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This Brochure provides information about the qualifications and business practices of SKBA Capital Management, LLC ("SKBA"). If you have any questions about the contents of this Brochure, please contact us at (415) 989-7852. 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. SKBA is a registered investment adviser. SEC registration does not imply any certain level of skill or training.

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

March 2, 2020

# Material Changes

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## Annual Update

SKBA is providing this information as part of our annual updating amendment.

## Material Changes since the Last Update

There were no material changes since the last update on March 12, 2019.

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# Advisory Business

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## Firm Description

SKBA is an investment advisory firm that provides discretionary investment advisory services to institutional clients and individuals. We also advise and sub-advise on mutual funds. See the *Types of Clients* section of this Brochure for details.

SKBA was founded in 1989 by members of the investment team working within the institutional trust department at the Bank of California. This group registered SKBA with the Securities and Exchange Commission on September 11, 1989 as an independent firm.

## Principal Owners

SKBA is a majority employee owned firm. There is no single person or entity which holds 25% or more of the firm.

## Types of Advisory Services

### Asset Management

SKBA provides asset management services on a discretionary basis in accordance with the methods described in the *Methods of Analysis, Investment Strategies and Risk of Loss* section of this Brochure.

### Model Portfolios

SKBA has contracted with unaffiliated investment advisers to provide one or more model portfolios for individual asset classes. Each unaffiliated investment adviser uses the model portfolio(s) created by SKBA for their clients. SKBA does not create the model portfolios based upon the individual or particularized needs of the unaffiliated investment adviser's clients, or any other person, but based upon what SKBA believes is an appropriate allocation and weighting of securities for each product. The unaffiliated investment adviser determines how and when to act upon the recommended changes to the model portfolio. SKBA cannot place or effect a trade for any investor using the programs for which SKBA acts as a research provider. See the *Methods of Analysis, Investment Strategies and Risk of Loss* section of this Brochure.

## Tailored Relationships

SKBA's standard services are tailored to our client's investment objectives. Clients may impose restrictions on investing in certain securities or types of securities. Such restrictions must be documented in writing. Client imposed restrictions may affect SKBA's ability to perform our stated investment strategy and,

therefore, investment performance may deviate from other accounts managed in accordance with the same strategy.

## Assets Under Management

Assets Under Management ("AUM"): As of December 31, 2019 SKBA managed approximately \$699,169,400 on a discretionary basis.

- ✓ AUM is defined as: Assets that SKBA manages on behalf of our clients. SKBA has full discretion of investment and trading authority over the clients' assets.

As of December 31, 2019 SKBA did not manage any non-discretionary assets.

Assets Under Supervision ("AUS"): As of December 31, 2019 SKBA managed approximately \$435,480,300.

- ✓ AUS is defined as: Assets that SKBA does not manage and where SKBA does not have investment or trading discretion. SKBA acts only as a research provider and our role is strictly to provide a model to unaffiliated investment advisers. The unaffiliated investment adviser determines how and when to act upon the recommended changes to the model portfolio. SKBA cannot place or effect a trade for any investor. See *Types of Advisory Services* above.

# Fees and Compensation

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## Description

SKBA is compensated for our advisory services and for providing model portfolios by receiving fees from the client. For advisory services, the basic fee schedule is based upon a percentage of the client's assets under management. If a client directs SKBA to make a specific investment in their account (including an investment in equity or bond mutual funds), SKBA will deduct the value of those non-discretionary or unsupervised assets when calculating fees. While fees are negotiable, they generally will not exceed 1% of the market value of the portfolio per year. The determination of the fees will be based on the type and size of the account, as well as breakpoints established for the reduction of fees in relation to the increasing size of the account, as described below. For model portfolios, SKBA is compensated by the unaffiliated investment adviser, based upon the amount of the assets invested in the product, as described below:

## Fee Schedule

The Annual Fee Schedule for Equity Accounts

For accounts up to \$25 million	1.00% on the first \$2 million 0.85% on the next \$3 million 0.50% on the next \$20 million
For accounts over \$25 million	0.50% on the first \$25 million 0.35% on the next \$25 million 0.30% on the next \$25 million 0.25% on the next \$25 million
For accounts over \$100 million	0.33% on the first \$100 million 0.25% on the next \$50 million 0.20% on the next \$100 million 0.15% on the next \$100 million

The Annual Fee Schedule for fixed income accounts

For accounts up to \$25 million	0.30% on the first \$3 million 0.25% on the next \$12 million 0.20% on the next \$10 million
For accounts over \$25 million	0.20% on the first \$25 million 0.15% on the next \$75 million

The Annual Fee Schedule for Model Portfolios

For these services, SKBA is compensated by the unaffiliated investment adviser. Although fees are negotiable and depend upon the specific agreement with the unaffiliated investment adviser, fees for these services typically range from 0.20% to 0.40% of the assets invested in the product.

### Fee Billing and Direct Debit of Fees

Fees are generally payable quarterly in arrears; however, clients may choose to be billed quarterly in advance. The client may also select whether to have SKBA invoice them for fees earned or to deduct the fees from the account assets. The timing and method of the payment of fees is part of the negotiating process. If a client contributes capital or withdraws assets from the account, equal to or greater than fifteen percent (15%) of the account's market value as of the previous month-end date, on a date other than the first day of a calendar quarter for a contribution or the last day of a calendar quarter for a withdrawal, the account will be charged a pro-rated portion of the fees for that calendar quarter. Our standard investment management agreement provides that it may be terminated by either party by written notice.



For those accounts that pay quarterly in arrears, any earned, unpaid fees will be due and payable at the time the account is closed. The amount of fees will be based on the account value on the date the advisory relationship is terminated. The fee will be pro-rated for the number of days in the quarter the account was open, although SKBA reserves the right to negotiate with the client other methods of determining the final account valuation method.

