisors' investment activities likely will be impacted by receipt of such information, even if a failure to act on such information is ultimately detrimental to BlackRock clients. In addition, in certain circumstances, the use of such information would also be prohibited by BlackRock's Global Insider Trading Policy.

From time to time, certain BlackRock employees use paid expert networks and other industry experts (subject to the BlackRock policies regarding the handling and restricted use of material non-public information). BlackRock has adopted specific policies and procedures to prevent and address the receipt of any material non-public information from such expert networks.

### **BlackRock's Business Practices and Potential Conflicts of Interest**

In addition to SRA's supervised persons being immediately subject to the BlackRock compliance policies and procedures described above, we also describe herein certain BlackRock business practices and the potential conflicts of interest presented, and how conflicts of interest that may arise are addressed.

On occasion, BlackRock, including its affiliates, may invest in a company, or otherwise seek to acquire a controlling or noncontrolling stake in a company, for strategic purposes. Such activity could result in a restriction on the ability of BlackRock clients to engage with such company as a counterparty or otherwise invest in such company's securities, either at the time of such engagement or at a later date. In addition, BlackRock may take action with respect to its proprietary account(s) that competes or conflicts with the advice a BlackRock Investment

Advisor may give to, or an investment action a BlackRock Investment Advisor may take on behalf of, a BlackRock client. Such activity gives rise to a potential conflict of interest. BlackRock Investment Advisors make decisions for their clients in accordance with their fiduciary obligations to such clients.

As a global provider of investment management, risk management, and advisory services to institutional and retail clients, BlackRock engages in a broad spectrum of activities, including sponsoring and managing a variety of public and private investment funds, funds of funds, and separate accounts across fixed income, cash management, equity, multi-asset, alternative investment, and real estate strategies; providing discretionary and nondiscretionary financial advisory services; providing enterprise trading systems, risk analytics, investment accounting, and trading support services under the BlackRock Solutions business; and engaging in certain broker-dealer activities, transition management services, mortgage servicing, and other activities. BlackRock acts as, among other things, an investment manager, investment advisor, broker-dealer and, under certain circumstances, an index provider. BlackRock Investment Advisors manage the assets of BlackRock clients in accordance with the investment mandate selected by each BlackRock client and applicable law, and will seek to give advice to, and make investment decisions for, such BlackRock client that the BlackRock Investment Advisor believes to be in the best interests of such BlackRock client. However, from time to time, investment allocation decisions are made which adversely affect the size or price of the assets purchased or sold for a BlackRock client, and the results of the investment activities of a BlackRock client may differ significantly from the results achieved by the BlackRock Investment Advisors for other current or future BlackRock clients. Thus, the management of numerous accounts for BlackRock clients and other services provided by the BlackRock Investment Advisors creates a number of potential conflicts of interest.

Additionally, regulatory and legal restrictions (including those relating to the aggregation of positions among different funds and accounts) and BlackRock's internal policies and procedures restrict certain investment activities of BlackRock Investment Advisors for BlackRock clients.

These and other potential conflicts are discussed generally herein or in the relevant investment management agreement and/or governing documents of the investments managed or served by the various BlackRock Investment Advisors, including SRA, which should be reviewed in conjunction with any investment with such BlackRock Investment Advisor. Given the interrelationships among the BlackRock Group and the changing nature of the business, affiliations, and opportunities, as well as legislative and regulatory developments, there may be other or different potential conflicts that arise in the future or that are not covered by this discussion. As a fiduciary to the BlackRock clients, however, BlackRock is

committed to putting the interests of BlackRock clients ahead of its own in the provision of investment management and advisory services.

### **Potential Conflicts Relating to BlackRock Investment Advisory Activities**

The results of the investment activities provided to a BlackRock client can differ significantly from the results achieved by BlackRock Investment Advisors for other current or future BlackRock clients. BlackRock Investment Advisors will manage the assets of a BlackRock client in accordance with the investment mandate selected by such BlackRock client. However, members of the BlackRock Group (including BlackRock Investment Advisors) may give advice and take action with respect to their own account or any other BlackRock client that competes or conflicts with the advice a BlackRock Investment Advisor may give to, or an investment action a BlackRock Investment Advisor may take on behalf of, a BlackRock client (or a group of BlackRock clients), or advice that may involve different timing than that of a BlackRock client. The potential conflicts include, in particular, members of the BlackRock Group and one or more BlackRock clients buying or selling positions while another BlackRock client is undertaking the same or a differing, including potentially opposite, strategy.

