

# **Neville, Rodie & Shaw, Inc.**

200 Madison Avenue  
New York, NY 10016  
(212) 725-1440

[www.nevrodie.com](http://www.nevrodie.com)

January 30, 2012

This Brochure provides information about the qualifications and business practices of Neville, Rodie & Shaw Inc. If you have any questions about the contents of this Brochure, please contact us at (212) 725-1440. 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.

Neville, Rodie & Shaw Inc is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Neville, Rodie & Shaw Inc also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Item of the Brochure will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The last update of our brochure was January 30, 2012. The current update of our brochure includes the following material change:

- The number of shareholders of the Firm has gone from 10 to 8 with the retirement of Shareholder/Chairman Denis E. Loncto and Shareholder/Vice President Arthur C. Romaine.

(Brochure Date: 1/30/2012)

(Date of Most Recent Annual Updating Amendment: 10/31/2011)

Currently, our Brochure may be requested by contacting Frank J. Anastasi, Chief Compliance Officer at (212) 725-1440. Our Brochure is also available on our web site [www.nevrodie.com](http://www.nevrodie.com), also free of charge.

### Item 3 -Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management.....	3
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Item 9 – Disciplinary Information .....	6
Item 10 – Other Financial Industry Activities and Affiliations.....	7
Item 11 – Code of Ethics, Participation or Interest in Client Transactions .....	7
Item 12 – Brokerage Practices.....	8
Item 13 – Review of Accounts .....	12
Item 14 – Client Referrals and Other Compensation .....	13
Item 15 – Custody .....	14
Item 16 – Investment Discretion .....	14
Item 17 – Voting Client Securities .....	14
Item 18 – Financial Information.....	15

#### **Item 4 – Advisory Business**

Neville, Rodie & Shaw Inc. (“NRS” or “Firm”) was originally founded in 1933 and is an investment counseling firm managing long-only separately managed accounts for a variety of clients. NRS is wholly-owned by its active employees and there are currently 8 shareholders. (See [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for NRS’ Form ADV Part 1, Schedule A for a list of all individual shareholder names).

As of October 31, 2011, NRS managed \$1,135,619,969 on a discretionary basis and \$62,189,165 on a nondiscretionary basis for a total Assets Under Management of \$1,197,809,134.

NRS provides continuous investment advice to clients and families based on their individual needs. Through a series of personal discussions and meetings in which goals, objectives and risk tolerances are established, NRS will determine an appropriate portfolio management strategy. NRS will manage each client’s account on the basis of the client’s financial situation and investment objectives and any reasonable investment restrictions the client may impose.

Client portfolios are managed on a discretionary or non-discretionary basis. Most portfolios are managed with a balanced investment approach using tax-exempt or taxable bonds, growth, value, large and mid-cap stocks and cash equivalent issues. From time to time, NRS may invest certain assets in mutual fund shares (including money market funds) or exchange traded funds (ETFs). This may be done to obtain diversification in certain client accounts.

Portfolios are managed with specific reference to client financial considerations including client preferences, restrictions and tax gain and losses. NRS's portfolio managers hold weekly investment committee meetings at which the managers discuss securities held in client accounts, including the firm's model portfolio holdings. These meetings may periodically result in firm-wide decisions to divest from particular securities or limit holdings to certain thresholds. Decisions may result in firm-wide block trading of portfolio accounts, consistent with the firm’s allocation policies. Typically, however, buy and sell decisions within client accounts are implemented separately by portfolio managers, at times different from other managers. This investment process may result in client accounts receiving performance at variance (higher or lower) with the performance of clients managed by other managers.

## Item 5 – Fees and Compensation

Generally, NRS's investment management fees are calculated as a percentage of assets under management according to the following fee schedule:

<b>Assets under management</b>	<b>Annual Fee (%)</b>
First \$5,000,000	1.00%
On the next \$5,000,000	0.75%
On the next \$15,000,000	0.50%
On the remainder of the balance	0.40%

Certain relationships may be charged a fixed or different fee schedule based on a percentage of assets under management ranging from 0.20% to 1.50%. Certain relationships may be charged an annual fixed retainer fee, billed in arrears. Billings for services based on a negotiated fee schedule, fixed percentage or fixed fee are negotiated and agreed upon between NRS and the client in a client's written agreement with NRS.