For those accounts that pay quarterly in advance, fees will be reimbursed to the client on a pro-rata basis for the number of days in the quarter the account was not under management. For model portfolios SKBA does not bill the unaffiliated investment adviser. Each license agreement determines how the fees are accrued and SKBA is paid directly by the unaffiliated investment adviser.

In the event that SKBA is the investment adviser to a mutual fund that our clients invest in, we will waive the portion of our standard separate account advisory fee for the client assets invested in that mutual fund. Clients would still pay the mutual fund's advisory fee on their assets invested in that mutual fund (see Other Fees, below).

## Other Fees

In connection with SKBA's advisory services, clients may incur and are responsible for the fees and expenses charged by their custodians and imposed by broker-dealers. Such fees may include, but are not limited to, custodial fees, transaction costs, fees for duplicate statements and transaction confirmations, brokerage commissions, mutual fund expenses and fees for electronic data feeds and reports. Holdings in a client's account may include mutual funds and exchange traded funds ("ETFs"). All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by these funds to their shareholders. These fees and expenses are disclosed in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Such charges, fees and commissions are exclusive of and in addition to our fee. We do not receive any portion of these commissions, fees and costs. While we typically recommend no-load funds, if the fund also imposes a sales charge, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the service of SKBA. In that case, the client would not receive the services provided by us which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the mutual funds and the fees charged by us to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. See the *Brokerage Practices* section of this Brochure for more information.

SKBA's Investment Adviser Representatives ("IARs") are licensed as agents with a mutual fund distributor. In such capacity, the IARs will discuss and offer SKBA-managed mutual funds to institutional clients and investment consultants. This practice could present a conflict of interest and as it could give our IARs an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Suitability reviews serve to confirm that a client's account is properly matched with their investment objectives. Additionally, clients have the option to purchase investment products that are recommended through other brokers or agents that are not affiliated with us.

Fees for the mutual funds are described in each fund's Prospectus. Fees are paid directly from each fund. Fees include Management Fees (paid to SKBA) and "Other expenses" (including shareholder service fee). Each fund also pays brokerage commissions and other transaction or fund-related expenses out of the respective fund. Each fund also charges a redemption fee if redeemed within 30 days of purchase. See *Prospectus* for all fee details. As discussed above, the value of the mutual funds for which SKBA is the adviser is excluded from the value of the assets for the calculation of the management fees, when a client account holds SKBA mutual funds for reasons other than tax-loss selling.

## Performance Fees and Side-by-Side Management

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SKBA does not charge any clients a performance-based fee.

## Types of Clients

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### Description

SKBA manages assets for individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, corporations, state or municipal government entities and insurance companies. SKBA advises and sub-advises mutual funds. SKBA also has contracted with unaffiliated investment advisers to provide one or more model portfolios for individual asset classes.

### Account Minimums

The minimum asset size for a new equity account is \$1 million. The minimum asset size for a new fixed income account is \$3 million. SKBA may waive these minimums at its sole discretion.

The minimum asset size for investing in the Baywood Value *Plus* Fund and the Baywood Socially *Responsible* Fund \$10,000 for the institutional class.

# Methods of Analysis, Investment Strategies and Risk of Loss

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## Methods of Analysis

Our objective is to outperform our benchmarks over a market cycle while maintaining appropriate risk exposure. SKBA applies a team based approach to the investment decision making process. Our research effort is centralized to ensure that investment ideas are implemented consistently across clients in each investment discipline.

### Investment Universe for Equities

For all equity strategies, SKBA begins with a universe of equity securities traded on a major U.S. exchange with a market capitalization generally greater than \$2 billion. This universe is then narrowed according to evaluation with respect to strategy-specific metrics. These metrics are as follows:

For the *ValuePlus* strategy, SKBA evaluates the Relative Dividend Yield (“RDY”) of each company in relation to a universe consisting of 500 of the largest dividend paying companies (by market capitalization) as well as the history of the company’s yield.

For the *Value Opportunity* strategy, SKBA evaluates the Relative Market Capitalization to Revenues (“RMCR”) of each company in relation to an index of 1000 large companies maintained by SKBA and to that company’s history.

For the *Socially Responsible Value* strategy, SKBA evaluates the Relative Market Capitalization to Revenues (“RMCR”) and Relative Dividend Yield (“RDY”) of each company in relation to the benchmarks above and to that company’s history. We use external social research services to further limit this initial universe.

### Individual Equity Selection Process

SKBA then determines a company’s earnings power—its long-term ability to generate profit for reinvestment or distribution to shareholders. We focus on factors such as balance sheet and income statement strength, competitive position and overall industry prospects, as well as management’s alignment with shareholders’ interests. Our research process determines if low expectations appear to be discounted in a stock’s valuation, with the goal of providing downside protection, and if an investment offers sufficient return potential.

### Portfolio Construction

SKBA applies similar portfolio construction methods to all equity strategies. Our objective is to construct a portfolio of 40-60 stocks diversified by sector to control risk. Our bottom up approach to stock selection

highlights industries and sectors with the most attractive valuations. Sector weights are reviewed when they reach the greater of 15% of the portfolio or two times the benchmark weights.

### Sell Discipline

We will sell an equity security when we identify:

- Stock reaches price target or valuation extreme
- Deteriorating long-term financial fundamentals
- More compelling investment ideas or better use of investment capital
- Stock weighting exceeds 5% of portfolio
- Deteriorating ESG profile or lack of shareholder orientation.

### Investment Universe for Fixed Income

For most of our fixed income strategies, portfolio duration is set within a range of 3 to 8 years. Only issues rated as investment-grade by, Moody's, Standard & Poor's or Fitch at time of purchase are eligible for inclusion in the portfolios.