Similarly, BlackRock Investment Advisors' management of BlackRock client accounts may benefit members of the BlackRock Group including, to the extent permitted by applicable law and contractual arrangements, investing BlackRock client accounts directly or indirectly in the securities of companies in which a member of the BlackRock Group, or other BlackRock client for itself or its clients, has an equity, debt, or other interest.

In addition, to the extent permitted by applicable law and contractual arrangements, BlackRock clients may engage in investment transactions which may result in other BlackRock clients being relieved of obligations or otherwise having to divest or cause BlackRock clients to have to divest certain investments. In some instances, the purchase, holding, and sale, as well as voting of investments by BlackRock clients may enhance the profitability or increase or decrease the value of a BlackRock Group member's or other BlackRock clients' own investments in such companies. This may give rise to potential conflicts of interest.

### **Potential Restrictions and Conflicts Relating to Information Possessed or Provided by BlackRock**

In connection with the activities of BlackRock, Inc., and BlackRock Investment Advisor, certain persons within the BlackRock Group receive information regarding proposed investment activities for BlackRock and BlackRock clients that is not generally available to the public. Also, BlackRock Investment Advisors have access to certain fundamental analyses, research, and proprietary technical models developed internally or by other members of the BlackRock Group, certain third parties, and their respective personnel. There will be no obligation on the part of



such persons or any BlackRock Investment Advisor to make available for use by a BlackRock client, or to effect transactions on behalf of a BlackRock client on the basis of, any such information, strategies, analyses, or models known to them or developed in connection with their own proprietary or other activities. In many cases, such persons will be prohibited from disclosing or using such information for their own benefit or for the benefit of any other person, including BlackRock clients. In other cases, fundamental analyses, research, and proprietary models developed internally are used by various BlackRock Investment Advisors and personnel on behalf of different BlackRock clients, which could result in purchase or sale transactions in the same security at different times (and could potentially result in certain transactions being made by one portfolio manager on behalf of certain BlackRock clients before similar transactions are made by a different portfolio manager on behalf of other BlackRock clients), or could also result in different purchase and sale transactions being made with respect to the same security. Further information regarding inconsistent investment positions and timing of competing transactions is set forth in “Potential Conflicts Relating to BlackRock Investment Advisory Activities,” above.

Similarly, one or more BlackRock clients could have, as a result of receiving client reports or otherwise, access to information regarding BlackRock Investment Advisors’ transactions or views, including views on voting proxies, which are not available to other BlackRock clients, and may act on such information through accounts managed by persons other than a BlackRock Investment Advisor. The foregoing transactions may negatively impact BlackRock clients through market movements or by decreasing the pool of available securities or liquidity. BlackRock clients could also be adversely affected when cash flows and market movements result from purchase and sale transactions, as well as increases of capital in, and withdrawals of capital from, accounts of other BlackRock clients. These effects can be more pronounced in thinly traded securities and less liquid markets.

### **Potential Restrictions on BlackRock Investment Advisor Activity**

BlackRock may become restricted or limited in its ability to purchase, sell, or vote on securities, derivative instruments, or other assets, on behalf of its clients due to corporate, regulatory, legal requirements, or contractual restrictions, applicable to BlackRock or the securities held by BlackRock on behalf of its clients. BlackRock has developed internal policies, to the extent necessary, designed to comply with, limit the applicability of, or otherwise relate to such requirements, as well as address potential conflicts of interest. These restrictions can impact or limit BlackRock’s ability to purchase, vote, or sell certain securities, derivative instruments, or other assets on behalf of certain BlackRock clients at the same time as other BlackRock clients. A client not advised by BlackRock will not necessarily be subject to the same considerations.

