



# North American Management Corp

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## FIRM BROCHURE (Form ADV Part 2A)

March 30, 2012

This brochure provides information about the qualifications and business practices of North American Management Corp (NAM). If you have any questions about the contents of this brochure, please contact us at 617-695-2100. 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. Additional information about NAM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

NAM is an SEC Registered Investment Adviser. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this brochure, is information you use to evaluate us (and other advisers) and are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## ITEM 2 – MATERIAL CHANGES

### **Material Changes since NAM's previous update**

1. In this filing, dated 03.30.12, NAM will discuss any material changes since our last annual update on 03.31.11:

On December 31<sup>st</sup> 2011, Mr. Robert G. Scott and Ms. Susan K. Tangney resigned from Holyoke Partners LLC, an investment adviser that is the general partner to Holyoke Partners Fund I LP, and manager of Holyoke Partners Offshore Fund Limited.

2. This section of the brochure addresses only those material changes incorporated since our last delivery or posting of this document on the SEC's public disclosure website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).
3. We may, at any time, amend this brochure with material changes and either send you a copy or offer to send you a copy either by electronic means (email) or in hard copy form.
4. If you would like another copy of this brochure, please download it from the SEC website referenced above.

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## ITEM 4 - ADVISORY BUSINESS

### Firm Description

NAM is an independent, SEC registered investment advisor that has provided comprehensive wealth management services (investment supervisory services) since 1928. We offer a professional and progressive approach to investing to individuals, families, trusts, estates, charitable organizations and corporations nationwide. NAM has been registered with the SEC since 1969.

### Principal Owners

NAM is privately held by its employees and directors. None of our principals own more than 25% of NAM.

### Types of Advisory Services

NAM offers the following types of wealth management services:

- A. Investment Management Services - working with individuals, families and institutions, NAM discusses and evaluates each client's investment circumstances. In most cases, NAM conducts a financial analysis, which may include a review of any net worth statement, estate documents, retirement funding requirements, insurance coverage, educational saving needs, and a review of tax returns. Based upon the information provided by our client, we consider and agree on a specific investment policy with our client. Once this policy framework is established, we will recommend investment strategies and asset allocations to help each client to try to achieve specified goals and objectives. We structure the investment portfolio keeping in mind important factors, including but not limited to, taxes, legacy holdings, estate planning, liquidity requirements and income requirements.
- B. Asset Monitoring Services - this service involves NAM providing client recommendations for non-liquid assets like annuities, 401ks, and profit sharing plans based upon a client's investment goal. In addition, NAM also tracks and reports these non-liquid securities and related market values so that clients can view all of their accounts in a consolidated manner.
- C. Financial Planning and Trustee Services - NAM may provide comprehensive financial planning services and/or trustee services to select clients with whom there is also an existing wealth management relationship. Such services include

full financial and estate planning on a negotiated fee basis. These fees are in addition to NAM's customary tiered fee schedule and are negotiable.

## **Tailored Services**

- A. NAM develops and manages investment strategies into which client accounts can be placed. Each strategy is designed for a particular investment goal that NAM and the client have determined is appropriate for the client's circumstances, as reflected in the agreed investment policy statement. In order to accommodate a range of account market values, NAM has created several different size based, portfolio options for most of its offered strategies.
- B. Once a strategy is selected and deemed to be appropriate, the portfolio will be managed in accordance with the agreed strategy profile.
- C. At any time, clients have the opportunity to place reasonable restrictions on the types of investments held in the portfolio and/or to change strategies if the client's circumstances change. Examples include:
  - i. A client may request to hold a higher cash balance than currently recommended for other clients with similar risk profiles and investment objectives.
  - ii. A client who is in a conservative strategy may ask to move into a more aggressive strategy, such as our global growth or income strategy.
  - iii. Clients may specify when an account is opened if there are certain types of securities that should not be bought in their accounts.
  - iv. Clients with low cost basis positions may request to restrict the securities from being sold.
- D. If circumstances permit, clients may also request a customized portfolio that is invested in more than one strategy style and/or outside managers at a time, but remains consistent with the client's risk/return profile.
- E. For our accredited clients, NAM may also offer alternative investment services, such as hedge funds, to complement their equity and fixed income holdings.

