

## **Broyhill Asset Management, LLC**

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03/31/2011

This brochure provides information about the qualification and business practices of Broyhill Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 828-758-6100 and or [info@broyhillasset.com](mailto:info@broyhillasset.com).

The information in this brochure has not been approved or verified by the United States and Exchange Commission or by any state securities authority.

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



**Item 2: Material Changes**

This brochure is a new document prepared in response to the 2010 amendments to SEC Form ADV. It is materially different from previous Broyhill Asset Management, LLC filings and includes certain new information that our previous filings did not require.

In the future, Item 2 will be used to provide clients with a summary of material changes that are made to this brochure since the last annual update.



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#### **Item 4: Advisory Business**

Broyhill Asset Management (“BAM”) is the brand name for the asset management businesses of Broyhill Asset Management, LLC (formerly Broyhill Wakin Capital Advisors, LLC). BAM consists of two divisions which are the Broyhill Asset Management Division (“BAM Division”) and the Broyhill Wakin Capital Advisors Division (“BWCA Division”). BAM offers and provides various investment programs and services to individuals, institutions and private investment funds on a discretionary basis. Advisory services offered by the BAM Division are more fully described below.

The firm started in June 1998 as Broyhill Wakin Capital Advisers, LLC and changed its name to Broyhill Asset Management, LLC on July 1, 2008. The principal owners of Broyhill Asset Management, LLC are Dan Wakin and M. Hunt Broyhill.

#### **BAM Investment Services**

The Chief Investment Officer of the BAM division is Christopher Rocco Pavese, CFA. The BAM Division offers asset management services on a discretionary basis as agreed to with our clients. We manage portfolios for individuals, trusts, foundations, and other institutions. Using a proprietary approach that utilizes our independent research and a network of external research-focused enterprises, we attempt to construct each portfolio with a dual focus on capital preservation and consistent growth.

Our portfolio strategy is a multi-asset approach which invests predominantly in Exchange-Traded Funds (“ETFs”) based on U.S. equity securities, international equities, emerging market equities, as well as ETFs based on fixed income, commodity, currency, and global real estate securities. The portfolio may include ETFs and Exchange-Traded Notes (“ETNs”), as well as mutual funds specializing in investments in the above areas.

#### **BAM Assets Under Management**

The BAM division manages \$44,308,158 of assets, \$10,228,039 of discretionary assets and \$34,080,159 of non-discretionary assets as of December 31, 2010. The BAM Division does not participate in any wrap programs.

#### **Item 5: Fees and Compensation**

##### **Separate Accounts**

Asset Management Fees will be charged quarterly in advance based on a percentage of the client’s assets under management at the end of the prior quarter. The compensation for our services, which include developing and implementing a portfolio strategy, monitoring a client’s investment results, and reporting to the client on an annual basis, is as follows:



<b>Assets Under Management</b>	<b>Annual Fee</b>
First \$500,000	1.25%
Next \$1,000,000	1.00%
Next \$1,000,000	0.80%
Next \$2,500,000	0.60%
Over \$5,000,000	Negotiable

Investment Advisory Services begin with the effective date of the agreement, which is the date the client signs the Investment Advisory Agreement. For that calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the Agreement was effective. Fees will generally be deducted directly from the client's brokerage account pursuant to a written agreement. BAM reserves the right to adjust the fee schedule for accounts depending on the size and type of account and the services required. In some cases, negotiation of fees may result in different fees being charged for similar services and may be less than the stated fee schedule.

Either BAM or the client may terminate the Agreement in accordance with the termination provisions in the advisory contract. The client is responsible to pay for services rendered until the termination of the Agreement. The client can cancel the Agreement without penalty within the first five days after the signing of the Agreement.

Clients should be aware of their responsibility to verify the accuracy of the fee calculation submitted to the custodian by BAM, as the custodian will not determine whether the fee has been properly calculated.

Advisory fees charged by BAM are separate and distinct from fees and expenses charged by exchange-traded, closed-end, or mutual funds, which may be recommended to clients. A description of these fees and expenses are available in each fund's prospectus. Additionally, the fees charged by BAM are exclusive of all custodial and transaction costs paid to custodians, brokers or any other third parties. Clients should review all fees charged by BAM, custodians and brokers, and others (including but not limited to third-party sub-advisors) to fully understand the total amount of fees incurred.

