

# Callan

Item 1 – Cover Page

**Part 2A of Form ADV  
Investment Adviser Brochure**

## **Callan LLC**

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

***Callan LLC is an SEC-registered investment adviser. This registration does not imply a specific level of expertise, skill, or training.***

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

## **Item 2 – Material Changes**

Callan's most recent update to its Form ADV Part 2A was made on April 18, 2024, to correct the total discretionary assets under management as of December 31, 2023, from \$34.28 billion to \$34.23 billion.

There have been no material changes or other updates to this brochure since the last annual update of Callan's Form ADV Part 2A was filed on March 28, 2024.

**Item 3 – Table of Contents**

**ITEM 1 – COVER PAGE ..... 1**  
**ITEM 2 – MATERIAL CHANGES ..... 2**  
**ITEM 3 – TABLE OF CONTENTS ..... 3**  
**ITEM 4 – ADVISORY BUSINESS ..... 4**  
**ITEM 5 – FEES AND COMPENSATION ..... 5**  
**ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT ..... 6**  
**ITEM 7 – TYPES OF CLIENTS ..... 6**  
**ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS ..... 7**  
**ITEM 9 – DISCIPLINARY INFORMATION .....11**  
**ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....11**  
**ITEM 11 – CODE OF ETHICS, PARTICIPATION, OR INTEREST IN CLIENT TRANSACTIONS  
AND PERSONAL TRADING .....12**  
**ITEM 12 – BROKERAGE PRACTICES.....13**  
**ITEM 13 – REVIEW OF ACCOUNTS.....13**  
**ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION .....14**  
**ITEM 15 – CUSTODY .....14**  
**ITEM 16 – INVESTMENT DISCRETION .....14**  
**ITEM 17 – VOTING CLIENT SECURITIES .....15**  
**ITEM 18 – FINANCIAL INFORMATION .....15**

#### Item 4 – Advisory Business

Founded in 1973 and headquartered in San Francisco, California, Callan LLC (“Callan”) is an SEC-registered investment adviser with over 200 employees. Callan’s discretionary and non-discretionary institutional investor clients oversee more than \$4.5 trillion in combined assets. Callan is one of the largest independent, employee-owned investment consulting firms in the country and is 100% owned by a corporation, which is owned by the company’s employees or their trusts. We provide tailored advice primarily to institutional investors supported by proprietary research, an in-depth investment manager database, and ongoing fiduciary education. Our solutions are designed to fit each client’s particular needs specific to asset allocation; manager search, selection, and evaluation; ongoing performance measurement; and education.

Callan provides services through three lines of business:

- **Fund Sponsor Consulting (FSC):** FSC serves institutional investors of defined benefit and defined contribution plans, endowments, foundations, insurers, hospitals, health care systems, and nuclear decommissioning trusts, as well as other large institutional asset pools. Our discretionary and non-discretionary institutional investor clients oversee more than \$4.5 trillion in combined assets.

FSC delivers customized solutions that meet the needs of sophisticated institutional investment programs, including strategic planning; plan implementation, monitoring and evaluation; public and private investment program design and implementation; and continuing education. Together, these services constitute what we believe is a disciplined and comprehensive process for the decision-making and oversight of institutional investors’ asset pools.

Discretionary services for FSC clients include the design, implementation, and ongoing management of multi-manager and discretionary portfolios for institutional investors. Callan manages multi-manager portfolios in collective investment trusts (CITs), including CITs managed on behalf of clients and the Callan funds, and designs and acts as an adviser for custom target date funds as well as white label asset class funds. Callan also serves as the outsourced chief investment officer (OCIO) for selected institutional investors. As of December 31, 2024, Callan’s total discretionary assets under management were \$37.78 billion.