For the Flexible Government Bond strategy, the eligible securities for inclusion in the portfolio include:

- U.S. Governments
- Agencies
- Agency mortgage backed security issues (MBS)

In addition to the securities listed above, the Flexible Bond strategy can purchase:

- Investment-grade corporate issues

For the Maximum Flexible Government Bond strategy, which is designed to be actively managed with a portfolio duration ranging from 1 to 16 years, the eligible securities for inclusion in the portfolio include:

- U.S. Governments
- Agencies

### Individual Bond Selection Process

The strategy team uses active interest rate anticipation and the analysis of quality spreads to determine the composition of issues held in a portfolio.

### Sell Discipline

We will sell a fixed income security or shorten duration when:

- No scenarios forecast acceptable returns
- Quality spreads are too narrow
- Inflation rates are expected to rise and this is not anticipated by the market
- Yield levels are too low to provide downside protection

## Economic Method of Analysis

SKBA employs a multi-scenario, conditional-probability framework that forecasts future states of the economy and financial markets over two-year and five-year periods. We utilize five different possible scenarios, which (ranked from highest to lowest rate of inflation) are called: 1) Return of Inflation, 2) Stagflation, 3) Historic Norm, 4) Perfection, and 5) Deflation. The real gross domestic product (“GDP”) growth associated with each scenario follows a different pattern. For example, “Perfection” combines the highest real growth environment with low inflation (but not deflation). “Stagflation” describes the nearly opposite environment of low real GDP growth (positive) and the second highest inflation rate. The growth rate of nominal GDP may be similar between these two scenarios, but the consequences for financial markets are dramatically different. This process is a unique analytical tool developed by SKBA and provides insight into the risks and opportunities that may exist in sector and industry allocations. This framework is also a key part of our process that enables us to estimate what interest rate changes, expected returns for bonds, and the risk of loss in bond portfolios might be. The multi-scenario framework plays a role in equity portfolio construction, individual stock selection, and bond portfolio construction.

## Investment Strategies

SKBA designs portfolios to fit client objectives and needs using disciplined investment strategies managed by SKBA. The equity strategies include *ValuePlus*, *Value Opportunity*, and *SociallyResponsible Value*. The fixed income strategies include Flexible Government Bond, Flexible Bond, and Maximum Flexible Government Bond. The *Balanced Plus* strategy combines equity and fixed income strategies in a single portfolio. The implementation of SKBA’s investment advice takes the form of long term purchases (securities held at least a year), short term purchases (securities sold within a year) and trading (securities sold within 30 days).

Short-term trading is not a typical SKBA strategy. Since it involves a higher degree of risk, this strategy may be used when certain market conditions trigger sales of recently purchased securities as a result of mergers, acquisitions or any new information that significantly changes the outlook for the company.

## Equity Strategies

*ValuePlus*, a value-oriented investment strategy, seeks to achieve long-term capital appreciation by investing in undervalued equity securities. The portfolio also provides meaningful current income by investing in equities with dividend yields in excess of the market. The strategy is designed for clients who desire the potential long-term real economic returns of the stock market alongside high current income which is designed to dampen portfolio volatility.

*Value Opportunity*, a value-oriented investment strategy, seeks to achieve long-term capital appreciation by investing in undervalued equity securities. The strategy uses a company’s relative market capitalization to revenues (“RMCR”) to ascertain a historical framework for investment. The research process attempts to

identify stock prices that are relatively low in comparison to our estimation of a stock's fundamental value. Focusing on growing cash flows and sustainable business models are important in the construction of the portfolio.

Socially *Responsible Value*, a value-oriented investment philosophy seeks to achieve long-term capital appreciation over complete cycles. The strategy identifies companies with improving financial and environmental, social, and governance characteristics as investment opportunities from a screened universe of approximately 700 companies. The process incorporates both historic record and forward-looking perspectives exploring a company's broad financial and social profile.

### Fixed Income Strategies

The Flexible Government Bond, Flexible Bond and Maximum Flexible Government Bond strategies are portfolios of U.S. dollar-denominated fixed income securities. The goals are to:

- Produce interest income
- Preserve capital
- Offset the erosion in purchasing power due to price inflation
- The Flexible Government Bond's goals are to exceed the total return of the Barclays Capital Government Bond Index
- The Flexible Bond's goals are to exceed the total return of the Barclays Capital Government/Credit Bond Index
- The Maximum Flexible Government Bond's goals are to lock in bond yields when interest rate levels are attractive by significantly extending portfolio duration at such times and to exceed the total return of the Barclays Capital 1-3 Year Government Bond Index

### Balanced Strategy

Our Balanced *Plus* strategy combines our equity investment approaches with fixed income investment management. Asset allocation and interest rate anticipation decisions are based on SKBA's multi-scenario forecasting model and client constraints. See *Methods of Analysis* for a description of our Multi-Scenario Approach. For Balanced accounts, the goal is to provide an actively managed combination of asset classes to achieve an attractive rate of return, given the client's specific investment goals, constraints and risk tolerance.

### Risk of Loss

Although SKBA makes every effort to preserve each client's capital and achieve real growth of wealth, investing in the stock and bond markets involves risk of loss that each client should be prepared to bear. Investing in financial markets involves exposure to political, economic and currency risks. Here are the principal risks to consider:

**Market Risk of Equity Securities** – By investing in stocks, the equity strategies may expose you to a sudden decline in the share price of a particular portfolio holding or to an overall decline in the stock market. In addition, an equity strategy's principal market segment may underperform other segments or the market as a whole. The value of your investment in the strategy will fluctuate daily and cyclically based on movements in the stock market and the activities of individual companies in the portfolio.

**Medium Capitalization (Mid-Cap) Companies** – Investments in mid-cap companies may involve greater risks than investments in larger, more established companies, such as limited product lines, markets and financial or managerial resources. In addition, the securities of mid-cap companies may have greater price volatility and less liquidity than the securities of larger capitalized companies.

