



GW Capital, Inc.  
10900 NE 8<sup>th</sup> Street, Suite 750  
Bellevue, WA 98004  
(425) 455-4551  
Website: [www.gwcapitalinc.com](http://www.gwcapitalinc.com)

Form ADV Part 2A – the Brochure  
March 26, 2015

This Brochure provides information about the qualifications and business practices of GW Capital, Inc. If you have any questions about the contents of this brochure, please contact us at (425) 455-4551. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

GW Capital, Inc. is a registered investment adviser with the SEC. This registration does not imply any particular level of skill or training.

Additional Information about GW Capital, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



**Item 2: Material Changes**

There were no material changes in the business of GW Capital, Inc. (“GW Capital”) subsequent to its annual filing with the SEC on March 26, 2014.

However, on August 1, 2014, GW Capital noted the following revisions and filed an amended Form ADV Part 2A with the SEC:

Item 12 – Brokerage Practices was revised to provide clarification surrounding GW Capital’s objective in seeking to obtain best execution.

Item 13 – Review of Accounts was revised due to changes in the account review processes where all portfolio managers are involved in the account review process.

In addition with this filing dated March 26, 2015, the following items were revised:

Item 6 – Performance Based Fees – GW Capital no longer participates in any performance-based fee arrangements.

Item 17 – Voting Client Securities now provides more specificity to what GW Capital considers when determining whether a potential or actual conflict of interest exists and how the firm resolves such conflicts.



**Item 3 – Table of Contents**

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#### **Item 4 – Advisory Business**

GW Capital, Inc. (“GW Capital”) is an independent, 100% employee-owned investment advisory firm located in Bellevue, Washington. The firm was founded in 1989 by Guy Watanabe, President & Principal, who owns more than 50%, but less than 70%, of the firm. The remainder of GW Capital is owned by five employees, each of whom owns between 2% and 15% of the firm. These employee-owners are:

Tom Parkhurst, Senior Vice President & Principal,  
Scott Mullet, Senior Vice President & Principal,  
Touk Sinantha, Vice President & Principal,  
Nick Brown, Vice President & Principal and  
DeShay McCluskey, Vice President & Principal.

GW Capital is an institutional-focused investment management firm and manages the following five investment strategies that are explained in more detail in Item 8 below. All of our investment portfolios, both equity and fixed income, are managed on a discretionary basis by our team of investment professionals.

##### Small Cap Equity

GW Capital's Small Cap Equity strategy was inceptioned in 1990 as one of the strategies in the firm's balanced portfolio (transitioned to separate accounts in mid 1990s). Focusing primarily on U.S. domestic equities, this strategy has been managed consistently with the same philosophy for 20+ years.

##### Small Mid Cap Equity

In May 2006, GW Capital launched its Small Mid Cap strategy. The Small Mid Cap strategy was a natural fit for the firm — essentially an extension of Small Cap Equity strategy—also with its primary focus in U.S. domestic equities.

##### Mid Cap Equity

The Mid Cap Equity strategy was added as a strategy offering in June 2011. We found the Mid Cap Equity strategy to be a natural extension of our years of experience as Small and Small Mid Cap investors.

##### All Cap Equity

The All Cap Equity strategy was added as another strategy offering in January 2014. Similar to our Mid Cap Equity strategy, we see the All Cap Equity strategy to be a natural extension of our years of experience as investors in the Small to Mid Cap segments of the US equity market.

##### Medium-grade Fixed Income

GW Capital's Medium-grade Fixed Income strategy was inceptioned in 1990 as one of the strategies in the firm's balanced portfolio (transitioned to separate accounts in mid 1990s). The fixed income strategy emanates from our belief that active management of bonds can be justified only if the approach employed is capable of generating returns that in our view are materially greater than the broad bond indexes.

We manage accounts as a direct advisor for separately managed accounts, a sub-advisor for manager-of-manager programs or as a manager for wrap fee sponsors. Clients of GW Capital include Public, Taft-Hartley, and Corporate Pension Plans, as well as Profit-sharing Programs, Endowments, Charitable Organizations, and High Net Worth Individuals. For all five investment strategies, clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.



In addition, GW Capital's Small Cap and Small Mid Cap equity strategies also participate in wrap fee relationships for which the firm receives a portion of the wrap fee. We manage the wrap programs in the same manner as we do for our separately managed and sub-advised accounts; however, for reporting purposes of the SEC Form ADV Part 1A, we count each underlying wrap fee program participant as a client.

As of December 31, 2014, GW Capital managed approximately \$2,908,358,000 in assets, all of which are managed on a discretionary basis.

### **Item 5 – Fees and Compensation**

GW Capital's annual investment advisory fee rates depend on the strategy managed. The standard fee schedules for the five investment strategies offered are shown below. Unless otherwise directed in writing by the client, our standard fees are billed quarterly and in arrears. The fee is one-fourth (1/4) of the annual fee rate in each table and is calculated using the market value of the assets in the account as of the calendar quarter end. The annual rate is established in the client's written investment management agreements and typically applies to the value of the sum of all cash and securities (including accrued income) in the account.

#### Small Cap Equity Fee Schedule:

0.75% on the first \$50 million  
0.60% on the next \$50 million  
0.50% on assets over \$100 million

#### Small Mid Cap Equity Fee Schedule:

0.75% on the first \$25 million  
0.60% on the next \$25 million  
0.50% on assets over \$50 million

#### Mid Cap Equity Fee Schedule:

0.60% on the first \$25 million  
0.55% on the next \$25 million  
0.50% on assets over \$50 million

#### All Cap Equity Fee Schedule:

0.50% on the first \$50 million  
0.45% on the next \$50 million  
0.40% on assets over \$100 million

#### Medium Grade Fixed Income Fee Schedule:

0.40% on the first \$20 million  
0.30% on the next \$20 million  
0.20% on assets over \$40 million

In certain circumstances where GW Capital serves as the sub-adviser for a manager-of-managers or a manager to wrap fee sponsors and has minimal servicing requirements, a lower annual rate is available. Clients of wrap fee programs should consult the wrap sponsor's brochure for details regarding the client's individual fees.



#### Additional Fee Information

In certain instances where there are special account structure requirements, and/or client's objectives or other special considerations (including servicing requirements) a client's fee will vary from the basic fee schedules. Fees may be negotiated and GW Capital reserves the right to waive fees at our discretion and to increase or decrease the minimum account size we will accept. Pre-existing advisory clients are subject to the minimum account requirements and advisory fees that were in effect at the time the client entered into the investment management agreement. Therefore, our minimum account requirements and fees will differ among clients.

Fees are billed and due after the end of the calendar quarter to which they apply and are prorated for significant cash flows and if services are provided for less than a full quarter. Unless otherwise instructed by the client, GW Capital will invoice quarterly. Also, per the client's written authorization, GW Capital will either deduct fees from the client's account or bill the client directly. For those clients who request to pay in advance, upon termination of the agreement any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, GW Capital will pro rate the reimbursement according to the number of the days remaining in the billing period.

In addition to GW Capital's advisory fees, clients are also responsible for the fees and expenses charged by custodians and broker dealers. Please refer to *Item 12 – Brokerage Practices* of this Brochure for additional information.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Currently, GW Capital does not participate in any performance-based fee arrangements.