- **Independent Adviser Group (IAG):** IAG serves a select group of independent investment advisers and financial intermediaries (IAG members) who provide services to high-net-worth individuals and small to mid-sized institutional funds. IAG members receive consulting guidance, research, and analytical tools necessary to address their clients’ strategic planning, portfolio structure, manager due diligence and performance measurement needs. Access to educational forums and resources are also provided to support professional development and education initiatives. Callan’s Unified Managed Account (UMA) program offers clients of IAG members with access to independent investment managers (sub-advisers) who Callan has screened and recommended, and whose investment strategy models are coordinated and traded by an independent overlay manager selected by Callan. IAG members can coordinate the opening of a single-custodial UMA account for their clients and create customized individual manager allocations on a per-account basis. IAG serves as a non-discretionary consultant to several investment advisers overseeing private markets investment programs (“IAG Alternatives Consulting clients”) and provides services which include identifying, evaluating and monitoring private markets funds for consideration by such investment advisers for their program investment. Callan entered into an agreement with Callan Family Office LLC (“CFO”) to provide IAG services. In addition to the services agreement, Callan has licensed the Callan® trademark to CFO for use in CFO providing

investment advisory services to ultra-high net worth clients, family foundations, and endowments. CFO and Callan are independent, unaffiliated investment advisory firms separately registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

- **Institutional Consulting Group (ICG):** ICG provides investment manager clients with research, education, performance measurement, and database and analytical tools that help them better serve the needs of institutional investors.

Callan’s educational services are available to our clients, including institutional investors, investment managers, and financial intermediaries through the Callan Institute and the Center for Investment Training (“Callan College”). The Callan Institute functions as an education institution servicing clients and our employees by independently analyzing trends in the industry via research communications and conference programs. The “Callan College,” featuring sessions offered over several days throughout the year and on a customized basis, provides investment fiduciaries and their advisers with basic- to intermediate-level of classroom-style instruction on prudent investment practices.

Each line of business, coupled with our client education services, contributes to the overall strength and stability of the organization, and fits well within our mission of helping institutional investors achieve their investment objectives. The firm maintains policies to ensure each division is compliant with our business, governance, ethics, and oversight practices.

**Item 5 – Fees and Compensation**

The fees for each of Callan’s business lines are described below.

<b>Business Line</b>	<b>Fee Range</b>	<b>Notes</b>
Fund Sponsor Consulting - Non Discretionary	Up to approximately \$2,000,000 Median \$110,000	Fixed- or asset-based fees are assessed per project, service, or suite of services (retainer) per year; fees are negotiable depending on the services provided, including the level of discretion delegated to Callan.
Fund Sponsor Consulting - Discretionary	Up to approximately 25 bps	Fees are negotiable and depend on level of discretion delegated to Callan and the amount and type of services provided.
Independent Adviser Group	Up to approximately \$400,000 for fixed fees; asset-based fees are determined on a tiered structure and typically start at 20 bps Median \$112,000	Fixed- or asset-based fees are assessed per project, service, or suite of services (retainer) per year; fees are negotiable depending on the services provided.*
Institutional Consulting Group	Up to approximately \$113,000 Median \$65,000	Fees are assessed per service or suite of services (retainer) per year.

\* Additional details for IAG:

- Clients of an IAG member who elect to participate in the Callan UMA program pay an asset-based fee to the overlay manager of the UMA program who, in turn, pays an asset-based fee to Callan for program coordination and to the sub-advisers for providing the investment strategy instructions to the overlay manager. Overlay manager fees also include payment for implementation and overlay services provided by the overlay manager. Fees payable by the IAG member are in most instances reduced or waived based on the fees received by Callan from the overlay manager.
- Participants in the UMA program are also responsible for paying separate fees to their respective fiduciary intermediary or investment adviser who is an IAG member and oversees such participant's UMA program investment, as well as paying for portfolio execution and custody charges. Callan does not participate in any such fees or charges.
- Consulting fees for IAG Alternatives Consulting clients are based, in part, on program assets.

While the suite of services for each business line is individually priced, there is one set of services that spans all client types—our educational services. Fees for these services are up to \$3,500 per person, per session for “Callan College” and up to \$65,000 per organization per year for the Callan Institute.