**Foreign Investments (American Depositary Receipts)** – Foreign investments tend to be more volatile than domestic securities, and are subject to risks that are not typically associated with domestic securities (e.g., unfavorable political and economic developments and the possibility of seizure or nationalization of companies, or the imposition of withholding taxes on income). The equity strategies invest in U.S. dollar denominated American Depositary Receipts of foreign companies ("ADRs") which are sponsored by the foreign issuers. ADRs are subject to the risks of changes in currency or exchange rates (which affect the value of the issuer even though ADRs are denominated in U.S. dollars) and the risks of investing in foreign securities.

**Investment Style** – SKBA primarily uses a value style to select investments for the strategies. This style may fall out of favor, may underperform other styles and may increase the volatility of the portfolio's share price.

**Management** – The strategies performance depends on the strategy teams' skill in making appropriate investments. As a result, the portfolio may underperform the equity market or similar strategies.

**Defensive Investments**– In order to respond to adverse market, economic, political or other conditions, the equity strategies may assume a temporary defensive position that is inconsistent with its principal investment objective and/or strategies and may invest, without limitation, in cash or high quality cash equivalents.

In the equity strategies, we build diversified portfolios of individual common stocks that tend to have attractive risk characteristics as broadly defined. The annual turnover of each of these strategies tends to be in the 20% to 35% range. Though the individual stocks are carefully analyzed and researched, there is always the risk of loss in any particular issue. Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. The value of a stock in which a portfolio invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry. In the fixed income strategies, risk of loss of principal is minimal compared to equity strategies.

Bonds have two main sources of risk:

- Interest rate risk is the risk that a rise in interest rates will cause the price of a debt security held by the portfolio to fall. Securities with longer maturities typically suffer greater declines than those with shorter maturities.
- Credit risk is the risk that an issuer of a debt security will default (fail to make scheduled interest or principal payments), potentially reducing income distributions and market values. This risk is increased when a security is downgraded or the perceived creditworthiness of the issuer deteriorates.

## Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SKBA or the integrity of SKBA's management. SKBA has no information applicable to this Item.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

SKBA and our management personnel are not engaged in any business or profession other than acting as an investment adviser. Nor do we offer to sell any type of product, other than investment advice concerning securities to clients.

### Affiliations

SKBA operates independently and does not have an advisory affiliation with other companies.

Since 1999, SKBA has partnered with Convergent Capital Management, known today as CCM Holdings III, LLC, a subsidiary of Royal Bank of Canada, who maintains a minority ownership interest in SKBA.

### Mutual Fund

SKBA serves as the adviser to the Baywood Value *Plus* Fund and the Baywood Socially *Responsible* Fund, and may invest clients in such mutual funds. The mutual funds are advised by SKBA following SKBA's investment philosophy and management strategies. Fees paid to SKBA with respect to the mutual fund are described in the *Fees and Compensation* section.



# Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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## Code of Ethics

SKBA has adopted a Code of Ethics that lists our requirements and expectations for the business conduct of all of our employees. The Code of Ethics is based on Section 17(j) of the Investment Company Act of 1940 and Rule 17j-1 thereunder, and Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code is designed to:

- Inform employees of the standards of conduct to which they will be held
- Provide guidelines regarding permitted and prohibited activities
- Describe the review process that will be used to enforce the Code of Ethics
- Describe the penalties for failure to comply with the Code of Ethics

The Code of Ethics is available upon request.

## Personal Trading

SKBA has adopted a set of personal securities transaction guidelines and disclosure requirements set forth in our Code of Ethics. All employees of SKBA are subject to the firm's Code of Ethics, which must be acknowledged annually by each employee. The Code of Ethics requires that employees receive pre-approval before purchasing or selling reportable securities when the trade is in excess of \$10,000 in principal value and employees are not allowed to place a trade if there is an outstanding client order with a broker. The Code of Ethics also requires that employees report all required personal securities transactions quarterly and annually to SKBA's Chief Compliance Officer.

Other personal securities requirements in our Code of Ethics include: employees are prohibited from participating in an initial public offering and all private placement investments must be pre-approved.

## Invest in Same Securities Recommended to Clients

SKBA manages assets for employees and family members of SKBA. These specific accounts are in strategies that are managed similar to other SKBA client accounts. To mitigate a potential conflict of interest, these accounts are traded with other SKBA client accounts except in cases where it is not practical in accordance with our standard aggregation and allocation procedures. Refer to the *Brokerage Practices* section of this Brochure.

Employees or related persons may invest in the same securities that are purchased and sold for clients and they may own securities of issuers whose securities are subsequently purchased and sold for clients. The personal trading procedures described above are used to prevent and monitor any potential conflicts that arise from this practice.

## Recommend Securities with Material Financial Interest

SKBA receives a fee for its role as adviser to the Baywood Value*Plus* Fund and the Baywood Socially*Responsible* Fund. In addition, employees or related persons may hold interest in these mutual funds. In certain situations, SKBA may place these funds in a client's account when the client's investment objectives seek such an investment opportunity. Yet direct ownership of the individual securities may not be cost effective due to the size of the client's account. If the funds are held in a client's account for reasons other than tax-loss selling, its value is not included in the account value when computing SKBA's management fee.

# Brokerage Practices

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## Best Execution

SKBA seeks to obtain "best execution" for our clients in such a manner that the client's total cost for or income from each transaction, as well as the quality of the execution, is the most favorable under the circumstances. The determining factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution. In seeking best execution, SKBA will consider a number of factors, including: a) commission rate, b) execution capability, c) the value of research services provided, d) responsiveness, e) net price, f) reputation, g) financial strength and stability, h) efficiency of execution and error resolution, i) block trading and block positioning capabilities and j) willingness to execute related or unrelated difficult transactions in the future.

## Soft Dollars

In making brokerage allocations, SKBA will take into consideration not only the items listed above, but also the commission paid research and brokerage services provided by broker-dealers in connection with the execution of client transactions, also known as "soft dollars." In conducting all of our soft dollar relationships, SKBA will only use client commissions to pay for research and execution services, in keeping with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. When SKBA uses client brokerage commissions to obtain research or other products or services SKBA receives a benefit because we do not have to pay for the research, products or services.