### **Private Investment Funds**

The Broyhill Affinity Fund, a private investment fund, pays Mr. Pavese and Mr. Broyhill a management fee and a performance-based advisory fee. These fees are described in investment agreements between the Broyhill Affinity Fund and the investor. (Item 6 provides more information about performance-based fees, and Item 10 provides more information about the associated related party.)



## **Item 6: Performance Based Fees and Side-by-Side Management**

BAM may recommend and solicit qualified BAM advisory clients to invest in the Broyhill Affinity Fund based upon a client's investment objectives. Clients are advised that Mr. Pavese and Mr. Broyhill may receive compensation as a result of clients participating in the Broyhill Affinity Fund, although assets of any advisory client invested in the Broyhill Affinity Fund are excluded when calculating BAM's advisory fees.

Mr. Broyhill and Mr. Pavese receive performance-based fees from Broyhill Strategic Partners, LLC, the general partner of the Broyhill Affinity Fund, LLC.

The receipt of performance-based fees from our pooled investment vehicle creates a conflict of interest. Mr. Pavese and Mr. Broyhill can potentially receive higher fees from accounts with a performance-based compensation structure than from those that pay an asset-based fee. Mr. Pavese and Mr. Broyhill may have an incentive to direct the best investment ideas to the account that pays a performance-based fee or to allocate or sequence trades in favor of the performance fee account. To manage these conflicts:

- All BAM accounts are managed to the strategy's model portfolio.
- BAM completes a monthly review of each client account relative to our model portfolio. In this review, performance of each account is compared to the average. In addition, position sizes in each client account are monitored relative to the model's weighting on an ongoing basis.
- BAM has trade allocation policies and procedures designed to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7: Types of Clients**

For a listing of types of clients serviced by BAM, see the advisory business section.

Generally, the minimum dollar value of assets required to set up an investment advisory account is \$500,000. However, BAM has discretion to waive the account minimum. Accounts of less than \$500,000 may be set up when the client and BAM anticipate the client will add additional funds to the accounts bringing the total to \$500,000 within a reasonable time. Other exceptions will apply to employees of BAM and their relatives, or relatives of existing clients.



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

### **Investment Philosophy**

We are conservative investors for our clients and for ourselves. We believe that capital preservation coupled with consistent, compounded returns is the key to long term wealth generation. We believe that investment decisions must be made in the context of economic, credit and sentiment cycles. Our appreciation and ongoing study of financial market history equips us with the appropriate context for evaluating all investments opportunities. Our ability to analyze and understand the macroeconomic forces at work serves as an important risk management tool in managing client portfolios.

We believe that “value” is the single most important determinant of long term returns. By putting a margin of safety at the heart of our investment process, our approach should achieve consistent absolute investment returns and safeguard capital over the course of a full market cycle. We believe that value is an absolute concept – not a relative one.

Our Investment Philosophy can be clearly applied across a wide variety of asset classes and investment instruments. We believe that constraints prevent investors from capitalizing on the full range of today’s global opportunity set. As such, we exploit opportunities wherever they occur, limited only by our circle of confidence.

### **Investment Process**

Our Investment Philosophy is grounded by four pillars. First and foremost, *Macro Matters*. The structural imbalances that exist today are fundamental in nature and global in scope. Until they are resolved, the macroeconomic landscape will be the primary driver of market volatility. Getting the big picture right is essential, but doesn’t justify abandoning security selection. So we view the world from both directions – “top down” considerations provide us with a heightened awareness of “what can go wrong” and “bottom up” fundamental analysis guides us in allocating capital to those investments with the highest expected returns. In short, we believe that *Fundamental Value* drives long term returns, but recognize that markets often swing from one sentiment extreme to another in the short run, so price can disconnect from value for extended periods of time. As such, an ongoing analysis of *Market Sentiment* complements our estimates of intrinsic value. It is the interaction of these three pillars and our ability to “put it all together” to generate fresh perspectives that establishes the foundation for disciplined *Portfolio Construction*, which is critical to consistent alpha. We seek a balanced approach to greed and fear, an investment team methodically focused on examining every individual opportunity on its fundamentals, a strict investment discipline and the patience to “do nothing” when opportunities are insufficient in number or in attractiveness. In short, risk management is driven by disciplined portfolio construction, not historic optimization.