In some cases, BlackRock Investment Advisors do not initiate or recommend certain types of transactions, or will otherwise restrict or limit their advice with respect to securities or instruments issued by, or related to, companies, for which BlackRock is performing advisory or other services, or companies in which BlackRock has an interest. Such limitations or restrictions can arise solely from actions taken or initiated by BlackRock and have a negative effect on BlackRock clients. For example, from time to time, when BlackRock is engaged to provide advisory or risk management services for a company, BlackRock Investment Advisors will be prohibited from, or limited in, purchasing or selling securities of that company for BlackRock client accounts, particularly where such services result in BlackRock obtaining material non-public information about the company.

Similar situations could arise if: (1) BlackRock personnel serve as directors or officers of companies the securities of which BlackRock wishes to purchase or sell; (2) BlackRock has an ownership or other interest in a company; (3) BlackRock is provided with material non-public information with respect to the issuer of securities; (4) BlackRock Investment Advisors on behalf of BlackRock clients or BlackRock, Inc., participate in a transaction (including a controlled acquisition of a U.S. public company) that results in the requirement to restrict all purchases and voting of equity securities of such target company; or (5) regulations, including portfolio affiliation rules under the Investment Company Act or stock exchange rules, prohibit investments in an issuer when BlackRock or its clients already have an interest in such issuer. However, where permitted by applicable law, and where consistent with BlackRock's policies and procedures (including the implementation of appropriate information barriers), BlackRock can purchase or sell securities or instruments that are issued by such companies or are the subject of an advisory or risk management assignment by BlackRock, or in cases in which BlackRock personnel serve as directors or officers of the issuer.

BlackRock has established a formal information and decision-making barrier between certain business units within BlackRock to help ensure that the proxy voting and investment decision making for the portfolios managed by the disaggregated business units are executed independently pursuant to SEC guidance for the reporting requirements under Sections 13(d), 13(g) and Section 16 of the Exchange Act.

Although the information barriers are intended to allow for independent portfolio management decision-making and proxy voting among certain BlackRock businesses, the investment activities of BlackRock for its clients, as well as BlackRock's proprietary accounts, may nonetheless limit the investment strategies and rights of other BlackRock clients. As BlackRock's assets under management increases, clients may face greater negative impacts due to ownership restrictions and limitations imposed by laws, regulations, rules, regulators, or issuers. In certain circumstances where clients invest in securities issued by companies that

operate in certain industries (e.g. banking, insurance, and utilities) or in certain emerging or international markets, or are subject to regulatory or corporate ownership restrictions (e.g. with mechanisms such as poison pills in place to prevent takeovers), or where clients invest in certain futures or other derivatives, clients can, in the absence of BlackRock being granted a license or other regulatory or corporate approval, order, consent, relief, waiver or non-disapproval, become subject to threshold limitations on aggregate and/or portfolio-level ownership interests in certain companies. If certain aggregate ownership thresholds are reached either through the actions of BlackRock or a client or as a result of corporate actions by the issuer, the ability of SRA and the BlackRock Investment Advisors on behalf of clients to purchase or dispose of investments, or exercise rights (including voting) or undertake business transactions, may be restricted by law, regulation, rule, or organizational documents or otherwise impaired. Or, if the threshold limitation is exceeded without receiving such relief, may cause BlackRock or its clients to be subject to enforcement actions, disgorgement of share ownership or profits, regulatory restrictions, complex compliance reporting, increased compliance costs or suffer disadvantages or business restrictions. In light of certain restrictions, BlackRock may also seek to make indirect investments (e.g., using derivatives) on behalf of clients to receive exposure to certain securities in excess of the applicable ownership restrictions and limitations when legally permitted that will expose clients to additional costs and additional risks, including any risks associated with investing in derivatives. There may be limited availability of derivatives that provide indirect exposure to an impacted security. In addition, BlackRock clients can be subject to more than one ownership limitation depending on their holdings, and each ownership limitation can impact multiple securities held by such clients. Certain clients or shareholders may have their own overlapping obligations to monitor their compliance with ownership limitations across their investments.

In these circumstances, clients will be competing for investment opportunities with other BlackRock clients. Similarly, some clients will be limited or restricted in their ability to participate in certain initial public offerings pursuant to FINRA rules. This will result in client accounts not being able to fully participate, or to participate at all, in such opportunities. These types of restrictions could negatively impact a client's performance or ability to meet its investment objective.