Generally, a client may cancel an agreement for services with Callan at any time upon written notice to Callan. If Callan is in the process of performing services for a client that the client does not want completed, then Callan will bill the client for the services performed to the date of cancellation. Fees are typically billed monthly or quarterly in arrears.

Callan has no soft-dollar arrangements with any broker and only accepts checks from brokers as payment for its hard-dollar client fees.

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

Callan does not charge performance-based fees.

#### **Item 7 – Types of Clients**

Callan works with a variety of clients, including asset owners of defined benefit, defined contribution, operating funds, 529 plans, and others. Our clients include:

- Corporate, public, Taft-Hartley, and nonprofit organizations
- Family offices
- Endowments and foundations
- Insurers
- Religious organizations
- Hospitals
- Nuclear decommissioning trusts
- Sovereign wealth funds
- Investment managers
- Investment consulting firms, investment advisers, family offices and financial intermediaries

FSC consultants may evaluate and recommend that a plan fiduciary consider Callan's discretionary services.

Generally, Callan does not maintain account minimums across all client types, though the firm's account size relationships for discretionary work are typically not less than \$50 million.

Callan provides research and educational services to investment managers and receives compensation from them for those services. Some of those investment managers are evaluated or recommended by Callan to its other clients. Callan recognizes there is a potential conflict between Callan's interest in receiving compensation from investment managers and Callan's obligation to provide objective advice to our advisory clients who work or may work with those managers. This includes investment manager searches Callan performs for FSC clients, our selection of investment managers who participate in the UMA program offered to IAG clients, or our manager selection activities conducted as part of our discretionary services.

Callan is committed to ensuring it does not consider an investment manager's business relationship with the firm, or lack thereof, in performing evaluations for or making recommendations to its other clients. We inform our investment manager clients of this policy at the start of the relationship and notify all clients of this policy and provide regular disclosure to our discretionary and non-discretionary advisory clients, including FSC and IAG clients, of the existence of our business relationships with investment managers. In all cases, employees are required to carry out their duties solely in the best interests of our advisory clients and free from all compromising influences and loyalties.

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

Callan works with many of the largest institutional investors in the country in the development and maintenance of their investment programs, including risk management. Risk control, such as our use of internal oversight committees to review client work, is at the heart of our investment consulting philosophy. In addition, ongoing research and fiduciary education are vital supporting elements of our risk control practice.

There are four key areas where we integrate risk management:

##### **1. Strategic Planning**

For those clients who wish to engage Callan's services in this area, Callan's risk management work as it relates to strategic planning includes understanding the return and risk objectives for the client consistent with assets, liabilities, spending needs, liquidity needs, risk tolerance, and regulatory constraints. It also includes the development of investment guidelines and monitoring criteria for internal and external management.

Callan's asset allocation modeling capabilities originated in the late 1970s and have been continually enhanced. Our dedicated Capital Markets Research Group is responsible for conducting asset/liability, asset allocation, and similar strategic work. This specialized team of economists, mathematicians, and actuaries also conducts research in the fields of strategic planning and develops economic tools and statistical models that enable institutional investors to evaluate the possible outcomes of their investment decisions. In addition to this primary focus, the group is responsible for client-specific research projects, including the examination of new asset classes and the development of appropriate due diligence documentation for the inclusion of these assets in a client portfolio.

## 2. Manager Due Diligence and Selection

For those non-discretionary clients who wish to engage Callan's services in this area, Callan works with clients to manage risk through manager due diligence and selection. Our goal in a manager search is to conduct a prudent due-diligence exercise that:

- Defines the objective(s) of the search and lists appropriate criteria to be used in the evaluation of alternative candidates (i.e.—creates a “candidate profile”).
- Employs an open, inclusive approach to identifying potential candidates.
- Objectively and rigorously evaluates both the process and candidates.
- Avoids systematic and personal biases throughout the search.
- Memorializes all steps in the process.

