



CAPTRUST Financial Advisors FORMAL RESPONSE

2022 Annual Due Diligence Questionnaire For Discretionary Clients





SECTION ONE: INVESTMENT MANAGER MONITORING

CAPFinancial Partners, LLC (also "CAPTRUST") has answered the questions below to make it easier for plan sponsors and investment committees who have contracted with CAPTRUST, as discretionary investment manager, to monitor their plan/account's performance and investments. Additional questions are welcomed and may be directed to the plan/account's lead consultant for clarification.

Firm

Have there been any changes to the management or ownership of the firm? If yes, please describe.

We have not, nor do not anticipate significant changes to the firm's corporate structure, senior management, ownership, or staffing. Owning our strategic future reassures our clients that our advice will remain independent and objective, and that CAPTRUST will continue to work exclusively in the best interests of our clients.

In June 2020, we announced an agreement with private equity firm, GTCR, LLC, for a long-term minority investment in CAPTRUST that provides capital to grow the business through mergers and acquisitions and build out infrastructure and capabilities. We chose GTCR as our capital partner because of their similar culture, ability to be a long-term partner and desire to have only a minority interest in CAPTRUST. CAPTRUST employees continued to own the majority of equity in the firm at 67.13%, with the remaining 32.87% ownership allocated to GTCR.

Have there been any organizational changes to the firm that may impact the management of the plan/account? If yes, please describe.

No. From a growth standpoint, over the past five years, CAPTRUST has expanded its client base and increased the number of office locations, growing opportunistically. We are growing at a pace consistent with maintaining high levels of stewardship and client service.

CAPTRUST's long-term business plan is to leverage the firm's infrastructure, client offerings, and intellectual capital through a national network of skilled consultants working from district and local offices. We will grow by pursuing a combination of strong organic growth, recruitment of talented and experienced consultants, and selected acquisitions of independent firms. This, in addition to the significant upgrades in technology platforms will help keep CAPTRUST current and ahead of the curve from both investment research and client servicing standpoints.

Has there been a change to the firm's status as an investment adviser registered under The Investment Advisers Act of 1940?

☐ Yes ☒ No



Has the firm been the subject of an investigation by any regulatory and/or government agency? If so, please describe and send a copy of any documentation regarding the disposition of such investigation.

☐ Yes ☒ No

Has the firm been the subject of any routine examination by regulatory authorities or independent auditors? If so, please provide a summary of the circumstances and outcome of such examination and/or audits.

Yes. CAPTRUST has been the subject of routine examination by regulatory authorities and independent auditors. Most recently, the U.S. Securities & Exchange Commission (SEC) District Office in Atlanta announced a routine SEC exam in February 2018.

During the 2018 routine SEC audit, examiners were onsite at CAPTRUST's headquarters in March of 2018. While onsite, the examiners conducted interviews with senior and executive level managers and directors, and the exam was comprehensive. We were pleased because the examiners wanted to understand the institutional book of business (representing 97 percent of assets under advisement at the time). The exam covered many areas, including requests for proposal (RFPs), fund changes, share class analysis (institutional and wealth), investment research, and custody. They were particularly interested in our acquisition strategy, due diligence around acquisitions, any conflicts associated with that business, as well as integration of acquisitions and solicitor relationships. We addressed any deficiencies noted and the exam concluded May 2018.

We strive to foster a culture of compliance, and we expect that was apparent to examiners. As such, each year CAPTRUST undergoes several voluntary audits by independent third parties. Voluntary audits that our firm may conduct include a financial statements audit by an independent CPA firm, a custodial "surprise audit", internal control procedures by an independent CPA, and lately, annually, we undergo an annual anti-money laundering (AML) audit by an independent consulting firm.

Has the firm been the subject of any litigation (settled, pending, or threatened)? If yes, please describe.

Yes. There have been only three lawsuits against CAPTRUST, in our 36 year history, relating to its investment advisory services. A brief description of the lawsuits and the decision are provided below and on the following page.

In 2015, a plan participant in a 401(k) Plan (which is sponsored by a client of CAPTRUST's) filed a legal action against Prudential Retirement Insurance alleging that Prudential had charged excessive fees to the Plan (*Rosen v. Prudential Retirement Insurance and Annuity Company, et. al.*). In April 2016, CAPTRUST and the Plan Sponsor were joined as additional defendants in that action. CAPTRUST felt that the claims were totally baseless and retained a nationally recognized law firm with expertise in this type of litigation to represent its interests in the litigation. On December 30, 2016, the presiding judge dismissed all claims against all defendants with prejudice. The plaintiff appealed that dismissal; but



subsequently withdrew its appeal as to CAPTRUST and its client. On March 22, 2017, the Second Circuit Court of Appeals issued an Order dismissing all claims against CAPTRUST and its client, with prejudice; i.e., the case ended in CAPTRUST's favor.