These relationships may influence SKBA's judgment in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses.

SKBA may pay a brokerage commission in excess of what another broker-dealer might charge for effecting the same transaction. In such a case, SKBA will determine in good faith that such a commission is reasonable in relation to the value of brokerage, research and other services and soft dollar relationships provided by such broker-dealer, viewed in terms of either the specific transaction or SKBA's overall responsibilities to the portfolios over which SKBA exercises investment authority.

It should be noted that not all accounts may benefit from each soft dollar service and that an account may pay higher brokerage commissions than are otherwise available or may pay more brokerage commissions based on account trading activity. In addition, some clients may direct SKBA to use a broker that does not provide soft dollar benefits to SKBA. Regardless, the research and other benefits resulting from the brokerage relationship will benefit all SKBA accounts.

A substantial portion of brokerage commissions are paid to broker-dealers who supply proprietary and third party investment information and research services to SKBA. Following are the types of research products and services paid with soft dollars:

- Historical research tools for stocks and bonds; technical research; quote systems
- Software tools for analyzing and simulating the impact of interest rate changes on bond portfolios and for evaluating the attractiveness of proposed bond swaps and transactions
- Financial information database used with reports as well as other price and financial information from vendors
- Unique research that covers stocks of interest for SKBA which offers insightful research on special situations, spinouts, contrarian ideas
- Social and corporate governance data in security screening and time series analysis
- Real time Wall Street research reports and earnings estimates

While purchasing research and execution products and services with soft dollars, SKBA may purchase the following "mixed use" services:

- Analysis of portfolio characteristics regarding sources of out-performance and under-performance from our equity investment strategies
- Services which provide pricing to our portfolio management system
- An Order Management System that assists the portfolio managers and traders in the investment process

In regard to such services, SKBA will make a good faith effort to identify the portion of services that are associated with client service, sales and administrative activities and to pay for these services with our own funds. Only the value of the services estimated to be used for research and trade execution are paid for in soft dollars.

Annually, we project the amount of commission dollars we expect to generate as a firm over the course of a calendar year. The portfolio managers, analysts, traders and the operations department periodically evaluate the quality of research and investment information, the trading and execution services and other services received from various brokers-dealers. This assists SKBA in establishing a budget of commission dollars to be directed to brokers.

### Best Execution Reviews

Periodically, SKBA evaluates the trading execution and research services of the broker-dealers with which it conducts business and, based on these inputs, adjusts the use of each broker-dealer for trade execution.

As part of SKBA's brokerage and best execution practices, we have implemented written best execution practices and established a best execution committee comprised of the Chief Investment Officer and members of Trading. The committee is responsible for monitoring the firm's trading practices, gathering relevant information, periodically reviewing and evaluating services provided by broker-dealers, quality of executions, research, commission rates, and overall brokerage relationships, among other things.

### Brokerage for Client Referrals

SKBA does not offer recommendations to clients on the use of brokers for custodial or trading services, but we may offer comments on the merits of using one broker's services versus another's in response to questions from the client. If clients take SKBA's comments as a recommendation and retain one specific broker, they may be unable to achieve the most favorable execution of client transactions and it may cost them more money. See *Directed Brokerage* and *Order Aggregation*, below.

Although SKBA receives client referrals from brokers, SKBA does not trade with those brokers on a discretionary basis.

### Directed Brokerage

SKBA does not recommend, request or require that our clients direct us to execute transactions through a specified broker dealer. SKBA does accept and will place orders with brokerage firms pursuant to direction received in writing from the client ("directed brokerage"). Directed brokerage typically is arranged by the client as a method where a portion of brokerage commissions serve as compensation to brokers for goods and services provided directly to the client. This is an agreement negotiated between the client and broker.

In a directed brokerage account, SKBA may not be able to aggregate orders to reduce transactions costs or the client may receive less favorable prices.

## Order Aggregation

SKBA typically has complete discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent. As noted above, SKBA seeks to obtain “best execution” on each portfolio transaction for clients. As part of our effort to obtain best execution, SKBA aggregates trades in individual securities for as many accounts as practicable, except where subject to client direction constraints. Each account that participates in a block trade that is filled at several different prices through multiple trades will receive the average share price and will share the non-account specific transaction costs on a pro rata basis. When possible, traders will block orders and utilize step outs to fulfill client direction. The majority of the time, when intraday discretionary and directed orders are received simultaneously, the trader will use a random drawing method to determine the order in which trades will be placed. However, the trader may override the random drawing if the trades may impact market price and/or efficiencies. All overrides will be documented. If a trade that requires direction by the client might have an impact on the market price of the security, the directed trade may be executed after the blocked trades or other accounts to protect those accounts from such market impact. If the client is not able to participate in a block trade, the client may not be able to obtain the best net price and execution for that specific security transaction.

When SKBA cannot buy or sell the full amount of securities needed at one time, we allocate the order among participating accounts on a pro rata basis. When the entire blocked order is not completed during the trading day, the traders may allocate the completed trades by fully allocating any account less than or equal to 1,000 shares first. To the extent that SKBA desires to participate in an IPO and the order to purchase is only partially filled in the offering, all participating accounts will be allocated shares on a pro-rata basis.

SKBA also may cause the client to buy or sell securities directly from or to another client if such a transaction is in the interests of both such clients. Such transactions will be executed at the prevailing market price, and SKBA will not receive any compensation for executing such trades.

## Trade Error Policy

As a fiduciary, SKBA has the responsibility to effect orders correctly and in the best interests of our clients. In the event any error occurs in the handling of any client transactions due to SKBA's actions, it is our policy to seek to identify and correct any errors as promptly as possible without disadvantaging the client or benefiting SKBA in any way.

If the error is the responsibility of SKBA, the client transaction will be corrected and SKBA will be responsible for any client loss resulting from an inaccurate or erroneous order.