### **Macro Matters**

Our ongoing assessment of macroeconomic fundamentals and identification of long-term investment themes drive the portfolio construction process, which is grounded by a strict



valuation discipline. We allocate risk based upon our understanding of the relationship between asset classes and various economic climates. Because correlations across asset classes are inherently unstable, we focus our analysis on the relationship of asset classes to different economic climates, which is more consistent over time. While asset classes incorporate expectations about a wide range of economic variables, we believe that growth and inflation are the two most important determinants of asset class pricing. Returns are largely driven by how conditions evolve relative to expectations, which also explains unstable correlations across asset classes. We balance risk across economic climates as markets have a strong tendency for mean reversion.

We believe that monetary policy and credit creation can have a profound effect on asset prices, often distorting economic reality. Financial asset prices can diverge from the real economy in the near-term, and often for longer than one would expect, but cannot remain permanently divorced from economic fundamentals. As such we seek out opportunities to capitalize on the inevitable reversion to the mean. We look to develop insights from our unique networks and readily available data – same information, different conclusions – and position ourselves for the market to catch up.

## **Fundamental Value**

Within this macroeconomic construct, we believe that valuations are the single most important determinant of long term returns. In the long run, investment returns have three sources: dividends, fundamental growth, and changes in the price multiple. As the first two factors are inherently predictable on a normalized basis, the value of any investment is, and always must be, a function of the price you pay for it. Accordingly, value lies at the core of our investment philosophy. By putting a margin of safety at the heart of the process, a value approach offers protection against being wrong.

Dislocations between value and price exist for many reasons. These short term dislocations can create attractive opportunities as we invest on the premise that the market will ultimately reflect a security's intrinsic value. We strive to buy at a sufficient discount to intrinsic value to ensure a proper margin of safety, while at the same time we are searching to understand why the investment is undervalued to remove as much risk from the process as possible. Our discipline dictates that we sell as a security's price approaches our estimate of value, which allows us to allocate capital to opportunities that are more deserving or hold cash when opportunities are scarce. Price is everything and every investment is a "buy" at one price, fairly valued at another and a "sell" at some higher price.

## **Market Sentiment**

Benjamin Graham, the father of value investing, once remarked that, "In the long run markets are a weighing machine, but in the short run, they are a voting machine." We believe that because markets are driven by sentiment in the short term, prices often follow trends and can move significantly from levels justified by intrinsic value. For this reason, we monitor market sentiment on a continuous basis for signs of extremes which represent inflection points in both cyclical and secular trends. When markets are richly valued, technically strained and consensus



is overly optimistic, any concerns can drive prices quickly lower. Conversely, when markets are undervalued, oversold, and pessimism is at extreme levels, prices can spike higher on simply “less bad” news.

In addition to various gauges of sentiment, we analyze the quality of market action to assess the economic outlook of investors and their willingness to accept risk. Statistically speaking, information is in the divergences. While favorable investment landscapes are often supported by broadly advancing trends, divergences in internals can signal heightened levels of risk. In general, we monitor various components of market internals for inconsistencies with how they should behave. We believe that market internals carry considerable information content and seek to overweight positions most heavily in markets where both value and sentiment measures are bullish. Conversely, we aim to avoid or sell short those markets where value is excessive and sentiment measures are bearish. Through this double confirmation process, we seek out the most attractive opportunities across markets globally.

### **Portfolio Construction**

Experience has taught us that the management of return is impossible – outcomes are extremely unpredictable in investing and timing is uncertain at best. Consequently, we focus on what we can control – process. Our investment strategy is applied consistently across a number of asset classes and a variety of vehicles. What remains constant behind each investment is a culture of intellectual honesty and curiosity, a long term approach, a healthy dose of skepticism, and a nose for value.