## **Wrap Fee Programs**

NAM does not participate in wrap fee programs.

## Assets under Management

As of 1.31.12, NAM manages the following:

Discretionary Assets: \$1,003,692,796.33

Non-Discretionary Assets: \$138,042,515.91

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule

<b><u>Managed Assets</u></b>	<b><u>Fee as a % of Market Value</u></b>
First \$1 million	1.25%
\$1 million to \$3 million	1.00%
\$3 million to \$5 million	.80%
\$5 million to \$10 million	.60%
Over \$10 million	Negotiated

- A. All fees for clients with managed assets over \$10 million are negotiable.
- B. Please note that existing NAM clients may have a different fee schedule and/or customized family grouping. In addition, NAM employees and directors are offered a discount on the standard NAM fee schedule.
- C. Management fees are payable in advance on a calendar quarter basis and calculated based on the market value of managed assets on the last business day of the quarter. To take advantage of fees at a lower fee tier, NAM may allow clients to group related accounts together provided they are for a spouse and/or dependent children at the same address. Exclusion of designated holdings in the calculation of management fees is acceptable if agreed by both NAM and client. Fees are deducted from clients' assets directly. There are a few existing clients who pay the fees by check.
- D. All contracts may be terminated upon written notice by either party with the unearned balance of the fee, if any, refunded upon termination of the contract, or the earned, but unpaid balance of the fee, if any, payable upon termination of the contract.

## Other Fees or Expenses

- A. NAM invests in mutual and/or exchange traded funds. These assets are included in NAM's management fee calculations and thus clients pay fees to both NAM and the fund. Regarding clients invested in hedge funds, in addition to the management fees paid to NAM, they will pay management and performance based fees directly to the hedge fund managers.
- B. NAM may use separate account managers to provide clients specialized asset allocation strategies. The separate account manager will deduct the fees directly from the clients' accounts or, in some of these cases, NAM will pay this manager directly as part of a negotiated fee arrangement.
- C. For clients that have alternative assets at outside managers or hedge funds, NAM calculates its fees on market values provided by the manager. NAM monitors these values but does not and cannot reconcile the underlying asset values.
- D. Clients will also incur brokerage and other transaction costs, e.g. commissions. Please refer to item 12 for further information on this.
- E. NAM does not accept compensation for the sale of securities or other investment products.

## ITEM 6 - PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT

NAM does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so called performance based fees). Its advisory fee compensation is charged only as disclosed above in item 5.

## ITEM 7 - TYPES OF CLIENTS

The types of clients that NAM provides services for include individuals, families, trusts, estates, charitable organizations, limited liability partnerships, pensions and profit sharing plans and corporations.

In order to open and to maintain an account at NAM, clients are required to have a minimum of \$1 million in investable assets. Please note that NAM, in its sole discretion, may accept clients with smaller portfolios based on certain criteria such as future earning potential, anticipated additional assets, relationship with existing client, related accounts, and pro bono activities. We also reserve the right to decline any account, even those meeting the minimum investable asset requirement.



## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

### Method of Analysis

Our aim is to allocate among asset classes, individual securities and outside managers to optimize risk and return in our investment portfolios. Our method of analysis combines “top down” and “bottom up” investment approaches.

NAM invests in a number of different types of investments. These may include, but are not limited to exchange listed securities, securities listed over the counter, foreign issues, warrants, corporate debt securities, commodities, commercial paper, certificates of deposit, municipal securities, variable annuities, mutual funds, United States Government Securities, options contracts on securities, options contracts on commodities, interests in partnerships investing in real estate, interests in partnerships investing in oil and gas interest, hedge funds, venture capital funds and long only managers. Investing in each of these securities involves the risk of loss.