As a result, BlackRock Investment Advisors on behalf of BlackRock clients may limit purchases, sell existing investments, utilize indirect investments, utilize information barriers, or otherwise restrict, forgo, or limit the exercise of rights (including transferring, outsourcing or limiting voting rights or foregoing the right to receive dividends) when BlackRock Investment Advisors, in their sole discretion, deem it appropriate in light of potential regulatory or corporate restrictions on ownership, voting rights, or other consequences resulting from reaching investment thresholds. Similar limitations apply to derivative instruments or other assets or instruments, including futures, options, or swaps. These limitations may

apply differently to certain clients and may be based on holdings of other clients instead of the specific clients being restricted from purchasing or directly holding a security that such clients would otherwise purchase or hold. These types of limitations could negatively impact a client's performance or ability to meet its investment objective.

Ownership limitations are highly complex. It is possible that, despite BlackRock's intent to either comply with or be granted permission to exceed ownership limitations, it may inadvertently breach a limit or violate the corporate or regulatory approval, order, consent, relief or non-disapproval that was obtained.

In those circumstances where ownership thresholds or limitations must be observed, BlackRock seeks to equitably allocate limited investment opportunities among BlackRock clients, taking into consideration a security's benchmark weight and investment strategy. BlackRock may adopt certain controls designed to prevent the occurrence of a breach of any applicable ownership threshold or limits, including, for example, when BlackRock's ownership in certain securities nears an applicable threshold, BlackRock will limit additional purchases in such securities. If BlackRock's clients' holdings of an issuer exceed an applicable threshold and BlackRock is unable to obtain relief to enable the continued holding of such investments, it will be necessary to reduce these positions to meet the applicable limitations, possibly during deteriorating market conditions, and BlackRock or such clients may be subject to regulatory actions. In these cases, the investments will be sold in a manner that BlackRock deems fair and equitable over time.

In addition to the foregoing, other ownership or voting thresholds may trigger or require reporting, applications, licenses, or other special obligations to governmental and regulatory authorities, and such reports, applications, or licenses may entail the disclosure of the identity of the BlackRock client or BlackRock's intended strategy with respect to such securities, instruments, or assets. Where applicable, BlackRock can elect to forego or limit certain investments or opportunities, including limitations on voting or other investor rights, rather than incur the costs of an application, registration, or license.

Under certain circumstances, BlackRock will restrict a purchase or sale of a security, derivative instrument, or other asset on behalf of BlackRock clients in anticipation of a future conflict that may arise if such purchase or sale would be made. Any such determination will take into consideration the interests of the relevant BlackRock clients, the circumstances that would give rise to the future conflict, and applicable laws. Such determination will be made on a case-by-case basis.

When evaluating non-index investments on behalf of its clients, especially in the case of private and real assets, BlackRock may consider the reputational risks of such investments to itself or its clients. As a result, BlackRock may, from time to

time, forego making or disposing of non-index investments on behalf of its clients based on BlackRock's evaluation of these risks, even in circumstances where such investments are legally permissible and consistent with client guidelines. With respect to index investing, however, BlackRock manages to each applicable index without regard to these risks.

## **ITEM 12: BROKERAGE PRACTICES**

### **Broker Selection and Trade Order Routing**

SRA considers broker selection and trade order generation and routing as important aspects of every trade placed for a client account. In accordance with its Best Execution Policy, SRA periodically reviews executing brokers and determines the reasonableness of their compensation based on a range and quality of a broker's services, including, but not limited to, execution capability, depth of connectivity, reputation, prior working experience, financial strength, and fairness in resolving disputes. However, neither SRA, the technology utilized, nor ideas generated are obligated to select a broker offering the lowest commission rate or security price in connection with any given transaction. Trade orders are routed on the direction of SRA.

As a general rule, SRA receives discretionary investment authority, either directly from a client or indirectly from a client's Advisor, at the outset of an advisory relationship. Subject to the terms of the applicable agreement, SRA's authority often includes the ability to select brokers and dealers through which to execute transactions on behalf of its clients and to negotiate the commission rates, if any, at which transactions are effected. In making decisions as to which securities or instruments are to be bought or sold and the amounts thereof, SRA is guided by the mandate selected by the client and any client-imposed guidelines or restrictions.