Diversification across the portfolio is critical as even our “best” individual ideas can prove wrong. We strive to generate consistent returns by never allowing one view, no matter how high our conviction, to dominate the risk of the overall portfolio. When considering potential investments, careful consideration is given to the investment’s own intrinsic value and expected return, as well as to the sensitivity to other investments already in the portfolio. Diversification is driven by our understanding of structural relationships within different economic environments, not “historical optimization” and not for the sake of diversification. The idea that you should own a little bit of everything is a recipe for mediocrity. We are willing to concentrate our capital into our best ideas and work exceptionally hard to ensure that our largest positions offer the most attractive returns on a risk-adjusted basis.

Risk management is driven by disciplined portfolio construction. We believe that flexibility in the deployment of cash can act as a natural edge against unexpected and unpredictable adversity. As valuations, investor sentiment and related opportunities shift over time, we seek to adjust allocations to maintain a strict adherence to our objectives of consistent growth and capital preservation. Although many equate volatility with risk, they are not the same. We define risk as permanent loss of capital - not whether prices go up or down in the short term.

### **Material Risks**

Some amount of risk is inherent in any and/or all investment decisions. Some investment decisions may result in profits and some investment decisions may result in losses. Furthermore,



there is no guarantee that our investment objectives will be achieved; past performance is not a guarantee of future results. Material risks associated with our investment strategy include:

- *Equity Market Risks* – Overall stock market risks may affect the value of the investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets.
- *Management Risks* - Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole or our intrinsic value approach may fail to produce the intended results. Our estimate of intrinsic value may be wrong or even if our estimate of intrinsic value is correct, it may take a long period of time before the price and intrinsic value converge.
- *Small and Mid-Cap Company Risks* – Investments in small and mid-cap companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, small and mid-cap companies may be more vulnerable to economic, market and industry changes. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than larger capitalization companies.
- *International Market Risks* – International market risks include, but are not limited to, currency, political risk, trading and settlement risks. Emerging markets, commodities and currencies have experienced periods of extreme volatility historically.
- *Fixed Income Market Risks* – Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. On the other hand, if rates fall, the value of the fixed income securities generally increases.
- *Credit Risks* – There is a risk that issuers and counterparties will not make payments on the securities they issue. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security which may affect liquidity and our ability to sell the security.
- *Real Estate Risks* – Real Estate Investment Trusts (REITS), although not a direct investment in real estate, are subject to the risks associated with investing in real estate. The value of these securities will rise and fall in response to many factors including economic conditions, the demand for rental property and changes in interest rates



### **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the firm or the integrity of the firm's management in this item.

The BAM division of Broyhill Asset Management, LLC has no legal or disciplinary events to report.

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

BAM may recommend and solicit qualified BAM advisory clients to invest in the Broyhill Affinity Fund based upon a client's investment objectives. Clients are advised that Mr. Pavese and Mr. Broyhill may receive compensation as a result of clients participating in the Broyhill Affinity Fund, although assets of any advisory client invested in the Broyhill Affinity Fund are excluded when calculating BAM's advisory fees.

As noted in Item 4, Mr. Pavese and Mr. Broyhill own a controlling interest in Broyhill Strategic Partners, LLC. Broyhill Strategic Partners, LLC is the general partner of the Broyhill Affinity Fund, LLC. Additionally, Mr. Pavese and Mr. Broyhill own a controlling interest in Affinity Management Corp, which performs management and administrative services to the Broyhill Affinity Fund, LLC.

Mr. Pavese and Mr. Broyhill are employed by the BMC Fund, Inc., a closed-end, diversified investment company registered under the Investment Company Act of 1940. Mr. Pavese serves as Chief Investment Officer and Mr. Broyhill serves as President of the BMC Fund, Inc. Both are primarily responsible for the day-to-day management of the Fund's portfolio.

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

BAM has adopted a Code of Ethics consistent with Rule 204A-1 of the Advisers Act. BAM's Code of Ethics provides for a high ethical standard of conduct for all BWCA's professionals, compliance with federal securities laws, and policies and procedures for the reporting of certain personal securities transactions on a quarterly basis and initial and annual security holdings by BAM's professionals. Among other things, BAM's Code of Ethics also requires the prior approval of any IPO and private placement investment, supervisory reviews, enforcement and recordkeeping. A copy of BAM's Code of Ethics is available to BAM's advisory clients upon written request to the Compliance Officer at BAM's principal office address.