- A. NAM develops global economic themes based on its macro/economic and investment analysis. These themes reflect NAM’s opinions, considering all of the data and information available to us, of the investment markets over the next one to five years, and in some cases longer. Obviously these views may change/be revised as events unfold, but they form the basis of NAM’s search for investment opportunities.
- B. In conjunction with our global themes, NAM considers economic sectors (e.g. financials, energy, etc.) and geographic regions that we feel are of particular interest, and where opportunities appear to be the most attractive. We then determine asset allocations for each of our strategies based on their corresponding risk profiles and investment objectives. For example, in most market conditions our growth strategy will contain a higher percentage of equities than our conservative strategy. In most cases, cash and/or fixed income levels will be higher in our conservative strategy than in our moderate growth strategy. Our fixed income strategy will contain predominantly bonds, but may also contain securities that exhibit the characteristics of fixed income instruments. We regularly monitor our asset allocations and make tactical adjustments as needed to bring them in line with our outlook for the market and asset class profiles.
- C. Our analysts gather their information from financial media, research materials prepared by others, inspections of corporate activities, corporate ratings services, annual reports, prospectuses, filings with the SEC, and company press releases. Although NAM believes the information that it uses to be true, we cannot guarantee that it is always reliable. There is always risk associated with the use of information from outside sources, in addition to the risk of an error in judgment by our investment professionals. These risks are mitigated by using multiple sources of information and having all strategy recommendations reviewed by the Investment Committee.

- D. NAM looks for securities that satisfy its investment themes and asset allocation guidelines. Once selected, the securities are analyzed in order to obtain as much information as possible, and to gain the best understanding of how they will perform in most and different market conditions. Methods of analysis and due diligence of individual securities and managers include, but are not limited to, evaluating the following metrics:
- i. Company/fund information – company/fund history, management team, management history (consistency of personnel, decision making)
  - ii. Security/fund valuation – current and historic
  - iii. Catalysts for change going forward – potential mergers, acquisitions or other changes
  - iv. Financial ratio analysis – balance sheets, free cash flow, cash levels, debt (current and future), profits (historical and projected), dividends, dividend growth rate, risk/return ratio
  - v. Profitability measures
  - vi. Risks – what impact on the company/fund will there be with such things as regulatory changes, interest rates, competition, economic cycles, catastrophe?
  - vii. Exposure to consumer spending trends – increasing or decreasing levels and the consequences
  - viii. Volatility of the security/fund – presently and during various market cycles
  - ix. Liquidity of the security/fund – volume of shares traded on a daily basis, ease with which we can sell out of position should views be revised
  - x. Suitability of the security/fund – characteristics individually, and when integrated into a particular strategy, correlations with other assets
- E. All of these factors are considered, and ultimately a decision is made when we believe that a security/fund will serve our clients' investment objectives. Consideration is then given as to which strategy the security/fund should be placed, at what time, and at what price. This analysis is conducted before purchasing any securities/funds and on a quarterly basis after purchase. Securities in the strategies are continually reviewed in light of current news and events, positive and negative.
- F. Generally, NAM is a long term investor, holding purchases for at least one year. However, we also participate in short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales (mostly through our

investments in exchange traded funds, mutual funds and/or hedge funds), margin transactions and option writing.

- G. We also spend a considerable amount of time monitoring and measuring risk. We continually evaluate long term market cycles, short term economic trends, market sectors, and portfolio and individual security/fund risks. It should be remembered that risk tolerance is considered the ability and willingness of our clients to absorb loss. Investing in securities and outside managers involves risk of loss that all clients should be prepared to bear.

## Strategies

- A. NAM has developed a number of investment strategies using a broad array of securities that may include but are not limited to individual common stocks, ETFs, mutual funds, MLPs, REITs, and fixed income securities. As of 03.30.12 the following strategies are managed at NAM:
- i. Global Growth Strategy - seeks to find opportunities in quality companies in industries, sectors and regions that collectively possess growth characteristics. It is comprised mainly of large capitalization global companies, actively managed mutual funds, long only equity managers, together with select sector and country exchange traded funds.
  - ii. Global Moderate Growth Strategy - seeks to lower volatility, preserve capital and maximize income after taxes. This strategy may include a number of global growth strategy names, together with multiple asset classes including Real Estate Income Trusts (REITs), Master Limited Partnerships (MLPs), Income Trusts, and other high yielding equities.
  - iii. Global Conservative Strategy - seeks to preserve capital, generate income and offer reasonable growth in most market conditions. This strategy may include a number of global growth strategy names, together with multiple asset classes, including REITs, MLPs, Income Trusts and other high yielding equities.
  - iv. Global Income Strategy – seeks to maximize after tax income by focusing on companies with the ability to generate a sustainable and growing dividend stream. The strategy may include a number of global growth strategy names, multiple asset classes, including high yielding equities, fixed income, REITs, MLPs, etc.
  - v. Fixed Income Strategy - seeks to preserve capital in most market conditions. This strategy may include, but is not limited to, high yield bonds, investment grade bonds, US Treasury bonds, Sovereign bonds, Municipal bonds and securities with fixed income characteristics.