## Review of Accounts

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### Periodic Reviews

Institutional accounts are reviewed on a regular basis by the strategy team, which includes analysts and portfolio managers. The review covers position weights and performance of securities in relation to established guidelines for each portfolio.

Individual accounts are reviewed at least quarterly in the same manner.

SKBA shall consult with clients on a periodic basis to reasonably confirm that we are managing the account in accordance with the guidelines that the client has given us, as well as to examine whether there have been any changes to those guidelines or the client's financial condition.

In the review process, at least one portfolio manager will review and evaluate the account's investment performance and investment strategies to ensure that the account is being managed according to the client's goals and objectives. Each portfolio manager will be responsible for no more than twenty-five institutional account relationships and fifty individual relationships.

For client restrictions, our portfolio and order management system offers a compliance module that allows restrictions to be setup by account based on the client's guidelines. The system is capable of applying different restriction levels depending on the individual client's tolerance for each guideline.

### Regular Reports

Quarterly, SKBA will provide a written report to the client showing activity in their account that includes:

- Performance for the last quarter compared to the client's benchmark
- An asset statement that includes the client's holdings and market value of the portfolio
- The client's transactions for the quarter
- A review of market and economic conditions

## Client Referrals and Other Compensation

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In exchange for commissions generated by discretionary trading activity, SKBA receives research services from a variety of brokerage firms. SKBA may also direct brokerage to firms who refer clients to the firm. See the *Brokerage Practices* section of this Brochure for a description of the services and benefits SKBA receives from brokerage firms.

SKBA does not have a referral or solicitation arrangements with third parties.

## Custody

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SKBA does not take physical possession of client funds or securities, however SKBA has custody of some client assets through the direct debiting of management fees from client custodial accounts.

Our clients' assets are housed in nationally recognized banks or brokerage firms, otherwise known as custodians. SKBA has a limited power of attorney to place trades on the client's behalf. If authorized by the client, SKBA may also have the authority to directly debit client accounts for quarterly fees, and therefore is deemed to have Custody. See the *Fees and Compensation* section of this Brochure.

### Account Statements

The client will receive account statements directly from the broker-dealer, bank or other qualified custodian. SKBA urges the client to compare the statement the client receives from the qualified custodian with the statement the client receives from SKBA.

# Investment Discretion

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## Discretionary Authority for Trading

When the client retains SKBA as their investment adviser, SKBA and the client will enter into an investment management agreement. By signing this agreement, the client gives SKBA full discretion on all investment decisions regarding their account.

SKBA allows clients to place restrictions on the types of securities to be purchased, as well as direct SKBA to place orders with specific brokerage firms. Such restrictions must be documented in writing.

## Limited Power of Attorney

By signing the investment management agreement the client gives SKBA Power of Attorney on all investment decisions regarding their account. The client agrees that SKBA will not advise the client in any legal proceedings, including bankruptcies or class actions involving securities held or previously held by the Account.

# Voting Client Securities

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## Proxy Votes

Clients have a choice whether to have SKBA vote their proxies. This decision is made when they sign the investment management contract.

Our overriding concern in voting proxies is to protect and enhance our clients' financial well-being. The financial impact on our clients is more important than any relationship SKBA may have with any corporation soliciting a proxy. If it can be determined that a proposal negatively impacts the client's financial position, we will vote against it. We are concerned with shareholder rights and will vote against most attempts by boards of directors to entrench or expand their positions at the expense of shareholders. We will vote with shareholders on proposals to protect those rights, including management proposals that would make the acquisition of the company more difficult or the creation of a new class of securities with superior voting powers.

SKBA believes that we are unlikely to be in a situation that results in a material conflict of interest between our clients' interests and the interest of our firm. However, if a situation should arise where a conflict of interest (or an appearance of a conflict of interest) is determined to exist, SKBA will make an effort to seek



out the opinion of a qualified independent third party regarding this issue. If this situation should occur, it will be thoroughly documented.

These policies are reviewed on an ongoing basis by a team of senior officers of SKBA. The complete Proxy Policy and voting record are available upon request, and we are available to discuss any of these policies.

If the client elects to vote their own proxies, they will receive their proxies or other solicitations directly from their custodian or a transfer agent and contact them for additional information.

## Financial Information

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SKBA has never been the subject of a bankruptcy petition and SKBA is not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.

## Additional Disclosures

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### Business Continuity Plan

SKBA has a written business continuity plan which has been provided to each employee of the firm. The purpose of this plan is to document what actions are to be taken and by whom, in order to resume the day-to-day business activities of SKBA in the event of a disaster. While the plan is based on a series of previously made decisions and assumptions, the reality is that business interruption will have to be a reactive process, depending on the nature of the interruption and who is available to assist in the recovery.

### Cybersecurity Plan

SKBA has a written cybersecurity plan which has been provided to and reviewed with each employee of the firm. The purpose of this plan is to protect our client's, employee's and the firm's nonpublic personal information from cyber fraud and cyber based threats. The plan identifies what information SKBA is protecting and the possible areas where a data breach may occur; outlines methods and practices employees must use to safeguard this sensitive data; outlines monitoring practices for ongoing testing; and establishes the steps to be taken if a data breach occurs.

## SKBA's Privacy Notice

Under Securities and Exchange Commission regulations, we are required to provide a notice to each of our individual clients that explains our policies and practices relating to disclosing personal information to unrelated third parties. As a general matter, it is (and always has been) our policy not to disclose information about our current or former clients to any other party and to maintain strict security over personal information in our possession. We describe these policies in further detail below.

We collect personal information from each client based upon the information provided to us in 1) our investment management agreement, 2) from information that we collect when we effect transactions, and 3) from on-going conversations with each client. This allows us to provide asset management services based upon individual clients' needs and goals. Some examples of the information we collect relate to financial condition including assets under management, tax situation and other sensitive financial data. SKBA will share clients' personal and nonpublic information only as necessary to manage clients' accounts or at the request of our clients.