BAM and its employees may buy and sell the same or different securities than may be recommended to clients. If the possibility of a conflict of interest occurs, the client's interest will prevail. It is BAM's policy that priority will always be given to the client's orders over the orders of an employee of BAM.



BAM has established the following additional restrictions in order to address these conflicts of interest and to ensure its fiduciary responsibilities:

- A member, officer or employee of BAM shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with BAM or any of its affiliates, unless the information is also available to the investing public on reasonable inquiry. No person shall prefer his or her own interest to that of the advisory client.
- BAM discloses that certain BAM individuals may receive separate compensation when effecting securities and/or insurance-related transactions during the implementation process, when applicable.
- BAM maintains records of all securities holdings for itself and anyone associated with BAM's advisory services. Personal securities transactions and holdings are reviewed by the Chief Compliance Officer to ensure compliance with BAM's policies.

BAM requires all individuals to act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

In accordance with Section 204A of the Investment Advisers Act of 1940, BAM also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by BWCA or any person associated with BAM.

### **Item 12: Brokerage Practices**

When a client agrees to discretionary management, BAM will be responsible for selecting the securities and the amount of securities to be bought and sold. The only limitations on the investment authority will be those limitations imposed in writing by the client.

In the course of providing our services, we will execute trades for our clients through broker-dealers. When a client has given us brokerage discretion, there is no restriction on the brokers we may select to execute client transactions. Our general guiding principle is to trade through broker dealers which offer the best overall execution under the particular circumstances.

With respect to execution, we consider a number of factors, including if the broker has custody of client assets, commission rates, the actual handling of the order, the ability of the broker-dealer to settle the trade promptly and accurately, the financial standing of the broker-dealer, the ability of the broker-dealer to position stock to facilitate execution, our past experience with similar trades, and other factors which may be unique to a particular order. Based on these judgmental factors, we may trade through broker-dealers that charge fees that are higher than the lowest available fees.

In addition, broker-dealer fees may vary and be greater than those typical for similar investments if we determine that the research, execution and other services rendered by a particular broker



merit greater than typical fees. Also, in certain instances we may execute over the counter securities transactions on an agency basis, which may result in advisory clients incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market maker's mark-up or mark-down.

Orders for the same security entered on behalf of more than one client may be aggregated (bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders; filled orders shall be allocated separately from subsequent orders. All clients participating in each aggregated order shall receive the average price and if applicable, pay a pro-rata portion of commissions. BAM or its employee or access persons may participate in aggregated orders under the same conditions as set forth above. Transactions are usually aggregated to seek a lower commission, lower costs, or a more advantageous net price.

A client may direct BAM in writing to use a particular broker/dealer to execute all transactions for the client's account. When a client selects the broker to be used for his account, the commission rates are decided upon between the client and his broker. In addition, BAM does not have any responsibility for obtaining for the client from any such broker the best prices or particular commission rates as low as it might otherwise obtain if BAM had discretion to select broker-dealers other than those chosen by the client.

Clients that restrict BAM to using a particular broker/dealer (or direct us to use a particular broker/dealer) for executing their transactions generally will be unable to participate in aggregated orders and will be precluded from receiving the benefits, if any; of an aggregation which other clients may receive. BAM will generally execute aggregated orders for non-directed clients before executing orders for clients that direct brokerage.

BAM is not obligated to acquire for any account any security that we or our officers, partners, members or employees may acquire for their own accounts or for the account of any other client, if in BAM's absolute discretion it is not practical or desirable to acquire a position in such security.

We use research and trading services furnished by brokers with respect to the securities market, the economy, particular industries, individual issues, and similar topics having broad applications to client accounts. We use research and trading services for the benefit of all BAM's clients, including clients whose securities transactions are not affected by the broker providing such services.

We have the option to use "soft dollars" generated by our clients to pay for research related services. The term "soft dollars" refers to us receiving products or services provided by brokers, without any cash payment from us, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of our clients. We are specifically authorized to direct brokerage to firms which furnish or pay for quotation and/or office equipment, recordkeeping, research, research-related services, and other services with the "safe harbor" provided by Section 28(e) of the United States Securities Exchange Act of 1934.