We do not employ a “buy list” or preferred list for most of the manager searches we conduct. Instead, we typically evaluate a broad universe of strategies to identify candidates that help fulfill a client's particular objectives. Our recommendations are vetted by an oversight committee to ensure personal biases are avoided and our advice reflects the firm's thinking.

To mitigate the risk of relying solely on quantitative data screens, we also focus on qualitative research to more holistically assess each firm and strategy under consideration. Our screening criteria are designed to identify stable organizations and teams with the potential to deliver superior, consistent results over time. We seek investment management firms that demonstrate the following characteristics:

- Organizational and team stability. Successful firms maintain stability in their structure, asset and client base, and key decision-makers plan for and manage succession.
- A compensation structure that attracts and rewards investment talent through long-term incentives.
- A firm culture that focuses on achieving results commensurate with client expectations. Successful firms demonstrate a passion for the business of investing.
- Depth of resources to support the investment process, operations, and administrative functions of the firm.
- A sound investment philosophy and consistently applied investment process to implement those investment beliefs.
- Investment results that reflect the firm's philosophy, process, and approach to managing risk.

Callan may have an incentive to recommend the Callan discretionary services or an investment of plan assets in the Callan funds due to the additional fees that may be received based on the asset-based structure associated with the discretionary assets managed by Callan. To mitigate the potential conflict of interest:

- Callan charges FSC discretionary clients at the relationship/total plan level and not at the individual investment level. Generally, the fees are at a fixed rate, but Callan may consider a variable, asset-based fee structure for some relationships. Total fees do not vary based on the use of third-party or proprietary funds.
- FSC non-discretionary clients who choose to invest their plan assets in the Callan funds must amend their consulting contract with Callan. The amended contract will acknowledge the potential conflict of interest of Callan and will also acknowledge that any investment decisions regarding the use of Callan

funds will be made by the FSC client based on determinations by fiduciaries other than Callan.

### **3. Performance Monitoring and Evaluation**

For those clients who wish to engage Callan's services in this area, Callan supports its clients' risk management processes through the development and ongoing maintenance of a monitoring and reporting system covering many aspects of total fund performance and investment risk. The analysis provides clients with:

- A top-down view of a given portfolio's risk level (e.g., standard deviation, tracking error)
- Data on whether the investor is being compensated for that risk (e.g., Sharpe ratio, information ratio)
- Insight on where that risk is coming from (e.g., tracking error, sector bets, security selection or concentration), if or when this data is available to Callan.

This analysis draws on Callan's proprietary database and reporting platform.

### **4. Operational Best Practices**

For those clients who wish to engage Callan's services in this area, we can assess an organization's internal investment operations and offer best practices and guidelines, including:

- Defining the governance structure for the client's fund, including the allocation of decision-making authority and oversight.
- Reviewing aspects of the client's public markets operational platform, such as trading, custody, securities lending, foreign exchange, and use of derivatives and/or leverage, fees and expenses.
- Reviewing aspects of the client's alternative investments portfolio, including liquidity terms, fees and expenses, cash management and forecasting.
- Developing an annual pacing plan to ensure proper diversification across time and strategies.

Unless Callan has been specifically engaged to do so, Callan does not conduct background checks or in-depth due diligence of the operations of any investment manager search candidate or investment vehicle, as may be typically performed in an operational due diligence evaluation assignment and in no event does Callan conduct due diligence beyond what is described in its report to the client.

All investing involves a risk of loss that clients should be prepared to bear. Securities investments can be affected by liquidity and volatility in the securities markets often driven by adverse changes in the national and international economies, bank solvency as well as by non-economic events including but not limited to pandemics, acts of terrorism, or other disruptions. Such events could have a negative and long-lasting impact on the business operations and financial condition of an investment management organization, an investment vehicle, and investments and may materially adversely impact fundraising, operations, deal sourcing, management and due diligence of investments, liquidity, valuations and performance, among other potential impacts. Investment managers generally attempt to identify securities and other assets believed to be undervalued, and there are no assurances that such opportunities will be successfully recognized and clients may experience a total loss of their investments. Callan cannot give any guarantee that it or any investment advice or strategy will achieve a client's investment objectives.