If our policies were to change and we sought to disclose a client's personal information to others, we could not do this without asking the client for permission. We would provide the client with detailed information prior to implementing any potential change and request approval. At that time, we would also provide information on how a client would be able to opt-out of us disclosing such information.

SKBA has adopted strict policies and procedures to protect every client's nonpublic personal information. For example: 1) access to such information is restricted to those employees who are directly involved or who assist others in providing asset management services; 2) client information in common areas is locked after normal business hours; 3) a password protected environment is maintained; and 4) the firm has a policy to shred any unnecessary paper documents for current or former clients which contain nonpublic personal information. All employees are required to read and acknowledge receipt of our Code of Ethics accepting our policy relating to confidential information.

# Brochure Supplement

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# Brochure Supplement

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This Brochure supplement provides information about Andrew Walter Bischel that supplements SKBA Capital Management, LLC ("SKBA") Brochure. You should have received a copy of that Brochure. Please contact us at (415) 989-7852 if you did not receive SKBA's Brochure or if you have any questions about the contents of this supplement.

Additional information about Mr. Bischel is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 2, 2020

# Andrew Walter Bischel, CFA

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## Education and Business Experience

Mr. Bischel was born in 1951. He received his undergraduate degree in 1973 from the University of California, Davis with a B.S. in Mathematics and a B.A. in Economics. Mr. Bischel received his MBA in 1979 from California State University and his CFA in 1980.

Mr. Bischel held the position of President from June 1997 until December 2000 and President and Chief Investment Officer from January 2001 until December 2007. He held the position of Chief Executive Officer and Chief Investment Officer from January 2008 until December 2018. He has held the position of Chairman, Chief Executive Officer and Chief Investment Officer since January 2019.

## Professional Designations

Mr. Bischel received a Chartered Financial Analyst designation in September 1980. The Chartered Financial Analyst (CFA) is a qualification for finance and investment professionals, particularly in the fields of investment management and financial analysis of stocks, bonds and their derivative assets. The program focuses on portfolio management and financial analysis, and provides a general knowledge of other areas of finance. The designation is an international professional certification offered by the CFA Institute. To receive a CFA designation, an individual must complete the CFA Program which combines a broad-based curriculum of investment principles with professional conduct requirements, pass three exams (Levels I, II, III) and meet the professional (have 48 months of qualified professional work experience) and ethical requirements.

## Disciplinary Information

Mr. Bischel does not have any disciplinary history.

## Other Business Activities

Mr. Bischel is not actively engaged in any other investment-related business or industry activities.

## Additional Compensation

SKBA has bonus payouts based on overall company profitability and individual investment performance measurements. This presents no conflict of interest between supervised persons and SKBA clients.

## Supervision

All investment portfolio issues are based on consensus decisions by an investment team for each strategy and all client portfolios in a strategy are managed identically except for individual client restrictions. A written summary of communication with clients is maintained in our client database.

Our Chief Investment Officer supervises the advisory activities on behalf of SKBA. Mr. Bischel, Chairman, CEO and CIO, can be reached at (415) 989-7852.

# Brochure Supplement

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This Brochure supplement provides information about Joshua Jacques Rothé that supplements SKBA Capital Management, LLC ("SKBA") Brochure. You should have received a copy of that Brochure. Please contact us at (415) 989-7852 if you did not receive SKBA's Brochure or if you have any questions about the contents of this supplement.

Additional information about Mr. Rothé is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 2, 2020



# Joshua Jacques Rothé

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## Education and Business Experience

Mr. Rothé was born in 1970. He received his undergraduate degree in 1991 from the University of San Francisco with a B.S. in International Business. Mr. Rothé received his MBA in Finance in 1997 from the University of San Francisco.

Mr. Rothé held the position of Principal, Senior Analyst and Portfolio Manager from January 2003 until January 2006. He held the position of Principal, Director of Equity Research and Portfolio Manager from February 2006 until December 2007. He has held the position of President, Director of Research and Portfolio Manager since January 2008.

## Disciplinary Information

Mr. Rothé does not have any disciplinary history.

## Other Business Activities

Mr. Rothé is not actively engaged in any other investment-related business or industry activities.

## Additional Compensation

SKBA has bonus payouts based on overall company profitability and individual investment performance measurements. This presents no conflict of interest between supervised persons and SKBA clients.

## Supervision

All investment portfolio issues are based on consensus decisions by an investment team for each strategy and all client portfolios in a strategy are managed identically except for individual client restrictions. A written summary of communication with clients is maintained in our client database.

Our Chief Investment Officer supervises the advisory activities on behalf of SKBA. Mr. Rothé reports to Mr. Bischel, Chairman, CEO and CIO, who can be reached at (415) 989-7852.

# Brochure Supplement

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This Brochure supplement provides information about Shelley Horrocks Mann that supplements SKBA Capital Management, LLC ("SKBA") Brochure. You should have received a copy of that Brochure. Please contact us at (415) 989-7852 if you did not receive SKBA's Brochure or if you have any questions about the contents of this supplement.

March 2, 2020

# Shelley Horrocks Mann

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## Education and Business Experience

Ms. Mann was born in 1953. She attended Utah State University in 1971 and 1972.

Ms. Mann held the position of Principal, Director of Trading and Chief Compliance Officer from April 2001 until December 2007. She has held the position of Principal, SVP, Director of Trading and Chief Compliance Officer since January 2008.

## Disciplinary Information

Ms. Mann does not have any disciplinary history.

## Other Business Activities

Ms. Mann is not actively engaged in any other investment-related business or industry activities.

## Additional Compensation

SKBA has bonus payouts based on overall company profitability and individual investment performance measurements. This presents no conflict of interest between supervised persons and SKBA clients.

## Supervision

All investment portfolio issues are based on consensus decisions by an investment team for each strategy and all client portfolios in a strategy are managed identically except for individual client restrictions. A written summary of communication with clients is maintained in our client database.