- B. NAM has created several portfolio options, based on client account market values, for Global Growth, Global Moderate Growth, and Global Conservative strategies. They are as follows:

#### ACCOUNT MARKET VALUE LEVELS

- i. \$0 - \$25,000  
These accounts will contain a limited number of mutual funds, ETFs and/or other securities.
- ii. \$25,000 - \$100,000  
These accounts may include some of the same investments held in level i above, with the addition of further mutual funds, ETFs and/or other individual securities.
- iii. \$100,000 and above  
These accounts may include some of the same investments held in levels i and ii above, with the addition of selected other mutual funds, ETFs and/or other individual securities.
- iv. Above \$1,000,000  
These accounts may include some of the same investments in the levels described above, typically with a greater focus on individual securities.

- C. For accredited clients (investors who have a net worth, or joint net worth with their spouse, that exceeds \$1 million, excluding the value of their primary residence, and indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability), NAM can also create a highly personalized strategy. This strategy may include internally managed investments complemented with selected and monitored alternative investments, separately managed accounts, commodities, external hedge fund and private equity managers, etc.

- D. All investment strategies include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). Markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. We will do our very best in the management of your assets, however, we cannot guarantee any level of performance or protection against a loss of your account assets.

## ITEM 9 - DISCIPLINARY INFORMATION

We do not have any legal, financial or other disciplinary item to report. We are obligated to disclose any disciplinary event that would be material when evaluating

us to initiate a Client/Adviser relationship, or to continue a Client/Adviser relationship with us. This statement applies to NAM, and every employee.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

NAM's management persons do not have any relationships or arrangements with any related persons that are material to our advisory business or to our clients. None of our management persons are registered or have an application pending to register as a broker/dealer or a registered representative of a broker/dealer. None of our management persons are registered, or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

NAM is the sole member and 100% owner of North American Fiduciary Services, LLC (NAFS). This entity was established to accommodate clients, on a select basis, who are in need of one or more of the following fiduciary services: (1) trust advisor; (2) trust protector; and (3) personal trustee (only for Massachusetts trusts). The minimum assets under management for a trust seeking these fiduciary services is \$1 million; however, some exceptions may apply.

## ITEM 11 - CODE OF ETHICS

### Code of Ethics

- A. As required by regulation (SEC rule 204A-1) and because it is good business, we have adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you.
- B. This Code of Ethics is designed to ensure we meet our fiduciary obligation to you, our client (or prospective client), and to drive home a culture of compliance within NAM.
- C. NAM will provide clients and prospective clients with a copy of our Code of Ethics upon request.
- D. Our Code of Ethics detects and prevents violations of securities laws, and addresses obligations that we owe to our clients.
- E. It is distributed to each employee at the time of hire, and annually thereafter (if there are changes). We also supplement the Code with annual training and ongoing monitoring of employee activity.
- F. Our Code includes the following:

- i. Requirements related to the confidentiality of our clients and client information.
- ii. Prohibitions on:
  - a) Insider trading.
  - b) Rumor mongering.
- iii. Guidelines for:
  - a) The acceptance of gifts and entertainment.
  - b) Seeking preclearance of employee transactions.
  - c) Reporting (on an ongoing and quarterly basis) all personal securities transactions ("reportable securities" as mandated by regulation).
- iv. On an annual basis, we require all employees to:
  - a) Affirm and attest to our Code.
  - b) Identify any family members in the investment industry.
  - c) Identify any account(s) that are owned or over which they have authority.
  - d) Identify all securities holdings that they own in these accounts.