When providing services to non-discretionary and certain discretionary relationships, Callan will not have a role in the management or administration of any client's account, and we will not have the opportunity to evaluate, in advance, the specific investments made by any investment managers with respect to the funds they manage for clients. Except to certain discretionary clients, Callan does not offer advice on specific securities of individual issuers, such as stocks, bonds, or other investment securities. For all services, we do not have responsibility for reviewing

the risks of individual securities or the compliance/non-compliance of individual security holdings with a client's investment policy guidelines. As a result, the rates of return to clients will primarily depend upon the results of investment decisions of third-party managers. It is incumbent upon the client to evaluate the merits and risks of a third party's investment strategy including, among other things, the desirability of using the third-party manager's investment strategy to achieve the goals of the client's overall investment program taking into account the volatility, style, portfolio management, allocation, liquidity, fee structure and performance of the investment strategy. Past performance by an investment manager is not a guarantee of future performance by that investment manager.

Callan's performance, market value, and, if applicable, liability calculations are inherently estimates based on data available at the time each calculation is performed and may later be determined to be incorrect or require subsequent material adjustment due to many variables including, but not limited to, reliance on third party data, differences in calculation methodology, presence of illiquid assets, the timing and magnitude of unrecognized cash flows, and other data/assumptions needed to prepare such estimated calculations. In no event should the performance measurement and reporting services provided by Callan be used in the calculation, deliberation, policy determination, or any other action of the client as it pertains to determining amounts, timing or activity of contribution levels or funding amounts, rebalancing activity, benefit payments, distribution amounts, and/or performance-based fee amounts, unless the client understands and accepts the inherent limitations of Callan's estimated performance, market value, and liability calculations.

Callan's performance measurement service reports estimated returns for a portfolio and compares them against relevant benchmarks and peer groups, as appropriate; such service may also report on historical portfolio holdings, comparing them to holdings of relevant benchmarks and peer groups, as appropriate ("portfolio holdings analysis"). To the extent that Callan's reports include a portfolio holdings analysis, Callan relies entirely on holdings, pricing, characteristics, and risk data provided by third parties including custodian banks, record keepers, pricing services, index providers, and investment managers. Callan reports the performance and holdings data as received and does not attempt to audit or verify the holdings data. Callan is not responsible for the accuracy or completeness of the performance or holdings data received from third parties and such data may not have been verified for accuracy or completeness.

Callan's performance measurement service may report on illiquid asset classes, including, but not limited to, private real estate, private equity, private credit, hedge funds and infrastructure. The final valuation reports, which Callan receives from third parties, for of these types of asset classes may not be available at the time a Callan performance report is issued. As a result, the estimated returns and market values reported for these illiquid asset classes, as well as for any composites including these illiquid asset classes, including any total fund composite prepared, may not reflect final data, and therefore may be subject to revision in future quarters.

Investment managers may offer fee arrangements (including but not limited to through share classes or reductions or modifications of management fees, performance fees, hurdle rates, and other fee-related terms and conditions) to asset owners because they are Callan clients. Under no circumstance should the existence of a fee arrangement made available for Callan clients be viewed as an endorsement by Callan of that manager's investment strategy, investment terms or any particular investment vehicle and is not intended to constitute investment advice or an investment recommendation. If an asset owner ceases to be a Callan client, the fee arrangement may not be available as determined by the applicable investment manager and the asset owner's fees may increase as a result. Additionally, since any share class or fee arrangement offered by a manager is offered at the manager's discretion without any input from Callan, the manager may change the fees or discontinue the fee arrangement at any time. In some cases, investment managers may aggregate total Callan client assets to determine fee tiers, with applicable fees increasing or decreasing depending on the total Callan client assets invested with such manager.