#### **Item 7 – Types of Clients**

GW Capital manages accounts as a direct advisor of Public Pension, Taft-Hartley Pension, Corporate Pension and Profit-sharing Programs, Endowment Funds, Charitable Organizations and High Net Worth Individuals, or acts as the sub-advisor for manager-of-manager programs or as a manager to wrap fee sponsors.

The minimum separate account size to open a new account for each strategy that GW Capital manages is as follows:

- Small Cap Equity: \$5 Million
- Small Mid Cap Equity: \$5 Million
- Mid Cap Equity: \$5 Million
- All Cap Equity: \$10 Million
- Medium-grade Fixed Income: \$25 Million

GW Capital has the discretion to waive the minimum account size, as such and described in Item 5 above, our minimum account requirements will differ among clients due to the type and extent of the servicing requirements of the client.



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

The goal of GW Capital's investment strategies is to provide a return sufficient enough to reward the investor for the degree of risk incurred and GW Capital believes that good analysis of a security must consider both sides of the balance sheet. Therefore by having the same management team handling both our fixed income and equity strategies we believe we are able to capitalize on the synergies and benefits therein. While we strive to have continued success in the future, past performance is no indication of future results. In terms of capacity limitations, GW Capital does not have a maximum number of accounts or clients for any of our investment strategies. Instead, we established an approximate total asset level where we will close the product to new relationships. It should be noted that the capacity limitation for any of our investment strategies is dependent on market conditions, liquidity and the impact this has on our portfolio management efforts.

### Equity Strategies:

For the four equity strategies that GW Capital manages—Small Cap, Small Mid Cap, Mid Cap, and All Cap, further detailed below—GW Capital's equity investment process combines thematic-focused, top-down sector/industry-trend analysis and bottom-up fundamental issue selection methodologies. An attractive equity investment tends to have a value bias with reasonable growth drivers. In general, whether a new idea is thematically driven or arises from a purely bottom-up genesis, there exists identifiable catalysts that we believe will propel the investment, and our equity strategies are designed to uncover these catalysts.

### Top-Down Approach:

As we proceed through our idea generation process, we may uncover a number of linked variables or catalysts unique to a specific sector or industry or may affect a cross section of sectors and industries. These catalysts tend to be transformational and will positively or negatively affect the underlying stocks within these respective sectors and industries. Examples of catalysts or variables could emanate from broad-based and macro-focused issues such as changes in geopolitics, monetary policy, fiscal spending patterns, or the regulatory environment. Or they could result from more specific influences where industries are undergoing a dynamic shift due to technological advancements, changing business practices, demographic influences, changes in spending or consumption patterns, capacity constraints, demand growth, pricing power or a prolonged period of under/over investment. These transformational changes occur over a long timeframe so a theme usually takes a number of years to unfold. Once a theme has been identified, GW Capital utilizes a bottom-up approach to populate that portion of the portfolio dedicated to that theme. The investment management team will then focus on those stocks it believes are levered to the theme for inclusion in the portfolio. When themes are uncovered that have a series of positive catalysts, those sectors or industries will be over weighted relative to the equity strategy's benchmark. Conversely, a series of negative catalysts may argue for an underweight relative to the benchmark.

### Bottom-Up Approach:

Idea generation from a bottom-up approach is very much catalyst-driven as well. Catalysts are uncovered through any number of means, including but not limited to third-party research, major Wall Street research firms or regional boutique research entities that specialize in specific industries, business journals and periodicals, fundamental screens, respected peers, industry conferences, management team meetings, or simply wandering the aisles of the local retailer. Once an idea has been identified, the process starts first and foremost with an assessment of the appropriate valuation of the underlying security. Analysts will look to



traditional valuation metrics such as price to earnings, enterprise value to EBITDA, discounted cash flow, price to book, or the relevant valuation metric for the stock. Through this process, analysts study the nature of the business, its history, its outlook, and learn what economic environments are most beneficial. Part of the analysis includes assessing management's incentive program and whether it is aligned with shareholders. GW Capital's analysts also do a thorough liquidity assessment of the company. This analysis entails projecting cash flows and capital commitments, reviewing the flexibility of bank lines, and factors in pension impacts. Since we manage fixed income portfolios we also look to see how the company's underlying public debt securities trade. Many times this can give us insight into how underlying risks are being discounted by fixed income investors and the eventual impact it may have on equity investors. This entire process of looking at both the equity and fixed characteristics of a company's securities is intended to provide our analysts with a comprehensive understanding of the strengths behind the catalysts that got them interested in a particular stock.

As an additional component of our bottom up approach, GW Capital will also invest in what we call special situation stocks or stocks that fall outside of our developed themes or value matrices when we find companies that we see as compelling investment opportunities. Special situation stocks at times are more of a "true value" or even growth opportunity than those securities identified thematically or through the pure bottom up genesis. Once the potential investment opportunity has been identified, the analyst will use the same process described above to determine if the special situation stock is a viable investment opportunity for the equity investment strategy.

The ability to source stock ideas from either a thematic or from a purely bottom-up approach as well as our ability to leverage our fixed income expertise to better source and discern good equity opportunities is what we believe makes GW Capital's equity investment philosophy unique. The idea generation process allows the flexibility to take advantage of various market environments to source ideas from either approach or in tandem. There are times when the majority of names in the portfolio result from our thematic approach. It is equally true that the portfolio can be constructed with the majority of names driven from our bottom-up approach. The reality is that the equity portfolios are constructed with some combination of the two approaches.

Targeted industry sectors are weighted to reflect opportunities for outperforming a broad market index. Upon making a thematic decision on an industry, a bottom-up approach is utilized to identify the companies in that industry which GW Capital believes would perform best given the thematic opportunity we have identified.

Clients and potential clients should know and be prepared to bear the risk that investing in stocks entails. The performance of any investment is not guaranteed. Market volatility and the value of all types of stocks may increase or decrease over varying time periods. All equity securities are subject to overall stock market risk—interest rates, political events, market conditions and other factors—that may affect the value of securities invested in equity strategies. Moreover, individual securities can be more volatile than the market as a whole. Specific to our strategies, small-capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies, and as a result be more susceptible to economic events and competitive factors than mid cap and large cap companies. In addition, the securities of small-capitalization companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. Also, portfolios that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than portfolios that diversify among a broad range of sectors. As a thematic investor managing focused stock portfolios, GW





Capital may have more specific industry concentration risk or specific security concentration risk. Additionally, there is a risk relative to a specific equity strategy's benchmark, often measured by tracking error, as the portfolio will not be constructed to perfectly mirror any specific index.

We tend to be benchmark agnostic, and if we have a theme in play, our capitalization and sector weights will deviate from that of the market index. Sector weights can also deviate from the market index if GW Capital's analysts uncover a number of attractive ideas within a specific sector even if there is not an identifiable theme. Conversely, portfolios may be underweight the market index if its analysts are unable to identify attractive investment prospects.

To control this risk we strive to develop investment themes that will provide investment returns in excess of the level of risk acquired relative to the equity strategy's benchmark. Portfolio risk is also controlled by our sell discipline. Decisions to add or remove stocks from portfolios are made by the investment management team. Formal discussions regarding the potential positives and negatives of investment ideas and strategies are conducted to ascertain the appropriateness of our ideas in relation to the clients' objectives. When individual securities satisfy our valuation expectations, further analysis is made to determine if our estimates are correct or need to be revised. Additional adjustments will be made to the portfolios to accurately reflect our current expectations.

