

Costs Associated with “Step-Out Trading” in Fee-Based Investment Advisory Programs

When you choose to purchase products and services through Osaic FA, Inc. (“Osaic FA”) or Osaic FS, Inc. (“Osaic FS”) (collectively, “Osaic FA and Osaic FS”), you have the option of investing through a fee-based investment advisory program. In fee-based investment advisory programs managed by third-party investment advisers (“Third-Party Managers”), you pay an ongoing investment advisory fee based on the value of the assets held in your account (the “Program Fee”) and, except as otherwise disclosed in the applicable program’s Form ADV, Part 2A and client account documents, you will not incur brokerage costs for each transaction.¹

While the Program Fee is the primary expense you will incur in connection with Osaic FA and Osaic FS’s fee-based investment advisory programs, you will incur other fees and expenses as described in the applicable program’s Form ADV, Part 2A and client account documents. One category of additional expenses that you may incur are expenses associated with “step-out trading.” Step-out trading occurs when your trades are executed through broker-dealers whose commissions and other fees are not assumed within the Program Fee and, as a result, you incur additional commissions or other fees in connection with your trades.

The Program Fee assumes a certain level of brokerage costs and generally covers brokerage costs for trades executed through the broker-dealer or clearing firm associated with the Third-Party Manager for the applicable Osaic FA and Osaic FS program. However, the Program Fee generally does not cover brokerage costs resulting from step-out trades.

Each Third-Party Manager is free to consider its associated broker-dealers’ or clearing firms’ trading capabilities versus other broker-dealers’ and clearing firms’ trading capabilities as part of its duty to obtain best-execution for your orders. Osaic FA and Osaic FS anticipate that most trades for your accounts will be executed through Third-Party Managers’ associated broker-dealers or clearing firms because of their execution capabilities and because the Program Fee covers their costs. However, Third-Party Managers periodically may believe that they are able to obtain better execution for your orders utilizing step-out trades. **You will incur brokerage costs in addition to the Program Fee when step-out trades are executed for your account. Additional brokerage costs resulting from step-out trades are reflected in the net purchase or sale price shown on the trade confirmation you receive for the particular step-out trade but are not disclosed separately in the trade confirmation.**

While your financial professional will work with you to ensure that you understand all of the fees and expenses associated with a particular program, to further assist you in understanding the additional costs you may incur as a result of step-out trades, a list of the Third-Party Managers at Osaic FA and Osaic FS that engage in step-out trading and a general description of the additional costs associated with step-out trading can be found at osaic.com/fs for Osaic FS and osaic.com/fa for Osaic FA (the “Disclosure Websites”). Please review and discuss the information on the Disclosure Websites with your financial professional before making your ultimate investment decision with respect to a program. Additionally, you should review Osaic FA and Osaic FS’s and Third-Party Managers’ applicable Forms ADV, Part 2A to learn more about whether Third-Party Managers execute step-out trades and, if so, the criteria they use in selecting broker-dealers to do so. Copies of Osaic FA and Osaic FS’s and Third-Party Managers’ Forms ADV, Part 2A can be obtained, without charge, from the Disclosure Websites and from the SEC’s website at www.adviserinfo.sec.gov. You also may request copies of these documents, without charge, by contacting your financial professional or Osaic FA and Osaic FS directly at (800) 237-3813.

You should periodically review the Disclosure Websites and discuss the information provided herein and therein with your financial professional to ensure that you have current information regarding Third-Party Managers’ step-out trading practices and the impact of such practices on the costs you will incur in connection with Osaic FA and Osaic FS’s advisory programs.

If you have any questions or would like additional information, please contact your financial professional or Osaic FA and Osaic FS directly at (800) 237-3813.

¹ For a discussion of the differences between transaction-based broker-dealer accounts and fee-based investment advisory accounts, please see Osaic FS’s Form CRS, which is available at osaic.com/fs, and Osaic FA’s Form CRS, which is available at osaic.com/fa.

Securities and investment advisory services are offered through Osaic FA, Inc. and Osaic FS, Inc., broker-dealers, registered investment advisers, and members of FINRA and SIPC. Osaic FA, Inc. and Osaic FS, Inc. are separately owned and other entities and/or marketing names, products, or services referenced here are independent.