### **Directed Brokerage**

Certain clients may wish to restrict brokerage to a particular broker or dealer in recognition of custodial or other services provided to the client by the broker or dealer. A client that chooses to designate use of a particular broker or dealer on a "restricted" basis, including a client that designates a broker or dealer as custodian of the client's assets, should consider whether such a designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions than might otherwise be obtainable by SRA, or receive less favorable net prices and executions of some or all of the transactions. Less favorable services could include, but are not limited to, connection speeds, technology, and timely and accurate trade communication information.

In the case of a "restricted" designation, SRA can direct trade orders that could deviate from the client's designation in situations in which, in its judgment, a

significantly more advantageous net price is available from another dealer, or it may authorize the designated broker dealer to effect the transaction as agent in order to obtain a better price from another dealer, but allow the designated “agent” broker-dealer a scheduled mark-up or mark-down on the transaction (i.e., Step Out).

### **Aggregation of Orders/Allocation of Trades**

There are occasions when SRA decides to purchase or sell the same security for several clients at approximately the same time. SRA can (but is not obligated to) combine or “bunch” such orders in order to secure certain efficiencies and results with respect to execution, clearance, and settlement of orders. Securities bought or sold pursuant to “bunch” orders are allocated among all participating accounts on an average-price basis. On partial fills, trade executions will generally be allocated across participating accounts ratably, based on the number of shares on order for each such account. Transactions for a client account may not be aggregated for execution if the practice is prohibited or inconsistent with the client’s investment management agreement.

While SRA effects trades in this manner to reduce the overall level of brokerage commissions paid or otherwise enhance the proceeds or other benefits of the trade for its clients, SRA can also direct transactions to brokers based on both the broker’s ability to provide high quality execution and the nature and quality of research services, if any, such brokers provide to SRA. As a result, clients may not always pay the lowest available commission rates where their trades are effected in this manner, so long as SRA believes that they are nonetheless obtaining best price and execution under the circumstances.

SRA will aggregate and allocate orders in a manner designed to ensure that no particular client or account is systematically favored and that participating client accounts are treated in a fair and equitable manner over time.

### **Selection Criteria**

Selection of the broker-dealer used for executing transactions is dependent on several factors including the choice of custodian, which is typically driven by the client. SRA has relationships with many custodians. SRA will inform clients which custodians are available; however, clients make the actual selection. The custodian/trading relationships used by SRA offer competitive trading costs, electronic order execution, and competent back-office support including technological links with SRA’s information systems. For broker-dealers where SRA has discretion, the following selection criteria are used, including but not limited to: execution quality, commissions, and clearing and settlement capabilities of the broker-dealer; the broker-dealer’s experience and ability to place difficult trades;

access to markets; and the reputation, financial strength, and stability of the broker-dealer.

### **Wrap Accounts**

Clients choosing to participate in certain Wrap Programs or platforms may use SRA investment management services. Brokerage and other trading fees in such cases are between the client and the brokerage/custodial firm. In most cases, since the fees paid by the client include commissions, SRA places Wrap Client trades with the Wrap Sponsor for execution. While SRA may have discretion to select broker-dealers other than the Wrap Sponsor to execute trades for wrap accounts in a particular program, trades are generally executed through the Wrap Sponsor.

A Wrap Sponsor may instruct SRA not to execute transactions on behalf of the wrap accounts in that program with certain broker-dealers. When a Wrap Sponsor restricts SRA in this way, it may affect SRA's ability to negotiate favorable commission rates or volume discounts, the availability of certain spreads, and the timeliness of execution. This may consequently result in a less advantageous price being realized by the account. SRA endeavors to treat all wrap accounts fairly and equitably over time in the execution of client orders. Depending on various factors, such as the size of the order and the type and availability of a security, orders for wrap accounts may be executed throughout the day. When orders are placed with broker-dealers, such trades may experience sequencing delays and market impact costs, which SRA attempts to minimize.