Maintaining diversification also plays a role in risk control. Depending on the equity strategy, portfolios will normally hold between 30 and 50 securities and upon initial purchase, securities will normally range from 1 to 3% of the overall portfolio. In addition, we seek to limit a single position to a maximum of 7% of the portfolio, and we normally pare back when the position reaches 5% of the portfolio. Additionally, we generally attempt to limit exposure to 25% in any one sector.

#### ***Small Cap Equity Strategy***

Once we complete the initial investment process as described above, we focus on the investible universe of securities for the Small Cap Equity strategy, which includes securities (primarily U.S. domestic equities) with market capitalizations between \$500 million and \$2 billion at time of initial purchase by the firm.

We believe the capacity limitation for new investors for the Small Cap Equity strategy is approximately \$1.25 billion strategy assets under management. This will allow the product to grow organically and not impair our investment process and ability to add value. However, the capacity limitation for the Small Cap Equity strategy, as well as the other four investment strategies described below, is dependent on market conditions, liquidity and the impact this has on our portfolio management efforts.

#### ***Small Mid Cap Equity Strategy***

The investible universe for the Small Mid Cap Equity strategy consists primarily of U.S. domestic equities and includes securities with market capitalizations between \$500 million and \$10 billion at time of initial purchase by the firm, with most holdings between \$1 billion and \$7.5 billion.

The capacity limitation that we have placed on our Small Mid Cap Equity strategy is approximately \$2.5 billion strategy assets under management allowing the product to grow organically and not impair our investment process and ability to add value.



### ***Mid Cap Equity Strategy***

The Mid Cap Equity investment process also begins with the combination of thematic focused, top-down sector/industry trend analysis with bottom-up fundamental issue selection methodologies. As with our other equity strategies, the investible universe for the Mid Cap Equity strategy also consists primarily of U.S. domestic equities. However, the market capitalization of the securities utilized for this strategy is between \$1 billion and \$20 billion at time of initial purchase by the firm.

Due to the recent inception of the Mid Cap Equity strategy in June 2011, we have not yet established a capacity limit based on strategy assets under management. As the strategy grows, we will determine a target capacity based on market conditions, liquidity and the impact these have on our portfolio management efforts.

### ***All Cap Equity Strategy***

The All Cap Equity investment process also begins with the combination of thematic focused, top-down sector industry trend analysis with bottom-up fundamental issue selection methodologies. As with our other equity strategies, the investible universe for the All Cap Equity strategy also consists primarily of U.S. domestic equities. As an All Cap strategy, the investment process is less constrained in terms of market capitalization in comparison to our other equity products. While we anticipate a major portion of the portfolio to be between \$2 billion and \$25 billion at time of initial purchase by the firm, we have the option to purchase stocks below \$2 billion and above \$25 billion in capitalization as well.

Because the All Cap Equity strategy was inceptioned in January 2014 we have not determined a capacity limit for closing this strategy to new investors. However, depending on market conditions and liquidity and the impact these have on our portfolio management efforts, a target capacity limit will be determined at a later date.

Whether analyzing a stock as part of a theme or as a pure bottom-up purchase, the main driver of the issue selection process for our equity strategies is our ability to uncover attractive investment prospects based upon fundamental perspectives. Our focus is on companies from industry sectors that have identifiable catalysts, such as pricing power, regulatory changes, technological advancement, management changes, new product introductions, acquisitions, demographics, etc. among other things. A final key distinctive element to our approach is the synergies gained and applied to equity portfolios from fixed income research and market data utilized in our Medium-grade Fixed Income strategy.

### **Fixed Income Strategy**

Our distinctive, blended fixed income approach seeks to provide high yield like returns over longer time periods with measurably lower return volatility. GW Capital's strategy does not utilize derivatives, structured products or securities rated below single-B by S&P, or the equivalent grade from a Nationally Recognized Statistical Ratings Organization. Portfolios will normally be relatively duration neutral, with an average quality of BBB- or higher.

### ***Medium-grade Fixed Income Strategy***

GW Capital's Medium-grade Fixed Income philosophy rests on the premise that by focusing on mid-tier corporate credits (BBB rated thru B rated) and overweighting and underweighting these credit sectors as market opportunities are presented, GW Capital can deliver high yield like returns over the long term (5-10 years) with measurably less volatility. GW Capital utilizes three fixed income asset classes within this



strategy: high yield and investment grade corporate bonds, out-of-the-money (“busted”) convertible debentures, and U.S. government securities. The fixed income investment process employs an integrated top down, bottom-up, analysis.

The top-down approach incorporates an in depth analysis of yield spread relationships within the high yield (specifically BB and B rated) and BBB rated corporate sectors of the fixed income market. Analysis of the credit markets allows us to make allocation decisions and position the portfolio appropriately within the quality spectrum. Tools utilized in this analysis would include monitoring the current spread within each rating category to their respective historical yield spreads. We also analyze the yield pick-up from one rating category to the next against its historical yield spread differential. We normalize these spreads to better understand the relationships under various interest rate environments. Incorporating a comprehensive understanding of both domestic and global economic changes, direction of political and monetary policy, and other macro factors with our yield spread analyses, we develop the framework to either overweight or underweight the credit markets.

The bottom-up component of the Medium-grade Fixed Income strategy emphasizes uncovering attractive valuation opportunities based upon fundamental perspectives. In order to develop the firm's fundamental perspective on a security, the portfolio management team utilizes several means including rating trend analysis, yield spread analysis, and liquidity analysis. Every fixed income investment idea undergoes what we believe is a very robust review including the generation of pro forma income and cash flow financial statements which incorporate pension liabilities as a part of the debt calculation. Further, the cash flow analysis accounts for upcoming debt maturities as well as anticipated shareholder friendly initiatives such as share buybacks and dividend increases. Review of the company's bank lines and access to the public markets is also a part of the analysis designed to give us a comprehensive understanding of the company's financial flexibility.

The strategy does not utilize derivatives, structured products (asset-backed, mortgage-backed), or securities rated below single-B. Portfolios will normally be relatively duration neutral (+ or - 10% to benchmark), with an average quality of BBB- or higher and a maximum 50% weighting in BB and B-rated debt.

GW Capital's Medium-grade Fixed Income strategy is subject to many of the same risk factors associated with most fixed income investing. These include credit risk, interest rate risk and call risk. Investment in bonds is subject to interest rate and credit risks. As interest rates rise, bond prices fall, reducing the value of a fixed income security's price. Lower credit quality may lead to greater volatility in the price of the security, which may affect the ability to sell the security. The risks of high-yield securities include, but are not limited to, price volatility and the possibility of default in the timely payment of interest and principal. In addition, falling interest rates may cause an issuer to call (redeem) its high-yielding securities before their maturity date. There is also a risk relative to the fixed income strategy's benchmark, often measured by tracking error, as the portfolio will not be constructed to mirror any specific index. For GW Capital, that is often reflected in a deviation in sector weightings and a slightly more focused portfolio of roughly 75 - 100 corporate securities versus a benchmark with hundreds more issues. There is also yield curve risk where the portfolio may be focused on a different part of the yield curve than that of the index. Given our focus on medium-grade quality corporate bonds, probably the largest of these risks is credit risk. GW Capital's investment team and our risk assessment process and vetting of individual security purchases is intended to mitigate credit risk as best we can. Nonetheless, even at our best, we are not completely able to avoid purchasing securities that undergo deterioration in their credit profile. It is our job to assess this risk and attempt to determine if it will be fatal



to a company, or if it represents more of a speed bump in the long-term viability of the entity and its ability to make coupon payments and the final payment at maturity.