While Callan acknowledges that certain investment managers use fee tiers or otherwise aggregate client assets invested with the manager for purposes of determining the fee arrangement that is available, and Callan generally seeks to lower fees for its clients, the existence of such fee arrangements can result in potential conflicts of interest. This is because Callan's recommendation to allocate to or terminate a manager in a particular circumstance based on a particular client's investment objectives and criteria may have the result of manager-imposed fee tiers or other arrangements impacting the fees borne by unrelated clients. In all cases, Callan's advice and recommendations are client specific based on several factors (including fees) and do not consider the impact of fee arrangements on other clients when advising a client. During the search process, if Callan is aware that a fee is being offered to an asset owner because they are a Callan client, Callan will use reasonable efforts to provide disclosure regarding the fee arrangement in search related documentation and reports.

Callan's discretionary services include investment oversight of the management of a series of target date maturity multiple manager CITs. These funds are designed to reduce risk over time as the investors get closer to retirement age. Callan also oversees a series of asset class CITs across numerous asset classes intended for defined contribution and defined benefit plan sponsors. Callan will exercise full discretion over the search, selection, review, and replacement of fund managers for discretionary clients.

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

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events material to a client or prospective client's evaluation of Callan or the integrity of Callan's management. Callan has no such information to disclose.

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

Callan provides research and educational services to investment managers and receives compensation from them for those services. Some of those investment managers are evaluated or recommended by Callan to its other clients. Callan recognizes there is a potential conflict between Callan's interest in receiving compensation from investment managers and Callan's obligation to provide objective advice to our advisory clients who work with or who may work with those managers. This includes investment manager searches Callan performs for FSC clients, our selection of investment managers who participate in the UMA program offered to IAG clients, our manager selection activities on behalf of the Callan funds offered through our discretionary services and our private markets services for IAG Alternatives Consulting clients where the investment of IAG members' clients' assets could factor into the asset-based fees paid to Callan. In all cases, employees are required to carry out their duties solely in the best interests of our advisory clients and free from all compromising influences and loyalties. Callan has adopted certain policies and practices designed to prevent such conflicts, including the policies set forth in its Code of Ethical Responsibility, disclosure policies, roles of its oversight committees, and separation of the areas of business, including separate personnel, revenue streams, and compensation arrangements.

Among other policies, Callan is committed to ensuring it does not consider an investment manager's business relationship with Callan, or lack thereof, in performing evaluations for or making recommendations to its other clients. Callan informs its investment manager clients of this policy at the start of a contractual relationship. Callan also routinely informs our clients of our manager client relationships, including disclosing on request the existence of its business relationships with investment managers. Callan also discloses these manager relationships in annual mailings, as part of each manager search, and in the full quarterly performance evaluation reports provided to institutional investor clients. These clients can also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled by Callan's Compliance Department.

Clients are advised a conflict of interest exists if Callan recommends its own services. Clients are under no obligation to act upon any of those recommendations under a consulting engagement or to engage the services of any such recommended professional, including Callan. Our non-discretionary clients retain absolute discretion over all such implementation decisions and are free to accept or reject any of Callan's advice or recommendations.

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

To avoid and mitigate possible conflicts of interest presented by the firm's business mix, Callan has maintained a Code of Ethical Responsibility (Code) since 1994. This Code complies with Rule 204A-1 under the Investment Advisers Act of 1940, as amended. Among other things, the Code sets forth the general standards of conduct Callan requires of its employees, as well as specific policies reasonably designed to protect the objectivity and integrity of the advice Callan provides to its clients. The topics addressed in the Code include the use and safeguarding of confidential information, prevention of insider trading, identification and approval of outside business relationships of Callan employees, communications with outside parties, as well as gifts, business entertainment, and political and charitable contributions. The Code pays special attention to Callan's role in selling products and services to investment managers and ensures these relationships do not influence the way Callan conducts business, including manager searches and performance evaluations for non-discretionary or discretionary service clients.

The Code also contains restrictions on the personal trading activities of certain Callan employees and requires those employees to report their personal trades to the firm's chief compliance officer in accordance with applicable regulatory requirements.