In August 2016, a 403(b) plan participant, which is sponsored by a private university client of CAPTRUST's (the University) filed a class action lawsuit against the University and The Retirement Plan Oversight Committee of the University in the U.S. District Court for the Southern District of New York alleging that the defendants had breached various fiduciary duties owed to the participants in two of the University's retirement plans (Civil Action No. 16-cv-6525). In December 2016, the Plaintiff amended his complaint: (i) naming three more University 403(b) plan participants as additional Plaintiffs; (ii) naming the head of the Oversight Committee of the University and CAPTRUST as additional Defendants; and (iii) revising its allegations with respect to the types of fiduciary breaches allegedly committed. The complaint does not specifically allege any wrongdoing by CAPTRUST; but lumps it together with the University and the University Oversight Committee. CAPTRUST unequivocally maintains that it properly fulfilled all of its fiduciary duties to its client, the retirement plans, and the plan participants. CAPTRUST has retained a nationally recognized law firm with expertise in this type of litigation to represent it and has directed those attorneys to aggressively defend CAPTRUST against all of the alleged claims filed against it. Both the University and CAPTRUST filed motions to dismiss all Counts alleged in the Complaint with the Court. Pursuant to motions filed by CAPTRUST, the Court agreed and has either dismissed, with prejudice, or entered summary judgment in favor of CAPTRUST on all claims filed against it by Plaintiff. On January 12, 2021, the Plaintiff filed a blanket appeal of all of the Court's orders as to all defendants and the case is currently pending before the Second Circuit.

Further, most recently, in December 2019, a former client of CAPTRUST sued CAPTRUST in the U.S. District Court for the Northern District of Alabama, Southern Division (Civil Action No. 2:19-cv-2082-GMB). The lawsuit alleged that the client's assets were not appropriately invested by CAPTRUST and sought damages related to additional returns that could have been made if the assets had been invested differently. On February 4, 2020, the Court dismissed the lawsuit based on the parties' joint stipulation. The plaintiff subsequently filed an arbitration proceeding with the Financial Industry Regulatory Authority (FINRA). The parties reached settlement and the arbitration was subsequently withdrawn.

Have there been any material changes to the firm's fidelity bond insurance or error and omission insurance? If yes, please explain.

☐ Yes ☒ No

Have there been any changes to the firm's written fiduciary status as it relates to the plan/account? If yes, please explain.

☐ Yes ☒ No

Have there been any changes to the firm's roles and responsibilities as it relates specifically to the plan/account? If yes, please explain.

☐ Yes ☒ No



Have all sources of compensation been clearly disclosed?

☒ Yes ☐ No

Does the firm have any conflicts of interest with any of the plan/account's underlying investment managers or providers? If yes, please explain.

No, the firm does not have any conflicts of interest with the plan, the underlying investment managers, or providers to the plan. The firm's Form ADV Part 2 (disclosure brochure) has a detailed disclosure of all real and potential conflicts of interest, but none that have an impact on the plan.

Does the firm have information security measures in place to protect sensitive data? If so, what information security measures has the firm implemented?

Yes. CAPTRUST maintains a thoroughly documented information security strategy in place.

For more information, please reference the Information Security Brief through the link in email or by following the web address below:

https://file-us.clickdimensions.com/captrustadvisorscom-a7r8p/files/captrust-information-security-brief-for-rfp_35157.pdf?1626098963005

What are the investment manager's discretionary assets under advisement? What is the total number of plans/accounts with which the investment manager acts in a discretionary fashion?

As of 3.31.2022, CAPTRUST serves as an investment manager to \$41.9 billion discretionary assets under management. The total number of accounts/plans for which CAPTRUST serves as an investment manager is 1,555.

Personnel

Have there been any personnel changes to the Investment Committee that makes investment decisions impacting the plan/account? If so, please list names, title, and a brief description of the person's role.

☐ Yes ☒ No

During 2021 CAPTRUST's Investment Committee remained the same. Michael J. Vogelzang, CFA® has been CAPTRUST's Chief Investment Officer since 2020. Michael is charged with leading our firm's 64-person Investment Group, Investment Committee, and overseeing the investment process. Mike is a 40-year veteran of the investment industry and has been with the firm since October 2019. Michael is supported by Investment Committee members, David Hood, Sam Kirby CFA®, Christian Ledoux, CFA®, Matt Ogden, Ellen Shaer, CFA®, and Jim Underwood, CFA®.



Have there been any personnel additions or departures that directly affect the management of the plan/account?

☐ Yes ☒ No

Investment Process

Have there been any changes to the firm's capital market assumptions or tactical views? If yes, please list each change and a brief description. How do these views impact the plan/account?

Yes. CAPTRUST's capital market assumptions (CMAs) are generally reviewed and/or updated every 12-18 months, or when warranted by changes in market conditions. Our review of CMAs includes assessments of the valuations and return drivers of asset classes, e.g. price multiples for equities, levels of yields for fixed income, and an evaluation of asset classes relative to one another (equity risk premium).