We attempt to control overall portfolio risk by limiting duration to a tight range in comparison to a benchmark, maintaining an average quality of investment grade (BBB-) for the overall portfolio, limiting below investment grade holdings to the higher end of that spectrum, owning no derivatives or other exotic fixed income instruments (CMOs, CDOs, etc.) and diversifying among sectors and individual security names. The maximum non-Treasury holding will generally be 2.5%, with the vast majority of issues in the 0.5% to 1.5% range. Unlike traditional high yield managers, we will not invest in securities rated less than single-B. GW Capital diversifies across particular sectors and industries in the bond market but does not purport to closely track any of the major indexes. In general, we attempt to limit exposure to any one industry to 25% of the portfolio. Typically the minimum issue size of a fixed income security in our Medium-grade Fixed Income strategy is \$250 million, which meets index eligibility requirements; however there are instances where we will invest in issues that have less than \$250 million.

We estimate the capacity limitation the Medium-grade Fixed Income strategy to be at approximately \$2 billion in strategy assets under management which would close the strategy to new investors. We believe setting the capacity limit at this level would allow the product to grow organically and not impair the investment process.

All five investment products described above and the respective client portfolios are managed on a team basis by our Investment Committee. Members of the Investment Committee are involved with research and investment discussions regarding each of GW Capital's investment strategies.

#### **Item 9 – Disciplinary Information**

Neither GW Capital nor any of our management persons have been involved in any material legal or disciplinary events.

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

GW Capital and our management persons are not engaged in other financial industry activities and have no other industry affiliations.

#### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

GW Capital has adopted a Code of Ethics that applies to all of the firm's employees, officers, and principals ("supervised persons"). The Code of Ethics describes GW Capital's high standard of business conduct and fiduciary duty to our clients. GW Capital adopted general principles as part of the Code of Ethics and expects our supervised persons to adhere to these principles when they are acting on behalf of the firm or in any other capacity that affects the interests of GW Capital's clients. The general principles adopted by us include, but are not limited to, (1) putting the clients' interest first at all times; (2) conducting all personal securities transactions in such a manner to be consistent with the Code of Ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's trust and responsibility; (3) not taking inappropriate advantage of their position; (4) treating all client information as confidential; and (5) maintaining independence in the investment decision-making process. As such, the Code of Ethics includes personal securities trading procedures and provisions relating to:



- Prohibiting supervised persons from investing in securities in any asset class within the market capitalization range utilized by GW Capital in its investment strategies and certain other permitted transactions that require pre-clearance,
- Receipt and/or giving of gifts and entertainment,
- Prohibition on trading, either personally or for a client, when in possession of material non-public information (“Insider Trading”),
- Restrictions and disclosures on political contributions,
- Preapproval for participation in initial public offerings (“IPOs”) or a limited or private offering,
- Restrictions from serving on the board of public corporations, and
- Confidentiality of client information.

Under the Code of Ethics, certain classes of securities (such as open-end mutual funds, ETFs, non-dollar securities, U.S. Treasury investments, Government/Agency bonds and other asset classes not utilized by GW Capital’s investment strategies) have been designated as exempt transactions. There are limited circumstances where a supervised person is permitted to hold the same security owned by one of our clients. For example an employee invested in a security where the market capitalization has increased and the security is now considered an eligible security for GW Capital’s investment strategies, or an employee owned the security prior to joining the firm. In these situations, the employee is provided the opportunity to sell the security. If the employee chooses to hold the security, the employee is required to hold the security until the clients of GW Capital no longer owns the same security. The trading activity of GW Capital’s supervised persons is monitored under the Code of Ethics.

GW Capital believes that our Code of Ethics is reasonably designed to prevent certain personal securities transactions and other potential conflicts of interests between GW Capital, the firm’s supervised persons, and its clients. However, clients should be aware that no set of rules can possibly eliminate all potential conflicts of interest in trading or other matters.

Clients or prospective clients of GW Capital may obtain a copy of the Code of Ethics by calling our office at (425) 455-4551.

### **Item 12 – Brokerage Practices**

GW Capital, acting on behalf of our clients, is obligated to use our best efforts to obtain best execution with respect to all portfolio securities transactions. Best execution is typically defined to mean the execution of a particular investment decision at a price and commission that provides the most favorable net cost or proceeds reasonably attainable under the circumstances, and prompt reliable execution.

GW Capital’s objective in the selection of broker-dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution on transactions effected for client accounts. The best net price, giving consideration to brokerage commissions, spreads and other costs is an important factor in this decision, but a number of other judgmental factors will be considered if they are deemed relevant. These factors include, but are not limited to, GW Capital’s knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for a particular security; confidentiality in execution,



clearance, and settlement capabilities as well as the broker-dealer's reputation and perceived soundness; GW Capital's knowledge of broker-dealer's operations problems; the broker-dealers execution services rendered on a continuing basis and in other transactions, and the reasonableness of spreads or commissions.

In seeking to obtain best execution for the fixed income transactions, GW Capital generally will not seek to obtain competitive bids for the most favorable commission rate or spread applicable to a certain transaction. GW Capital will strive to be aware of the current level of charges of the broker-dealers and to reduce the expense incurred for effecting transactions. Although GW Capital generally seeks competitive dealer spreads and commissions, it will not inevitably pay the lowest commission or commission equivalent, as this may prohibit GW Capital from obtaining an overall net cost more favorable under the circumstances.

GW Capital does not have any formal or informal soft dollar arrangements with the brokers the firm uses to execute trades. And as such, GW Capital does not direct trades or have our clients pay-up in commissions in exchange for research. However, brokers may provide research that GW Capital may use in our investment decision process. Any such research utilized by GW Capital falls within the provisions of Section 28(e) of the Securities Exchange Act of 1934. As noted above in Item 8, client portfolios are managed on a team basis by the Investment Committee and when an investment decision is made it is applied to all accounts within the particular strategy, unless a client imposed restriction is in place.

GW Capital does permit direction of brokerage from clients and requires that instruction to be in writing. The client may direct all or only a portion of their trades to the directed broker. It must be expressly understood by the client that by directing brokerage, the client may obtain less favorable price and execution and may pay higher commissions, and depending on the agreement the client has with the broker, GW Capital will not be able to negotiate commissions with the directed broker. The client should also understand that it may not receive any volume discounts that our other clients receive, resulting in a disparity in commission charges between clients. It should also be understood that certain stocks with less liquidity and higher volatility may make it more difficult to obtain a similar price on a directed account than the price that was received on the non-directed block trade. Finally, it should be understood that dependent on the agreement the client has with the directed broker, GW Capital will be unable to review the effectiveness or value of the services provided by these directed brokers.

Some clients use custodians that also act as brokers for the client's trades, where the custodian will charge an additional fee on each security traded if the client's trades are executed with any other broker. In these instances, in order to avoid incurring additional expenses, GW Capital will generally trade with the client's custodian. In certain instances these relationships will prevent GW Capital from obtaining more favorable prices and execution than if GW Capital was empowered to select the broker that does not impose such expenses.