Our Chief Investment Officer supervises the advisory activities on behalf of SKBA. Ms. Mann reports to Mr. Bischel, Chairman, CEO and CIO, who can be reached at (415) 989-7852.

# Brochure Supplement

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Brian Wesley Forth

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This Brochure supplement provides information about Brian Wesley Forth that supplements SKBA Capital Management, LLC ("SKBA") Brochure. You should have received a copy of that Brochure. Please contact us at (415) 989-7852 if you did not receive SKBA's Brochure or if you have any questions about the contents of this supplement.

Additional information about Mr. Forth is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 2, 2020

# Brian Wesley Forth

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## Education and Business Experience

Mr. Forth was born in 1977. He received his undergraduate degree in 1999 from Tufts University with a B.A. in History.

Mr. Forth held the position of Director, Relationship Manager at WHV Investments, Inc. from September 2002 until July 2016 where he directed the firm's client relationship efforts among institutional clients, consultants and independent advisors. Mr. Forth has held the position of Manager of Marketing and Business Development with SKBA Capital Management, LLC since September 2017.

## Disciplinary Information

Mr. Forth does not have any disciplinary history.

## Other Business Activities

Mr. Forth is registered with Foreside Fund Services, LLC as a broker-dealer to sell the SKBA mutual funds. Foreside is not affiliated with SKBA Capital Management, LLC or its affiliates.

## Additional Compensation

SKBA has bonus payouts based on overall company profitability and individual incentive compensation measurements. This presents no conflict of interest between supervised persons and SKBA clients.

## Supervision

All client service and sales professionals report to the President of SKBA, and all marketing materials are subject to approval of compliance.

Mr. Forth reports to Mr. Rothé, President and Director of Research, who can be reached at (415) 989-7852.

# Brochure Supplement

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Matthew Ricardo Segura

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This Brochure supplement provides information about Matthew Ricardo Segura that supplements SKBA Capital Management, LLC ("SKBA") Brochure. You should have received a copy of that Brochure. Please contact us at (415) 989-7852 if you did not receive SKBA's Brochure or if you have any questions about the contents of this supplement.

Additional information about Mr. Segura is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 2, 2020

# Matthew Ricardo Segura, CFA

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## Education and Business Experience

Mr. Segura was born in 1979. He received his undergraduate degree in 2008 from Haas School of Business at UC Berkeley with a B.S. in Business Administration.

Mr. Segura held the position of Securities Analyst from July 2012 until September 2017. He has held the position of Securities Analyst & Portfolio Manager since September 2017.

## Professional Designations

Mr. Segura received a Chartered Financial Analyst designation in September 2017. The Chartered Financial Analyst (CFA) is a qualification for finance and investment professionals, particularly in the fields of investment management and financial analysis of stocks, bonds and their derivative assets. The program focuses on portfolio management and financial analysis, and provides a general knowledge of other areas of finance. The designation is an international professional certification offered by the CFA Institute. To receive a CFA designation, an individual must complete the CFA Program which combines a broad-based curriculum of investment principles with professional conduct requirements, pass three exams (Levels I, II, III) and meet the professional (have 48 months of qualified professional work experience) and ethical requirements.

## Disciplinary Information

Mr. Segura does not have any disciplinary history.

## Other Business Activities

Mr. Segura is not actively engaged in any other investment-related business or industry activities.

## Additional Compensation

SKBA has bonus payouts based on overall company profitability and individual investment performance measurements. This presents no conflict of interest between supervised persons and SKBA clients.

## Supervision

All investment portfolio issues are based on consensus decisions by an investment team for each strategy and all client portfolios in a strategy are managed identically except for individual client restrictions. A written summary of communication with clients is maintained in our client database.

Our Chief Investment Officer supervises the advisory activities on behalf of SKBA. Mr. Segura reports to Mr. Bischel, Chairman, CEO and CIO, who can be reached at (415) 989-7852.



# Brochure Supplement

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This Brochure supplement provides information about Evan Xiaoyi Ke that supplements SKBA Capital Management, LLC ("SKBA") Brochure. You should have received a copy of that Brochure. Please contact us at (415) 989-7852 if you did not receive SKBA's Brochure or if you have any questions about the contents of this supplement.

Additional information about Mr. Ke is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 2, 2020

# Evan Xiaoyi Ke, CFA

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## Education and Business Experience

Mr. Ke was born in 1989. He received his undergraduate degree in 2010 from UC Berkeley with a B.A. in Economics.

Mr. Ke held the position of Securities Analyst from July 2012 until September 2017. He has held the position of Securities Analyst & Portfolio Manager since September 2017.

## Professional Designations

Mr. Ke received a Chartered Financial Analyst designation in July 2015. The Chartered Financial Analyst (CFA) is a qualification for finance and investment professionals, particularly in the fields of investment management and financial analysis of stocks, bonds and their derivative assets. The program focuses on portfolio management and financial analysis, and provides a general knowledge of other areas of finance. The designation is an international professional certification offered by the CFA Institute. To receive a CFA designation, an individual must complete the CFA Program which combines a broad-based curriculum of investment principles with professional conduct requirements, pass three exams (Levels I, II, III) and meet the professional (have 48 months of qualified professional work experience) and ethical requirements.

## Disciplinary Information

Mr. Ke does not have any disciplinary history.

## Other Business Activities

Mr. Ke is not actively engaged in any other investment-related business or industry activities.

## Additional Compensation

SKBA has bonus payouts based on overall company profitability and individual investment performance measurements. This presents no conflict of interest between supervised persons and SKBA clients.

## Supervision

All investment portfolio issues are based on consensus decisions by an investment team for each strategy and all client portfolios in a strategy are managed identically except for individual client restrictions. A written summary of communication with clients is maintained in our client database.

Our Chief Investment Officer supervises the advisory activities on behalf of SKBA. Mr. Ke reports to Mr. Bischel, Chairman, CEO and CIO, who can be reached at (415) 989-7852.