In certain Wrap Programs where SRA is not directed to use a particular broker-dealer, SRA has discretion to select broker-dealers to fulfill its duty to seek best execution for its clients' accounts. However, because brokerage commissions and other charges for equity transactions not effected through the Wrap Sponsor can be charged to the client, whereas the Wrap Fee generally covers the cost of brokerage commissions and other transaction fees on equity transactions effected through the Wrap Sponsor, it is likely that most, if not all, equity transactions for clients of such Wrap Programs will be effected through the Wrap Sponsor. SRA seeks to mitigate this potential conflict of interest by selecting broker-dealers to obtain best execution based on the factors noted above in *Item 12: Brokerage Practices* under "Selection Criteria."

A client who participates in a Wrap Program should consider that, depending on the level of the Wrap Fee charged by the Wrap Sponsor, the amount of portfolio activity in the client's account, the value of the custodial and other services that are provided under the arrangement, and other factors, the Wrap Fee may or may not exceed the aggregate cost of such services if they were provided separately.

### **Research or Other Soft Dollar Benefits**

SRA does not presently receive research or other products or services (i.e., soft dollar benefits) other than execution from a broker-dealer or third-party in connection with client securities transactions.

### **Brokerage for Client Referrals**

At this time, SRA does not enter into agreements with, or make commitments to, any broker-dealer that would bind SRA to compensate that broker-dealer, directly or indirectly, for client referrals (or sale of fund interests) through the placement of brokerage transactions.

### **Best Execution**

While SRA is under common ownership with certain entities, which include one or more broker-dealers (the “Broker-Dealer Affiliates”), SRA does not have any business dealings with the Broker-Dealer Affiliates in connection with any of the advisory services we provide to our clients, we do not share operations with any of the Broker-Dealer Affiliates, we do not refer clients or business to the Broker-Dealer Affiliates and the Broker-Dealer Affiliates do not provide business or clients to us, we do not share supervised persons with the Broker-Dealer Affiliates, and have no reason to believe that our relationship with the Broker-Dealer Affiliates otherwise creates a conflict of interest with our clients. We do not consider the promotion or sale of investment products affiliated with or managed by SRA or our affiliates when selecting brokers to execute client transactions.

As a fiduciary, SRA has an obligation to use its best efforts to seek to obtain the best qualitative available price and most favorable execution given the circumstances, with respect to all portfolio transactions placed by SRA on behalf of its clients. Thus, SRA carefully monitors and evaluates transaction costs and the quality of execution across all strategies and client portfolios. This process is commonly referred to as seeking “best execution.” SRA conducts its best execution analysis on a regular basis through its SRA’s Investment Committee, which in turn reports to BlackRock’s Best Execution Committee and other relevant teams as needed.

In analyzing best overall execution, the SRA Investment Committee considers various factors, including but not limited to: specific market and trading impact, number of shares being traded relative to market volume, execution price, trading costs, and other material inputs.

Other specific factors considered in the best execution analysis include: the nature of the portfolio transaction; the size of the transaction; the execution, clearing, and settlement capabilities of the broker-dealer; the broker-dealer’s experience and ability to place difficult trades; access to markets; the reputation, financial strength, and stability of the broker-dealer; availability of alternative trading platforms; the desired timing of the transaction; and the importance placed on



confidentiality. SRA always seeks to effect transactions at the price and commission that provide the most favorable total overall cost or proceeds reasonably attainable given the circumstances.

Unless otherwise agreed to, SRA has discretion to place buy and sell orders with or through such brokers or dealers as it deems appropriate. We also continually monitor the broker custodian performance in the SRA Investment Committee review, as discussed above.

Although SRA seeks to obtain best execution for clients' securities transactions, we are not required to solicit competitive bids and we are not obligated to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, as stated above. Consistent with the foregoing, SRA may not necessarily obtain the lowest possible commission rates for client transactions. SRA's Investment Committee performs periodic evaluations of our trading practices and utilized brokers/custodians in an ongoing effort to help ensure that SRA is fulfilling its best execution obligation.

### **Order Routing**

SRA has entered into a customer agreement with SpiderRock EXS, LLC, an unaffiliated SEC registered broker-dealer ("SR EXS"), which permits SRA to facilitate client trades through SR EXS. Such trades are executed by SR EXS or through unrelated broker dealers that may utilize SR EXS' order routing technology. Where trades are executed by SR EXS, SRA's clients will pay commissions to SR EXS as executing broker-dealer. Where trades are executed through unrelated broker dealers, SR EXS' fees are paid by the broker-dealer that executes the trade through a commission sharing agreement with SR EXS, which costs are indirectly borne by SRA's clients through commissions paid to the executing broker-dealer. This trading is monitored to ensure adherence to SRA's Best Execution Policy.