It is GW Capital's policy to aggregate the purchases and sales of securities for client accounts as block trades. When multiple block trades are placed with multiple brokers, the sequence in which brokers are provided the block trade orders is randomly determined using computer software. Every effort is made to execute those orders on a pro rata basis so that all clients are treated fairly. However, when making allocation decisions, considerations on each client's unique needs and preferences, as well as investment objectives, will weigh heavily in the decision making process. If it is determined that due to client constraints (i.e., cash requirements, investment guidelines and restrictions, directed brokerage, etc.) not all accounts can participate in a particular transaction, these accounts will be removed from the block trade.



### **Item 13 – Review of Accounts**

Client portfolios are managed according to the specific investment strategy's guidelines and objectives or any client specific guidelines and objectives on a team basis by the portfolio managers. As part of the weekly Investment Committee meetings, the portfolio managers are provided various reports that they use to keep the portfolios in line with the investment strategies' guidelines and objectives or client specific guidelines and objectives. In addition, the portfolio managers review the securities held in each strategy. In the event the Investment Committee does not meet, the portfolio managers are provided the same reports for review.

Unless otherwise directed by the client, clients and/or the client's consultant receive reports on a monthly basis. The reports contain a listing of assets held, their respective cost and market value information, asset sector weightings, securities transactions and income.

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

GW Capital does not have any arrangements where it receives cash or economic benefits from a non-client in connection with giving advice to clients, nor does the firm compensate any non-employee for the referral of new business.

### **Item 15 – Custody**

GW Capital does not have actual or constructive custody of client accounts. However, as mentioned in Item 5 above, GW Capital will, at the client's direction, directly invoice the client's custodian for the payment of advisory fees. On at least a quarterly basis, the custodian is required to send the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the advisory fee to be deducted, it is important for those clients who have instructed GW Capital to directly invoice the custodian, to carefully review their custodian statements to verify the accuracy of the calculation. Clients should contact GW Capital directly if they believe there is an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients at least quarterly. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current. If clients are not receiving statements directly from the custodian, please contact us at (425) 455-4551.

### **Item 16 – Investment Discretion**

GW Capital accepts discretionary authority to manage client assets for and on behalf of our clients. GW Capital assumes this authority through the execution of an investment management agreement with the client which provides GW Capital the discretion to determine, without the client's consent, the types and quantities of securities to buy and sell. Clients may impose on our investment discretion certain investment objectives and guidelines; as well as specific restrictions, limitations, or prohibitions, such as social restrictions, asset classes or sector limitations. When making investment decisions, GW Capital observes the objectives and guidelines, limitations and restrictions applicable to the client. It should be noted that certain client imposed objectives, guidelines, limitations and restrictions will cause the client's account to be



dissimilar in holdings and performance to the other accounts managed without client imposed limitations or restrictions.

#### **Item 17 – Voting Client Securities**

Unless otherwise instructed by the client in writing, GW Capital will vote proxies on behalf of our clients. GW Capital's authority to vote proxies is established by our investment management agreements or comparable documents. With respect to accounts that fall under ERISA, we will vote proxies unless the plan documents specifically reserve the plan's right to vote proxies.

In voting proxies, GW Capital executes its fiduciary responsibility by considering the best interests of our clients by taking into account both the economic and ethical factors. We will utilize reasonable care and skill in deciding how to vote on the issues involved, and vote proxies on all securities we manage (either for, against, or abstain), whether or not the vote supports management. For additional guidance, GW Capital will use reports prepared by a neutral third party that issues proxy vote recommendations based on its own internal guidelines and research.

Conflicts of interests between GW Capital and the client are minimal, because in very limited circumstances will a supervised person of GW Capital be allowed to own the same security owned by a client of the firm. Also, GW Capital does not allow any of our supervised persons to be members of a public company's board of directors. To determine if a potential or actual conflict of interest exists, in the review of proxy proposals, GW Capital will consider such matters as (i) whether GW Capital has an economic incentive to vote in a manner which is not consistent with the best interest of the client; and (ii) whether there are any business or personal relationships between an employee of GW Capital and the officers and directors of the company involved in the proxy vote.

Where a proxy proposal raises a potential conflict of interest between GW Capital and our client, GW Capital will resolve the conflict by (i) voting in accordance with our Proxy Voting Guidelines, (ii) obtain consent from the client, (iii) obtain a client directive to use an independent third party for proxy matters where a conflict of interest is identified, or (iv) the client will vote its own proxies.

Clients may direct GW Capital to vote in a particular solicitation via written instruction or the client can direct the proxy voting to a party other than GW Capital. In the event the client directs the proxy voting to another party, the other party will be responsible for providing all proxy related services, including proxy ballots, solicitation, voting services, reporting etc. GW Capital will make itself available to the client at any time via email, mail or telephone to offer insight regarding a specific solicitation. We will also provide periodic proxy voting reports to the client upon request. Clients can also obtain our complete proxy voting policies and procedures by contacting us at (425) 455-4551.

#### **Item 18 – Financial Information**

This Item does not apply. GW Capital does not require or solicit prepayment of its advisory fees, nor has it ever filed for bankruptcy or is aware of any financial condition that is likely to affect its ability to manage client accounts.





### **GW Capital's Class Action Policy**

GW Capital does not administer, recommend or otherwise participate in class action lawsuits or settlements on behalf of our clients. Clients should receive claims notices from their custodians. GW Capital recommends that you consult with your custodian regarding whether class action claims are filed on your behalf or if you are responsible for filing such claims. GW Capital does not counsel our clients on whether to participate in the class action claim or whether to seek separate legal remedies. However, if a client notifies GW Capital that they intend to participate in a class action lawsuit, upon written request, we will provide the client the available transaction information in their account with GW Capital so that the client can file a proof of claim.



**Form ADV Part 2B – the Brochure Supplement  
for  
GW Capital, Inc.’s Investment Committee**

**Committee Members:**

Guy Watanabe  
Tom Parkhurst  
Scott Mullet  
Touk Sinantha  
Nick Brown  
DeShay McCluskey

**GW Capital, Inc.**

10900 NE 8<sup>th</sup> Street, Suite 750  
Bellevue, WA 98004  
(425) 455-4551  
Website: [www.gwcapital.com](http://www.gwcapital.com)

November 1, 2013

This brochure supplement provides information about the individuals listed above that supplements GW Capital, Inc.’s (“GW Capital”) brochure. You should have received a copy of that brochure. Please contact us at (425) 455-4551 if you did not receive GW Capital’s brochure or if you have any questions about the contents of this supplement.

Additional Information about the individuals listed above is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Guy Watanabe**

### **Educational Background and Business Experience:**

Mr. Watanabe was born in 1953. He is the President and Founder of GW Capital, which was established in 1989. In addition to being a voting member of the GW Capital's Investment Committee, Mr. Watanabe is a Portfolio Manager and is also a member of the Executive Management Team. Prior to establishing GW Capital, Mr. Watanabe served as Vice President at Kennedy Associates.

Mr. Watanabe earned his Bachelors of Arts in Business Administration from the University of Puget Sound, as well as a Master of Business Administration with an emphasis in Finance.

### **Disciplinary Information:**

Mr. Watanabe has no reportable disciplinary history.

### **Other Business Activities:**

Mr. Watanabe is not engaged in other investment related activities; and he does not receive commission, bonuses or other compensation on the sale of securities or other investment products. Nor is Mr. Watanabe engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

### **Additional Compensation:**

Mr. Watanabe does not receive any economic benefit from a non-advisory client in exchange for providing advisory services.