Callan's Code is available on its website [www.callan.com](http://www.callan.com). Callan will provide a copy of the Code to any client or prospective client upon request.

Callan provides research and educational services to investment managers and receives compensation from them for those services. Some of those investment managers are evaluated or recommended by Callan to its other clients. Callan recognizes there is a potential conflict between Callan's interest in receiving compensation from investment managers and Callan's obligation to provide objective advice to our advisory clients who work with those managers. Callan has adopted certain policies and practices designed to prevent such conflicts, including the policies set forth in its Code of Ethical Responsibility (described above), disclosure policies, roles of its oversight committees, and separation of the areas of business, including separate personnel, revenue streams, and compensation arrangements.

Among other policies, Callan is committed to ensuring it does not consider an investment manager's business relationship with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other non-discretionary or discretionary advisory clients. Callan informs its investment manager clients of this policy at the start of a contractual relationship. Callan also routinely informs all clients of our manager client relationships, including disclosing the existence of its business relationships with investment managers on request. Callan also discloses these manager relationships in annual mailings, as part of each applicable manager search, and in the quarterly performance evaluation reports provided to institutional investor clients. These clients can also request specific information regarding the fees, if any, paid to Callan by the managers employed by their fund. Per Callan policy, information requests regarding fees are handled by Callan's Compliance Department.

## Item 12 – Brokerage Practices

### FSC, IAG, ICG Groups

With regard to its FSC non-discretionary clients, as well as ICG, or IAG clients, Callan does not select broker-dealers for client transactions nor do we conduct trading cost analyses on an ongoing basis in order to determine the reasonableness of their compensation (e.g., commissions).

Callan will, upon request, accept engagement to assist its FSC clients in conducting evaluations or searches for such providers as securities lending, transition management, or commission recapture programs and will identify brokers to its clients as part of these services.

Callan has no soft-dollar arrangements with any broker and only accepts checks from brokers as payment for its hard-dollar client fees.

### FSC-Discretionary

With respect to CITs and OCIO engagements, Callan is authorized to delegate to investment managers engaged by Callan for these clients the complete authority to choose broker-dealers to purchase, sell, and otherwise trade in securities and the applicable investment manager is responsible for the review and evaluation of such broker-dealers.

Callan has the authority to select one or more broker-dealers to perform transition management services for its discretionary clients in connection with the engagement or termination of sub-advisers. In addition to selecting the transition management broker-dealers, Callan has the authority to negotiate the commission rates paid to those broker-dealers. In selecting the transition management broker-dealers for the discretionary clients, Callan considers the quality of execution, cost and operational circumstances, but does not consider supplemental research, market or statistical information, or ancillary services provided by the broker-dealers.

## Item 13 – Review of Accounts

For FSC clients who contract for performance measurement services, we review their accounts and provide a written report on an annual, monthly and/or quarterly basis depending upon the level of service requested.

On a quarterly basis, IAG members receive performance measurement reports for each of their clients utilizing the Callan UMA Program.

With respect to the discretionary accounts, the monitoring and reporting procedures are the same:

1. **Daily Reviews:** Callan operational employees typically receive and evaluate daily reports on the assets under its management. The daily information processed and reviewed includes net asset values, returns, returns for relevant indices, fee accruals, allocations between underlying funds and sub-advisers.
2. **Monthly Reviews:** Callan operational employees review a more comprehensive set of reports on the assets under its management monthly. In addition to the information in the daily reports, this includes securities lending activity, return comparisons versus peer groups and benchmarks, and a rebalancing report.
3. **Periodic Reviews:** Callan operational senior management and the investment committee for each account review the discretionary consulting services accounts periodically and more frequently when warranted by market or account conditions. Written reports are provided to clients quarterly, detailing account balances and changes in value from the

prior quarter, investment performance comparisons to relevant benchmarks and/or peer groups, and analysis of risks and portfolio characteristics.