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

In general, all client accounts are continuously monitored and reviewed via technology on a daily basis to reasonably ensure that the client positions are in balance according to the client's investment parameters and to verify the accuracy of accounting. Client accounts are monitored for the client's stated objectives and risk tolerance. All SRA's accounts are reviewed periodically to ensure that transactions:

- Conform to client objectives and investment/restriction guidelines;

- Are consistent with available cash and other holdings in the client's account; and
- Conform to SRA agreed to investment strategy.

SRA accounts are reviewed by any of the following SRA employees: the Firm's Chief Investment Officer, operations and trading personnel, and Chief Compliance Officer. Additionally, certain controls have been built into SRA's licensed and proprietary software, technology, algorithms, and daily bookkeeping processes to provide multiple checks and balances.

### **Non-Periodic Reports**

Other than the periodic review of accounts described above, certain account or market anomalies may trigger non-periodic reviews of client accounts.

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

SRA has engaged third party solicitors for client referrals, including broker-dealers, investment advisors and other financial intermediaries. Such solicitors receive compensation from SRA for such client referrals. Some clients pay higher Advisory Fees to SRA to account for compensation paid to such solicitors, as disclosed to referred clients in each case. Such arrangements will comply with applicable law.

Clients referred by a solicitor are subject to a conflict of interest, as the solicitor is incentivized by the referral fee to refer clients to SRA, as opposed to another advisor where no such referral fee is paid. Referral fees paid to a solicitor are contingent upon a client engaging SRA to provide investment advisory services.

To the extent permitted by applicable law, the compensation of certain SRA personnel whose job responsibilities are related primarily to marketing, sales, or business development are determined based in part on the amount of new client fees generated by their efforts. Accordingly, SRA personnel could have a conflict of interest in recommending products where SRA personnel receive compensation over other products where no compensation may be paid.

## **ITEM 15: CUSTODY**

SRA does not maintain physical possession of client funds or securities. Assets typically are deposited with a qualified custodian chosen by the client. Clients and institutional accounts typically select their own custodian. Where SRA is deemed to have custody over client funds solely due to its ability to collect its advisory fees directly from certain client accounts, in all such instances, the client accounts are held with "qualified custodians", as defined under the Advisers Act.

SRA is not affiliated with any custodians with which it interacts, and any such custodians do not supervise SRA, its agents, or its activities. SRA will implement investment management recommendations only after the client has arranged for and furnished SRA with all information and authorizations regarding its accounts held at the designated qualified custodian.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Please refer to Item 12 for additional important disclosure information relating to our brokerage practices and relationships with custodians.

### **ITEM 16: INVESTMENT DISCRETION**

In general, SRA receives discretionary investment authority at the outset of an advisory relationship, either delegated in an advisory agreement by the client or in a sub-advisory agreement with a client's Advisor (through its authority to select a third-party investment manager under its advisory agreement with the client), or in a Wrap Program agreement with a Wrap Sponsor (which approves investment managers to offer services to clients as part of the Wrap Program). Please see Item 4 ("Advisory Business") for more information concerning Wrap Programs.

Depending on the terms of the applicable advisory agreement, SRA's authority could include the ability to select brokers and dealers through which to execute transactions on behalf of its clients, and to negotiate the commission rates, if any, at which transactions are effected. In making decisions as to which securities are to be bought and sold and the amounts thereof, SRA is guided by the mandate selected by the client and any client-imposed guidelines or restrictions. If granted discretionary investment authority, SRA generally is not required to provide notice to, consult with, or seek the consent of its clients prior to engaging in transactions. Please see Item 12: Brokerage Practices of this Brochure for more information.

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

SRA does not accept authority to vote client securities.

### **ITEM 18: FINANCIAL INFORMATION**

SRA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to provide a balance sheet.

SRA is not aware of any financial commitment or condition that likely impairs its ability to meet its contractual and fiduciary commitments to clients, and SRA has not been the subject of a bankruptcy proceeding.