### **Supervision:**

Mr. Watanabe is supervised by two other members of the Executive Management Team; Tom Parkhurst, Sr. Vice President and Principal and Scott Mullet, Sr. Vice President and Principal. All members of the Executive Management Team can be reached at (425) 455-4551.

GW Capital's Investment Committee is ultimately responsible for implementing the investment process for the four investment strategies offered by the firm. Though the Investment Committee works to build consensus prior to making any investment decisions, a simple majority of the voting members is required for all buy/sell decisions. Individual portfolio managers will execute the trades based on the Committee's decision, but may not make unilateral moves. The trades are applied to all accounts equally subject to all client-imposed restrictions and other limitations.



## **Tom Parkhurst**

### **Educational Background and Business Experience:**

Mr. Parkhurst was born in 1964 and joined GW Capital in 1992. He currently holds the position of Sr. Vice President and Principal. In addition to being a voting member of GW Capital's Investment Committee, Mr. Parkhurst is a Portfolio Manager and a member of the Executive Management Team. Prior to joining GW Capital, Mr. Parkhurst served as portfolio manager, security analyst and head security trader for Puget Sound Bank Trust Department.

Mr. Parkhurst earned his Bachelor of Arts degree in Business and Finance from the University of Puget Sound.

### **Disciplinary Information:**

Mr. Parkhurst has no reportable disciplinary history.

### **Other Business Activities:**

Mr. Parkhurst is not engaged in other investment related activities; and he does not receive commission, bonuses or other compensation on the sale of securities or other investment products. Nor is Mr. Parkhurst engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

### **Additional Compensation:**

Mr. Parkhurst does not receive any economic benefit from a non-advisory client in exchange for providing advisory services.

### **Supervision:**

Mr. Parkhurst is supervised by two other members of the Executive Management Team; Guy Watanabe, President and Principal and Scott Mullet, Sr. Vice President and Principal. All members of the Executive Management Team can be reached at (425) 455-4551.

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## **Scott Mullet**

### **Educational Background and Business Experience:**

Mr. Mullet was born in 1969 and joined GW Capital 2003. He currently holds the position of Sr. Vice President and Principal. In addition to being a voting member of GW Capital's Investment Committee, Mr. Mullet is a Portfolio Manager and a member of the Executive Management Team. Prior to joining GW Capital, Mr. Mullet served as the Associate Director of Investments for Quellos Group from 2001 to 2003, and served as a Product Specialist at Western Asset Management Company prior to joining Quellos Group.

Mr. Mullet earned his Bachelors of Arts degree in Journalism and Drama from the University of Southern California and a Master of Business Administration from the Anderson Graduate School of Management at the University of California Los Angeles.

### **Disciplinary Information:**

Mr. Mullet has no reportable disciplinary history.

### **Other Business Activities:**

Mr. Mullet is not engaged in other investment related activities; and he does not receive commission, bonuses or other compensation on the sale of securities or other investment products. Nor is Mr. Mullet engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

### **Additional Compensation:**

Mr. Mullet does not receive any economic benefit from a non-advisory client in exchange for providing advisory services.

### **Supervision:**

Mr. Mullet is supervised by two other members of the Executive Management Team; Guy Watanabe, President and Principal and Tom Parkhurst, Sr. Vice President and Principal. All members of the Executive Management Team can be reached at (425) 455-4551.

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## **Touk Sinantha**

### **Educational Background and Business Experience:**

Ms. Sinantha was born in 1975 and joined GW Capital as Vice President and Sr. Research Analyst in 2008, and was promoted to Vice President and Principal in 2011. With this promotion, Ms. Sinantha became a voting member of the Investment Committee which includes portfolio management responsibilities. Prior to joining GW Capital Ms. Sinantha served as a Sr. Research Analyst for Members Capital Advisors in Wisconsin and as an Analyst for Ariel Investments in Chicago, respectively.

Ms. Sinantha earned a Bachelor of Arts degree in Business Administration and Finance from Western Washington University and a Master of Business Administration from the University of Chicago.

In addition, Ms. Sinantha earned the designation of Chartered Financial Analyst (CFA) and is in good standing with the granting authority, the CFA Institute. To obtain the CFA charter, the candidate must pass three levels of exams; have four years of qualified experience; and adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### **Disciplinary Information:**

Ms. Sinantha has no reportable disciplinary history.

### **Other Business Activities:**

Ms. Sinantha is not engaged in other investment related activities; and she does not receive commission, bonuses or other compensation on the sale of securities or other investment products. Nor is Ms. Sinantha engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of her time.

### **Additional Compensation:**

Ms. Sinantha does not receive any economic benefit from a non-advisory client in exchange for providing advisory services.

### **Supervision:**

Ms. Sinantha is supervised by three members of the Executive Management Team; Guy Watanabe, President and Principal, Tom Parkhurst, Sr. Vice President and Principal, and Scott Mullet, Sr. Vice President and Principal. All members of the Executive Management Team can be reached at (425) 455-4551.

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## **Nick Brown**

### **Educational Background and Business Experience:**

Mr. Brown was born in 1983 and joined GW Capital in 2006. In 2009, Mr. Brown was promoted from Associate to Research Analyst and in 2010, he became Vice President and Sr. Research Analyst. In 2011, Mr. Brown was promoted to Vice President and Principal where he now serves as a voting member of the Investment Committee which includes portfolio management responsibilities.

Mr. Brown earned a Bachelor of Arts degree in Politics and Government from the University of Puget Sound. In addition, Mr. Brown earned the designation of Chartered Financial Analyst (CFA) and is in good standing with the granting authority, the CFA Institute. To obtain the CFA charter, the candidate must pass three levels of exams, have four years of qualified experience, and adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### **Disciplinary Information:**

Mr. Brown has no reportable disciplinary history.

### **Other Business Activities:**

Mr. Brown is not engaged in other investment related activities; and he does not receive commission, bonuses or other compensation on the sale of securities or other investment products. Nor is Mr. Brown engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

### **Additional Compensation:**

Mr. Brown does not receive any economic benefit from a non-advisory client in exchange for providing advisory services.

### **Supervision:**

Mr. Brown is supervised by three members of the Executive Management Team; Guy Watanabe, President and Principal, Tom Parkhurst, Sr. Vice President and Principal, and Scott Mullet, Sr. Vice President and Principal. All members of the Executive Management Team can be reached at (425) 455-4551.

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## **DeShay McCluskey**

### **Educational Background and Business Experience:**

Ms. McCluskey was born in 1979 and joined GW Capital in July 2012 as Vice President and Sr. Research Analyst, as well as a member of the Investment Committee. In November 2013, Ms. McCluskey was promoted to Portfolio Manager and with this promotion became a voting member of the Investment Committee. Prior to joining GW Capital, Ms. McCluskey held the position of Vice President, Director of Research at BDT Capital Partners, LLC, and from 2007 to 2009, she was a Co-Founder of Jacobi Capital Management, LLC and where she was a Portfolio Manager.

Ms. McCluskey earned a Bachelor of Arts degree in Economics from the University of Chicago and a Master of Business Administration from Stanford Graduate School of Business.