## Personal Trading

- A. Our Code does not prohibit personal trading by our employees.
- B. NAM maintains different personal trading requirements depending on whether or not the employee's account is being managed by NAM.
- C. Our Code specifies that the interests of client accounts will at all times be placed first, that all personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility, and that employees must not take inappropriate advantage of their positions.

- D. All purchases and sales must be approved by a supervisory person designated by the firm. The approved transaction is completed by the close of business on the trading day approval is received.
- E. We may purchase or sell the same or similar securities (or securities that are not suitable for any external client, including you) for an employee or related account at NAM at the same time that we place transactions for your account and the accounts of our other clients.
- F. Employees are prohibited from trading a security in all outside accounts on the same day that the same security is traded in a client account (unless the employee had the trade approved, and therefore executed, prior to the trade being submitted in the client's account).
- G. Statements and account reports are reviewed under the Code for compliance with NAM's policies regarding personal securities transactions and applicable SEC rules and regulations.
- H. If any violation of NAM's Personal Security Transaction Policy is determined to have occurred, the CCO may impose sanctions and take such other actions as deemed appropriate and set out in our Code.

## ITEM 12 – BROKERAGE PRACTICES

In this item, we describe the factors that are considered when selecting a broker/dealer for client transactions and determining the reasonableness of their compensation.

### **Research and other soft dollar benefits**

- A. In selecting broker/dealers, NAM's guiding principle is to seek to obtain the best overall execution for each client on each trade. NAM considers a number of factors, including, without limitation, the research services provided, the handling of the order, the ability of the broker to settle the trade promptly and accurately, the financial standing of the broker, the firm's past experience with similar trades and other factors that may be unique to a particular order.
- B. In recognition of the value of these factors, NAM may pay a brokerage commission that is higher than the lowest commission that might otherwise be available for any given trade. At times clients may pay commissions in addition to a markup/markdown on trades completed on a principal basis.
- C. NAM currently maintains formal soft dollar arrangements with broker/dealers whereby it receives products and/or services from third party service providers that are paid for by the broker/dealers in exchange for the brokerage commissions from transactions in clients' accounts.



- D. When NAM uses client brokerage commissions (or markups and markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services obtained.
- E. Such products and services include access to current corporate earnings estimates, qualitative and quantitative company data, stock flow analysis, stock screening, quotation services, research aggregation/management, financial modeling, outside manager search capabilities, manager and investment return based analysis, performance analysis, risk analysis, and market data (including quotes, indices, news, market depth, order book, etc.). NAM receives both proprietary research created or developed by the broker/dealers, as well as research created or developed by a third party, for example information accessible via Bloomberg terminals. In addition to individual stock, bond, and fund research, this proprietary research covers industry analysis and global macro-economic themes. We believe that the cost of obtaining the soft dollar products/services is reasonable and commensurate with the benefits gained. Research and execution related services are utilized for the benefit of all clients.
- F. Soft dollar arrangements may produce an incentive to select or recommend a broker/dealer due to our interest in receiving particular research or other products or services, rather than on our clients' interest in receiving most favorable execution.
- G. NAM's soft dollar arrangements may cause clients to pay commission (or markups or markdowns) higher than those charged by other broker/dealers in return for soft dollar benefits.
- H. Soft dollar benefits are used to service all of our clients' accounts.
- I. No additional products and services, other than those listed earlier, have been acquired in the last fiscal year using client commissions.

## **Brokerage for client referrals**

- A. NAM does not typically consider the possibility of receiving client referrals when selecting broker/dealers.
- B. Although infrequently, NAM has occasionally considered the possibility of receiving client referrals when selecting broker/dealers.
- C. In the event that a broker/dealer provides client referrals, NAM has a potential conflict between its clients' interest in obtaining most favorable execution and the prospect of receiving future referrals from the broker/dealer.
- D. NAM mitigates this conflict by:



- i. allowing clients to choose any broker through which they wish to execute securities transactions for the account;
- ii. requiring that all of its recommended broker/dealers charge the same commission schedule for the execution of trades;
- iii. selecting a sample of trades and evaluating their execution versus appropriate benchmarks at least once a year.