Updates made for 2021 included:

- **Equities:** The post-pandemic economic recovery has propelled corporate earnings expectations sharply higher, sending equity markets soaring. Based on valuation levels, we believe much of the recovery momentum has been priced into current prices. Consequently, our return assumptions for equities remained mostly unchanged for 2021 as elevated growth expectations are offset by elevated valuations.
- **Fixed income:** Interest rates were low by historical standards, and this was exerting downward pressure on return expectations for fixed income. Our expected return for core fixed income was 2%, reflecting a base case assumption that interest rates gradually rise and the yield curve flattens (long-term rates less impacted by rising short-term rates).
- **Real assets:** Higher valuations relative to history caused us to maintain or slightly reduce our assumptions for future returns for public and private real estate, commodities, and core private real assets.
- **Alternatives:** With credit spreads near historic lows, we slightly pared back our return assumptions for alternatives.
- Risk assumptions begin with a historical (30-year lookback) quantitative calculation and are adjusted to reflect forward-looking qualitative assumptions.
- Asset class correlations have been updated to reflect data for up to the past 20 years.

**Change**

U.S. ECONOMY	Return
U.S. Economic Growth (Nominal GDP)	2.25%
U.S. Economic Growth (Real GDP)	1.70%
U.S. Inflation (CPI)	0.55%
EQUITY MARKETS	Return
U.S. Large-Cap Equity	0.00%
U.S. Mid-Cap Equity	0.00%
U.S. Small-Cap Equity	0.00%
International Stocks-Developed Markets	-0.25%
International Stocks-Emerging Markets	0.00%
FIXED INCOME	Return
U.S. Short-Term T-Bills (Cash)	0.35%
U.S. Core Fixed Income	-0.10%
U.S. Intermediate-Term Treasury Bonds	0.50%
U.S. Long-Term Treasury Bonds	-0.10%
U.S. Investment Grade Corporate Bonds	-0.80%
U.S. Long-Term Corporate Bonds	-0.75%
U.S. High Yield Corporate Bonds	-2.05%
U.S. Municipal Bonds	-1.50%
Global Bonds	0.15%
Floating Rate Bonds	
Treasury Inflated-Protected (TIPS)	0.00%
REAL ASSETS	Return
U.S. Public Real Estate	0.00%
U.S. Core Private Real Estate	-0.25%
Commodities	-0.45%
Core Private Real Assets	0.00%

Have there been any changes to the investment process or philosophy of the firm?
If yes, please explain.

☐ Yes ☒ No

Have there been any changes to the manager due diligence process employed by
the firm? If yes, please explain.

☐ Yes ☒ No

Have there been any changes to the process with which investment options are
monitored? If yes, please explain.

☐ Yes ☒ No

Have there been any changes to the reporting for investment options? If yes, please
explain.

☐ Yes ☒ No

Have there been any changes to the firm's standard Investment Policy Statement? If
so, please describe.

☐ Yes ☒ No



SECTION TWO: INVESTMENT PROCESS MONITORING

The questions below are intended for plan sponsors and/or investment committees to complete to memorialize what they are doing from an investment process perspective to monitor the actions of their plan's investment manager.

Documentation and Communication

Does the investment manager clearly communicate any changes made to the investment options in the plan and the rationale for doing so?

☐ Yes ☐ No

Does the investment manager provide proper documentation of investment decisions made and house these documents in a secure and central place?

☐ Yes ☐ No

Does the investment manager clearly define its criteria for selection and ongoing monitoring of investment options through an Investment Policy Statement?

☐ Yes ☐ No

Are all investment decisions communicated in a timely fashion?

☐ Yes ☐ No

If a Qualified Default Investment Option (QDIA) is utilized in the plan, is the selection and rationale properly documented?

☐ Yes ☐ No

Disclosures

Does the investment manager acknowledge its fiduciary status in writing?

☐ Yes ☐ No

Are the roles and responsibilities of the investment manager clearly stated and documented in the plan's Investment Policy Statement? If there are areas where the investment manager does not take on discretion (e.g. individual annuity contracts, company stock), are those areas properly communicated and disclosed?

☐ Yes ☐ No



Does the investment manager have any conflicts of interest with any of the plan's underlying investment managers or providers?

☐ Yes ☐ No

Does the investment manager fully disclose all sources of compensation?

☐ Yes ☐ No

Investment Selection and Monitoring

Does the investment manager clearly define its criteria for selection and ongoing monitoring of investment options through an Investment Policy Statement? Are these procedures consistently applied to all investment options and any deviations from the process clearly explained?

☐ Yes ☐ No

Does the investment manager monitor the plan's investments on a periodic basis, but no less than annually?

☐ Yes ☐ No

Has the investment manager clearly communicated who makes investment decisions that impact the plan? Who has final say in investment decisions? What is the process involved in making these decisions? Does the investment advisor periodically assess the plan's investment options and provider capabilities in an effort to optimize outcomes?

☐ Yes ☐ No

Lineup Construction

Does the investment lineup provide for a reasonable range of participant risk tolerances?

☐ Yes ☐ No

Is the lineup constructed with the intent to meet ERISA 404(c) requirements?

☐ Yes ☐ No

Does the investment lineup offer pre-diversified investment options, such as target date or risk-based portfolios that are based on reasonable risk/return assumptions?

☐ Yes ☐ No



If the investment advisor manages any diversified portfolios or models for the plan, are the underlying risk/return assumptions clearly communicated? Are all changes to diversified portfolios or models clearly communicated? How?

☐ Yes ☐ No