We may use soft dollars to pay for newswire and quotation services such as, Reuters, Bloomberg, Bridge, First Call, periodical subscription fees, software for brokerage or research purposes and other reasonable expenses as determined by us.

The use of brokerage commission to obtain investment research services and to pay for our research related costs creates a conflict of interest between us and our clients, because the clients pay for such products and services that are not exclusively for the benefit of clients that may be primarily or exclusively for our benefit. To the extent that we are able to acquire these products and services without expending BAM's own resources, our use of soft dollars would tend to increase our profitability. In addition, the availability of these non monetary benefits will influence us to select one broker rather than another to perform services for clients.

### **Item 13: Review of Accounts**

Client accounts are monitored on an ongoing basis for consistency with client objectives and restrictions. In these reviews, every position in each client account is compared to the weights in our investment strategy model. All client accounts are reviewed to ensure an appropriate allocation based upon BAM's assessment of market conditions and individual circumstances. General conditions in the capital markets are continuously monitored. Factors triggering reviews may also include a change in general capital market conditions, changes in management of funds or stocks owned by clients, and exceptional short term volatility in broad capital markets or individual securities. All accounts are reviewed by BAM's Chief Investment Officer.

BAM also issues periodic written reports to its investment advisory clients. Monthly emails provide clients with updated composite performance statistics and a snapshot of model portfolio positioning. More formal, annual reviews contain a list of assets, investment results, and statistical data related to each client's account. We urge clients to carefully review these reports and compare the statements that they receive from their custodian to the reports that we provide. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

BAM may use arrangements with independent consultants who act as "Solicitors" whereby BAM provides compensation to Solicitors for referring clients by sharing a portion of each referred client's advisory fee. In all cases, these arrangements shall be fully disclosed to the clients affected in accordance with the cash solicitation Rules, 206(4)-3 of the Investment Advisors Act. Any conflict of interest that may exist will be fully disclosed to any client via the rules governing the solicitor relationship. At a minimum, the client will receive BAM's disclosure document and a separate Solicitor's disclosure statement.

As compensation for any referrals, including the referral of clients, a portion of the annual fee paid to BAM may be directed to the referring investment advisers or representatives. BAM's policy for any referral arrangements is to pay an adviser, BAM investment professionals or other



person a percentage of the client's annual advisory fee referred to BAM. Client advisory fees are not increased as a result of any referral arrangements. BAM currently has solicitor agreements with Stradford Advisors, Wharton Hill Investment Advisors, Allen Ewing and Carolina Financial.

#### **Item 15: Custody**

The BAM division of Broyhill Asset Management, LLC does not provide custodial services to its clients. Client assets are held with banks or registered broker-dealers that are “qualified custodians.” Clients will receive statements directly from the qualified custodians at least quarterly. Broyhill Asset Management, LLC urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you.

#### **Item 16: Investment Discretion**

The BAM division of Broyhill Asset Management, LLC accepts discretionary authority to manage the assets in the client’s account. We observe investment limitations and restrictions that are outlined in each account’s investment management agreement.

#### **Item 17: Voting Client Securities**

BAM maintains a written Proxy Policy which reflects the firm’s fundamental duty as a fiduciary to vote proxies in the best interests of our clients. For ERISA plan clients, proxies are voted solely in the interests of the plan participants and beneficiaries.

Certain clients have expressly retained proxy voting authority and in such instances, BAM has no responsibility and may not take any action regarding those clients’ proxies.

In the event of any actual or potential conflicts of interests in the voting of any client proxies, BAM will make appropriate disclosures to clients and either request that the client vote the proxy(s), abstain from voting or vote the client proxies, depending on the circumstances.

BAM maintains relevant and appropriate proxy records as part of the firm’s Proxy Policy.

Our Proxy Policy and information about the voting of a client’s proxies, where BAM has proxy voting responsibility, are available to a client upon written request sent to the Chief Compliance Officer.

Clients can choose to have their proxies sent directly to the address of record or have the proxies sent to our office.



**Item 18: Financial Information**

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. The BAM division of Broyhill Asset Management, LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.