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

Callan may compensate individuals or entities for the referral of advisory clients to the firm, provided that appropriate disclosures and regulatory requirements are met. Currently, Callan has one agreement under which a solicitor is to be paid compensation for introducing new clients to Callan for the Callan funds. The compensation to be paid under this agreement was negotiated between Callan and the solicitor. The compensation arrangement is (i) disclosed to the client at the time of the solicitation or referral and (ii) will be paid out of Callan general funds and out of the total advisory fees received by Callan from the Callan Collective Investment Trusts and from the solicited client. No solicited client will be charged an additional fee as a result of any referral or solicitor arrangements. Compensation includes fixed quarterly fees and ongoing payments based on a negotiated percentage of the investment advisory asset flows from the solicited client into the Callan funds for up to three years.

Callan may reduce or waive the fees for IAG services as described in Item 4 based on fees received by Callan from the UMA overlay manager that are attributable to fees received by it from clients of an IAG member having assets in the UMA program.

Certain Callan employees are eligible to receive incentive compensation for new business introduced to Callan or the expansion of Callan's services. Incentive compensation is paid by Callan and is not directly paid by the client.

#### **Item 15 – Custody**

Because of authority given to us by certain advisory clients, Callan may be deemed to have custody of certain advisory client funds, securities, or assets held in accounts with qualified custodians. These qualified custodians provide account statements directly to the clients or a selected independent representative on at least a quarterly basis. Clients should carefully review the statements received from their qualified custodians and compare those statements to reports received from Callan.

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

Callan generally does not exercise investment discretion with regard to its FSC non-discretionary, ICG, or IAG clients. Customized procedures would be developed on a client-by-client basis as the need arises.

With regard to the CITs, the day-to-day investment decisions regarding the acquisition, disposition and voting of portfolio investments are made by the sub-advisers Callan selects to manage the portfolios. In the event of a guideline breach, a sub-adviser may request guidance from Callan on maintaining compliance with portfolio guidelines. In all cases, the trustee of a CIT maintains ultimate fiduciary authority over the management of, and investments made in, such CIT.

Where Callan acts as an OCIO, it exercises discretion over and, in some cases, implementation responsibility for a wide range of decisions including asset allocation, portfolio structure, manager and fund selection, manager and fund termination, and rebalancing. Callan also provides advice as to the purchase and sale of mutual fund shares, and interests in private funds and separate accounts for these clients.

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

Callan does not have or accept authority to vote or monitor proxies for non-discretionary clients.

When Callan has been delegated the authority to vote and monitor proxies for discretionary accounts, with rare exception, we have delegated such authority to the sub-adviser engaged for the separate account. Proxies are voted by the sub-adviser in accordance with the sub-adviser's proxy voting policies and procedures. Similarly, where Callan has delegated responsibility to sub-advisers for investing and reinvesting the assets of the CITs and its OCIO accounts, the sub-advisers vote proxies for their respective investments in accordance with the sub-adviser's proxy voting policies and procedures.

In the cases where a Callan discretionary client has invested client assets in mutual funds, collective investment trusts and/or private funds ("Underlying Fund"), Callan will have authority to exercise any voting rights provided to Callan's clients as shareholders of or investors in such Underlying Funds. On the infrequent occasion that an Underlying Fund's board puts a slate of proposals up for shareholders to vote on, the applicable Callan client investment committee will evaluate the issue on a case-by-case basis and endeavor to vote in the best interest of the client. Further, due to certain mitigating circumstances including but not limited to (i) cost, (ii) effort, (iii) variety of regulatory schemes, and (iv) corporate governance requirements, Callan may determine that it is in the best interest of the client to abstain from voting.

Clients may obtain information about how their proxies were voted by Callan, if applicable, by contacting Callan.

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

Callan does not require or solicit its clients for prepayment of any amount of fees so is not required to include a balance sheet for our most recent fiscal year.

Callan does not believe it has any financial condition reasonably likely to impair the firm's ability to meet contractual commitments to clients.