In addition, Ms. McCluskey earned the designation of Chartered Financial Analyst (CFA) and is in good standing with the granting authority, the CFA Institute. To obtain the CFA charter, the candidate must pass three levels of exams, have four years of qualified experience, and adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### **Disciplinary Information:**

Ms. McCluskey has no reportable disciplinary history.

### **Other Business Activities:**

Ms. McCluskey is not engaged in other investment related activities; and she does not receive commission, bonuses or other compensation on the sale of securities or other investment products. Nor is Ms. McCluskey engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of her time.

### **Additional Compensation:**

Ms. McCluskey does not receive any economic benefit from a non-advisory client in exchange for providing advisory services.

### **Supervision:**

Ms. McCluskey is supervised by three members of the Executive Management Team; Guy Watanabe, President and Principal, Tom Parkhurst, Sr. Vice President and Principal, and Scott Mullet, Sr. Vice President and Principal. All members of the Executive Management Team can be reached at (425) 455-4551.

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# Privacy Notice

**GW CAPITAL, Inc.**

REV. MARCH 2014

425.455.4662 **FAX**

425.455.4551 **PHONE**

gwcapitalinc.com

## FACTS

### WHAT DOES GW CAPITAL, INC. DO WITH YOUR PERSONAL INFORMATION?

#### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- Account transactions and transaction history
- Risk tolerance and investment experience

When you are *no longer* our customer, we continue to share your information as described in this notice.

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons GW Capital, Inc. chooses to share; and whether you can limit this sharing.

| Reasons we can share your personal information  | Does GW Capital, Inc. share? | Can you limit this sharing? |
|---|------------------------------|-----------------------------|
| <b>For our everyday business purposes -</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus | Yes                          | No                          |
| <b>For our marketing purposes -</b> to offer our products and services to you   | No                           | No                          |
| <b>For joint marketing with other financial companies</b>   | No                           | No                          |
| <b>For our affiliates' everyday business purposes -</b> information about your transactions and experiences   | No                           | No                          |
| <b>For our affiliates' everyday business purposes -</b> information about your creditworthiness   | No                           | No                          |
| <b>For nonaffiliates to market to you</b>   | No                           | No                          |

#### Questions?

Call 425-455-4551 or go to [www.gwcapitalinc.com](http://www.gwcapitalinc.com)

## Who we are

**Who is providing this notice?**

GW Capital, Inc.

## What we do

**How does GW Capital, Inc. protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

**How does GW Capital, Inc. collect my personal information?**

We collect your personal information, for example, when you

- Open an account or deposit money
- Direct us to buy securities or direct us to sell securities
- Enter into an investment advisory contract

**Why can't I limit all sharing?**

Federal law gives you the right to limit only

Sharing for affiliates' everyday business purposes—information about your creditworthiness

- Affiliates from using your information to market to you
- Sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

## Definitions

**Affiliates**

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- GW Capital, Inc. has no affiliates

**Nonaffiliates**

Companies not related by common ownership or control. They can be financial and non-financial companies.

- GW Capital, Inc. does not share information with nonaffiliates so they can market to you

**Joint marketing**

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- GW Capital, Inc. does not jointly market

**GW Capital, Inc.**  
**Proxy Voting Policies and Procedures**

**Background**

Rule 206(4)-6 of the Investment Advisers Act of 1940 requires an adviser that exercises voting authority over client proxies to adopt and implement policies and procedures that are reasonably designed to ensure that the adviser votes proxies in the best interest of the client. The rule requires that the adviser's policies and procedures include (1) how an adviser addresses material conflicts that may arise between an adviser's interest and those of its clients; (2) to disclose to clients how they can obtain information from the adviser on how their securities were voted; (3) to summarize describe their proxy voting policies and procedures to clients, and upon request, provide the policies and procedures; and (4) to maintain certain records relating to the adviser's proxy voting activities when the adviser does have proxy voting authority. In addition to the SEC requirements, these Policies and Procedures reflect the fiduciary standards as set forth by the Department of Labor for any ERISA accounts.

**Policy**

GW Capital has adopted and implemented policies and procedures that we believe are reasonably designed so that proxies are voted in the best interest of our clients in accordance with our fiduciary duties and SEC rule 206(4)-6 of the Investment Advisers Act. GW Capital's authority to vote the proxies for clients is established by our advisory contracts or other comparable documents, and our proxy voting guidelines have been tailored to reflect these specific contractual obligations. In addition to the SEC requirements, our proxy voting policies reflect the fiduciary standards and responsibilities for ERISA accounts set forth by the Department of Labor. With respect to client accounts that fall under ERISA, GW Capital will vote proxies unless the plan documents specifically reserve the plan's right to vote proxies.

Where GW Capital has voting authority to vote proxies on behalf of its clients, it is our utmost concern that all decisions be made solely in the best interest of the client (and for ERISA accounts, Plan beneficiaries and participants with the letter and spirit of ERISA). This includes where there is a conflict of interest between GW Capital's and the client's interest. In voting proxies, GW Capital will consider both economic and ethical factors in determining the best interests of the client, and utilize reasonable care and skill in deciding how to vote on the issues involved. It is also our policy to vote proxies on all securities we manage in a timely basis subject to the Limitations noted in the Procedures below. Upon receipt of each proxy GW Capital will vote for or against (or to abstain) each of the issues presented, whether or not the vote supports management. GW Capital may consider information from a variety of sources in evaluating the issues presented in a proxy.

In voting proxies for ERISA accounts, GW Capital's responsibilities also include the duty of loyalty, prudence, compliance with the Plan, as well as a duty to avoid prohibited transactions. It may also be appropriate for GW Capital to engage in "active monitoring and communications" with the issuer with

respect to the ERISA accounts, particularly where we maintain long-term or relatively illiquid investment in the issuer.

### **Responsibility**

The Investment Committee (which is made up by the firm's portfolio managers) is responsible that all proxies received by GW Capital for our separately managed accounts are reviewed and voted in a manner consistent with the firm's determination of the client's best interest, with a designated Portfolio Manager taking the lead coordination role. For proxies received for wrap clients for securities that are not included in our strategies, the designated Portfolio Manager is responsible for the review and vote of these proxies. It is Compliance's responsibility to review the policies and procedures for adequacy and effectiveness and make any revisions due to changes in the firm's business, operations or regulatory environment.

### **Procedures**

The designated Portfolio Manager reviews each vote and the proposed votes are provided to each member of the Investment Committee for review and approval (excluding those securities owned by wrap clients that are not included in our strategies). While the majority of the proposed votes are decided based on GW Capital's guidelines (see "Guidelines" below), the range of voting measures may be much wider and potentially more complex than the examples provided in the firm's guidelines. As such, GW Capital may utilize reports produced by a neutral third-party proxy research firm as a resource for additional information regarding the ballot items. In addition in such circumstances, we may also rely on the knowledge of the individual Investment Committee member who initially recommended the security for inclusion in our investment strategies and continues to monitor the company.