## Directed Brokerage

- A. NAM has been granted the authority by the majority of its clients to determine, without specific consent, the securities to be bought or sold, the quantities of securities being bought or sold, and the broker/dealers executing trades.
- B. NAM has selected a custodian that it recommends to clients. NAM has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates (Fidelity)) through which Fidelity provides NAM with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and related services that assist NAM in managing and administering clients' accounts. For example, software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back office functions, recordkeeping and client reporting. Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction related or asset based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.
- C. Where the broker/dealer is the custodian, such as Fidelity, NAM may or may not execute trades with this custodian.
- D. NAM allows clients to direct brokerage and to have the final choice as to the selection of custodian. However, if clients choose to direct brokerage, NAM will not seek better execution services or prices from other broker/dealers or be able to aggregate the client's transactions for execution through other broker/dealers with orders for other accounts advised or managed by the firm. Clients directing brokerage may be unable to achieve the most favorable execution of their transactions, paying materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the

account than would otherwise be the case. This practice of directing brokerage may or may not cost clients more money.

- E. Any limitations which might be placed on NAM are “client specific” and, to the extent that they exist, are detailed at the opening of the client’s account.
- F. If a client directs NAM to utilize a particular broker/dealer to execute some or all transactions for the client’s account, the client is responsible for negotiating the terms and arrangements for the account with that broker/dealer.

## **Trading practice**

- A. When possible, orders for the same security may be aggregated to facilitate best execution and to allocate equitably among NAM’s clients.
- B. Aggregation avoids differences in prices that might have been obtained had such orders been placed independently.
- C. Employee client accounts (related accounts) may participate in aggregated transactions with other advisory clients. However, in no case will these accounts participate if the order only partially fills (i.e. client orders will be filled before related accounts receive allocations).
- D. NAM aggregates the purchase or sale of transactions to try to ensure that no participating client, including any related account, is favored over any other client. Specifically, each client in an aggregated transaction will participate at the average share price for all of the transactions in that security on that business day.
- E. Securities purchased or sold in an aggregated transaction are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account.
- F. NAM may, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd lots or small numbers of shares for particular clients.
- G. Additionally, if NAM is unable to fully execute an aggregated transaction and determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, we may allocate such securities in a manner determined in good faith to be a reasonable and fair allocation.

## ITEM 13 – REVIEW OF ACCOUNTS

- A. NAM monitors client investment accounts as part of an ongoing supervisory process. Regular reviews of client accounts and/or financial plans occur at least on an annual basis, generally at client meetings. Accounts are appraised with our clients' investment management personnel and client services team. Investments, transactions and performance are reviewed and discussed in detail. Investment Policy Statements are checked to confirm whether risk tolerance levels and/or current circumstances require a reevaluation of investment objectives.
- B. Furthermore, throughout the year, clients may also converse with investment management personnel or their client service team via telephone, email, and other forms of communication. These conversations often include a review of accounts.
- C. Additional events that may trigger a review of accounts vary and could include (extraordinary) market conditions, international and domestic political and economic events, corporate and industry developments, as well as other factors affecting an individual account such as a client's age, or a change in immediate or future circumstances.
- D. Clients may reasonably anticipate recurrent attention to their investment objectives and requirements. The number of accounts reviewed by any one person and the sequence of the accounts' review are not fixed. Reviews are conducted by the Chief Investment Officer and other members of the Investment Committee.
- E. NAM provides clients with a quarterly investment newsletter detailing our views on market news, conditions and factors that we are considering as we navigate the economic environment.
- F. Quarterly, clients receive statements from NAM that provide an account overview, an appraisal with cost basis and yield information, purchase and sale details, realized gains and losses, and account performance. Custodial account statements also provide a summary of income, disbursements, capital gains and losses booked from the beginning of the year, together with a summary of withdrawals and changes in investment values. We strongly recommend that clients compare the account statement received from their qualified custodian with those provided by NAM.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

NAM has two referral agreements with the parties listed below:

- A. Solicitor 1 is an unaffiliated marketing representative. Under this arrangement, dated 6/2003, Solicitor 1 receives compensation equal to 25% of the fees derived

from any clients referred by him. Payments continue until client terminates the arrangement with NAM.