#### **1. Proxy Voting Process**

- A. GW Capital is responsible to vote proxies according to the contractual agreements we have with clients or other comparable documents. For ERISA accounts, we will vote proxies unless the ERISA Plan has reserved the right, in writing, to vote its own proxies.
- B. If a client would like us to vote proxies in a manner inconsistent with our policies and procedures, the client must provide detailed written instructions as to how GW Capital is to vote the proxies.
- C. Proxies are received and reconciled with the number of shares we are authorized to vote. Any discrepancies are investigated and to the best of our ability resolved before the voting deadline.
- D. For those securities included in our strategies, the ballots are provided to the designated Portfolio Manager who will review the ballots, and other information to determine how to vote in the best interest of the client. Once a proposed vote has been determined, Operations emails the proposed vote to the other members of the Investment Committee for review. It is

the responsibility of the Investment Committee members to voice any concerns or disapproval of the proposed vote to the designated Portfolio Manager in the time period given. If an Investment Committee member does not respond, the vote is cast as proposed. As mentioned above, for those securities not included in our strategies, the designated Portfolio Manager is responsible to vote the proxy in accordance within the guidelines below.

- E. Operations is responsible for maintaining the proxy voting records as required by Rule 204-2(c) of the Investment Advisers Act for the previous five fiscal years as follows:
- i. proxy statements received regarding client securities (GW Capital relies on the SEC's EDGAR system for maintaining the required proxy statements);
  - ii. a record of each vote cast;
  - iii. a copy of any document created by GW Capital that was material to making a decision how to vote proxies on behalf of the client or that memorializes the basis for that decision (such as Glass Lewis reports, emails from Investment Committee members, etc.); and
  - iv. each written client request for proxy voting records and GW Capital's written response to any client request (written or oral) for such records.

In addition to the above, and although required only for ERISA accounts, Operations will maintain the following records for all of the firm's clients to enable the client to determine if GW Capital is fulfilling its obligations. The retention may include records reflecting:

- i. issuer name and meeting;
- ii. issues voted on and the record of the vote;
- iii. number of shares eligible to be voted on the record date;
- iv. numbers of shares voted; and
- v. where appropriate, cost-benefit analysis.

For the majority of the votes, GW Capital uses a third-party administration service for its electronic voting mechanism. For those custodians who do not subscribe to this service and have not forwarded proxies to GW Capital, GW Capital will reach out and request that the custodian forward any proxies not yet received.

Compliance will be responsible for maintaining a copy of all proxy voting policies and procedures in effect during the previous five fiscal years.

## 2. Guidelines

Each proxy issue will be considered individually. The following guidelines were developed to establish a fiduciary framework for reviewing each proposal as it relates to the interests of our clients. However, it has not been our intention to have in place a rigid set of rules.

### A. Approve

Routine proposals are those, which do not change the structure, bylaws, or operations of the corporation to the detriment of the shareholders. Given the routine nature of these proposals, GW Capital will generally vote with management. These routine matters may include:

- i. Election of auditors recommended by the board of directors, unless seeking to replace the auditor over a dispute in policies.
- ii. Date and place of the annual shareholders meeting.
- iii. Ratification of directors' actions on routine matters since the previous annual shareholder meeting.
- iv. Confidential voting – Most often proposed by shareholders as a means of eliminating undue management pressure on shareholders regarding their vote on proxy issues. GW Capital will generally approve these proposals as shareholders can later divulge their votes to management on a selective basis if a legitimate reason arises.
- v. Corporate governance proposals that foster good corporate governance practices.
- vi. Creation and establishment of a 401(k) Employee Benefit Plan.
- vii. The expansion of the participation of directors who are not employees or closely associated with the company.

### B. Oppose

GW Capital will generally vote against any proposal that clearly has the effect of restricting the ability of shareholders to realize the full potential value of their investment. Proposals in this category may include:

- i. Permitting "Greenmail" - the company's ability to buy back shares from a particular shareholder at a price above the market in order to "buy-off" potential raiders at the expense of other shareholders.
- ii. Poison Pill provisions that would trigger an unwanted takeover attempt and cause a variety of events to occur which may make the company less attractive to the potential acquirer.
- iii. Other Anti-takeover measures that limit opportunities for shareholders to realize the highest value for their investment.
- iv. Proposals to stagger board member terms,
- v. Proposals to limit the ability of shareholders to call special meetings
- vi. Proposals to require super majority votes

- vii. Proposals requesting excessive increases in authorized common or preferred shares where management provides no explanation for the use or need of these shares.
- viii. Provisions providing for cumulative voting rights
- ix. "Social issues," unless specific client guidelines supersede GW Capital's proxy voting policy.

#### **C. Case-By-Case**

GW Capital will review the following on a case-by-case basis. Voting decisions will be made based on the best interest of the client.

- i. Directors pay solely in equity of the issuer
- ii. Eliminate directors mandatory retirement policy
- iii. Rotation of the annual meeting location/date.
- iv. Options and stock grants to management and directors
- v. Allowing indemnification of directors and/or officers after reviewing applicable laws and extent of protection granted,
- vi. Approvals for new and amended stock-based compensation plans,
- vii. Proposals for changes to specific accounting policies, e.g., requiring the expensing of stock options, and
- viii. Executive compensation plans.

The above Guidelines is a list of examples and should not be considered inclusive or a rigid rule. As previously mentioned, the range of voting measures is certainly much wider and potentially more complex than can be described here.

#### **D. Limitations**

It is the intent of GW Capital to vote proxies for all securities we manage and where we have voting authority. However, when a client has a securities lending arrangement with its custodian, GW Capital generally will not vote the proxies for the securities out on loan. However, if there is a contractual agreement with the client, GW Capital will request the custodian to "bring back" the security to the client's account so that a vote can be made on behalf of the client.

#### **E. Conflicts of Interest**

A potential conflict of interest arises when an investment adviser has business interests that may not be consistent with the best interest of the client. In reviewing proxy proposals in order to identify an potential conflicts between GW Capital and those of our clients, GW Capital will consider such matters as (i) whether the firm has an economic incentive to vote in a manner not consistent with the best interest of the client (e.g., voting in a manner that would please corporate management in hope that doing so might lead to having business directed to the firm such as managing the company's retirement plan); and (ii) whether there

are any business or personal relationships between an employee of GW Capital and the officers and directors of the company from which the proxy is received that may create an incentive to vote in a manner that is inconsistent with the best interest of the client.

Where a proxy proposal raises a potential conflict of interest between GW Capital and the client's, GW Capital will resolve such a conflict as described below:

- i. Vote in Accordance with the Guidelines – to the extent that GW Capital has little or no discretion to deviate from the Guidelines with respect to the proposal in question, the firm shall vote in accordance with the pre-determined voting policy.
- ii. Obtain Consent of the Client – if GW Capital has discretion to deviate from the Guidelines with respect to the proposal in question, the firm will disclose the conflict to the relevant clients and obtain their consent to the proposed vote prior to voting the securities. The disclosure to the Client will include sufficient detail regarding the matter to be voted on and the nature of the conflict so that the client would be able to make an informed decision regarding the vote. If the client does not respond to the conflict disclosure request or denies the request, GW Capital will abstain from voting the securities held in the client's account.
- iii. Client Directive to use an independent third party – alternatively, a client may in writing, specifically direct GW Capital to forward all proxy matters in which there is a conflict of interest regarding the client's securities to an identified independent third party for review and recommendation. Where the recommendations are received on a timely basis, GW Capital will vote all such proxies in accordance with the third party's recommendation. If the third party's recommendation is not timely received, GW Capital will abstain from voting the securities held by that client's account.
- iv. Client will vote its own proxies – if a client does not want to use an independent third party for review and recommendation when a conflict of interest has been identified, GW Capital will request and client will agree in writing that the client vote those proxies. If client refuses to vote the proxies, GW Capital will abstain from voting the specified securities held in the client's account.