- B. Solicitor 2 is an unaffiliated marketing representative. Under this arrangement, dated 6/2010, Solicitor 2 receives compensation equal to 20% of management fees in the first 12 months of the new business relationship, and 15% for the second 12 months. If additional monies are deposited into the clients' accounts in the first 12 months of the relationship, Solicitor 2 is entitled to 20% of the related management fees for the first 12 months following deposit and 15% for the second 12 months. For any given new relationship, the maximum period of payment under the terms of this agreement, is a total of 3 consecutive years.

## ITEM 15 – CUSTODY

NAM does not maintain physical custody of client assets, but is deemed to have constructive custody of clients' funds for the accounts in which: (1) NAM deducts advisory fees directly from client accounts; and/or (2) an employee is a trustee or co-trustee; and/or (3) NAFS is a trustee, trust advisor, or trust protector; and/or (4) the client has established standing instructions authorizing NAM to determine the size and date of distributions made to a specific third party. Clients receive quarterly report packages from NAM and account statements, at the minimum quarterly, directly from their qualified custodians. We urge you to compare the account statement received from your qualified custodian with those provided by NAM. Please note, for tax and other purposes, the custodial statement should be considered the official record of your account(s) and assets.

## ITEM 16 – INVESTMENT DISCRETION

- A. NAM accepts discretionary authority to manage securities accounts on behalf of the vast majority of its clients.
- B. Clients sign an investment advisory agreement with NAM and, in most cases, a custodian account application at the commencement of the relationship confirming that NAM has discretion.
- C. This discretionary authority allows us to determine, without specific consent, the following:
- i. The types of assets/securities bought or sold in an account.
  - ii. The quantities of assets/securities bought or sold in an account.
  - iii. The broker/dealers used to buy or sell assets/securities in an account.

- D. Clients may place limitations on our discretionary authority.
- E. Any limitations are “client specific” and, to the extent that they exist, are detailed when the client’s account is opened.
- F. Limitations may include:
- i. Selection of alternative custodian or broker/dealer.
  - ii. Specific asset types that may not be held in an account – e.g. no Master Limited Partnerships.
  - iii. Specific securities that may not be held in an account – e.g. no tobacco.
  - iv. Cash levels.
- G. Such limitations will be noted for each account. Restrictions are placed that prevent contravening transactions in these accounts, or that direct the trades to selected broker/dealers (without the consent/authority of the client).

## ITEM 17 – VOTING CLIENT SECURITIES

### Proxy Voting

- A. NAM has an agreement with Glass, Lewis & Co. (GLC), a national proxy service firm, which authorizes GLC to vote corporate proxies on behalf of the majority of our clients. GLC provides us with recommendations based on their research and analysis of corporate proxy issues.
- B. We will vote proxies solicited by, or with respect to, issuers of securities held in clients' accounts. In these cases, we continue to follow the guidance received from GLC on the securities in question.
- C. If we determine that NAM or one of our employees faces a material conflict of interest in voting your proxy (e.g., an employee of NAM may personally benefit if the proxy is voted in a particular way), our procedures provide for a vote by the Proxy Voting Committee (PVC). The PVC determines how our clients’ best interests will be served in voting the proxy. In the event that the vote is not unanimous, we will engage an independent third party, at our expense, to determine the appropriate vote. Any vote cast by an independent proxy voting service is binding and may not be overridden by NAM.
- D. Clients may also elect to vote their own proxies.
- E. Clients may request a proxy vote record if NAM has proxy voting authority for them.

- F. Clients may receive a copy of our proxy voting policies and procedures upon request.

## **Class Actions**

- A. NAM has an agreement with Chicago Clearing Corporation (CCC) to provide class action monitoring and claim filing for our clients.
- B. CCC will deduct 15% of any monies received from a successful class action settlement.
- C. NAM does not receive any financial benefits from this relationship with CCC.
- D. Clients may opt out of this service at any time.

## **ITEM 18 – FINANCIAL INFORMATION**

As NAM does not require prepayment of more than \$1,200 in fees per client six months or more in advance, this item does not apply.

## **ITEM 19 – REQUIREMENTS FOR STATE REGISTERED ADVISERS**

This item does not apply to NAM.