Based on its operational history since 1933, NRS may have additional fee arrangements with clients who initiated their relationship with NRS under fee schedules that have since been amended. Fees for certain accounts involving special holdings or inactive securities are modified by negotiation. Two or more accounts of an immediate family group may be combined for fee purposes.

### **Additional Information**

All fees are subject to negotiation depending on client relationships, size and servicing requirements.

### **Fee Payment Information**

The specific manner in which fees are charged by NRS is established in a client's written agreement with NRS. NRS will generally bill its fees on a quarterly basis in advance. Clients may also elect to be billed directly for fees or may authorize NRS to directly debit fees from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based on the number of days of account management. Any prepaid fees may be returned to a client if the client terminates before the end of a billing period subject to adequate notice provisions. Based on its operational history, NRS may have additional billing arrangements with clients.

### Termination Provisions

A client agreement may be cancelled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### Other Costs

NRS believes its fees are similar to those charged by many other investment counsel firms for similar services; however, comparable service may be available from other sources for lower fees.

NRS's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to NRS's fee, and NRS shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that NRS considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

NRS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). All fees are calculated as described above and are not charged on the basis of income or capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

## **Item 7 – Types of Clients**

NRS provides investment management services to individuals, including high net worth individuals, trusts, charitable organizations, foundations, endowments, qualified retirement plans and other corporations and institutions.

### **Conditions for Managing an Account**

NRS generally requires a minimum account size of \$1,000,000 for investment management services to which exceptions are occasionally made for relatives and friends of existing clients.

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

Within the context of investment policy suited to client needs and objectives and to perceived economic conditions, the strategy generally used emphasizes the selection of relative values in common stocks bought to hold for at least one year, supplemented as deemed appropriate by bonds (convertible, tax-exempt or taxable), notes, preferred stocks money market funds, mutual funds or ETFs.

For equity portions of a portfolio, NRS utilizes fundamental analysis. Fundamental analysis of potential common stock opportunities starts at the industry or company level. NRS believes it is essential to long-term investment success to not restrict the universe of equity opportunities. NRS is a strong adherent that rewarding investments can be found in a variety of geographic areas, diverse industry groups and within all capitalization categories. Consistent with this doctrine, NRS believes that appropriate diversification among sectors and industries and a strong emphasis on such quantitative factors as balance sheet strength and free cash flow aid in limiting risk in an equity portfolio. NRS emphasizes current valuations on a company-by-company basis in conjunction with prospective growth in earnings and dividends and the possibility of assets, such as new products or technologies, being under-recognized by others.

NRS experience convinces us that successful equity results are best achieved by focusing on a limited group of companies which can be given close and continuous attention. NRS emphasis is on the leading companies in sectors having the best three-year growth prospects within the framework of economic, financial and societal conditions. In addition to sound balance sheet structures, earnings momentum and margin improvement are critical. NRS prefer managements to have meaningful holdings in their companies to reflect their entrepreneurial spirit and a partnership with outside investors. Operating dynamics

are of the utmost importance, but they must always be subjected to valuation disciplines appropriate to existing market conditions and the characteristics of specific industries and economies.

Finally, NRS believes it is essential to have an understanding of broad economic and fiscal trends when constructing an equity portfolio. Changes in monetary policy and tax and regulatory procedures will often have a meaningful impact on decisions relating to individual stock selection and total equity allocations; and, changes in economic priorities and directives may result in differing sector opportunities and risks.

For fixed income portions of a portfolio, individual fixed income portfolio holdings may differ depending upon tax status or liquidity needs, our overall approach is based upon a common frame of reference. NRS does not view the fixed income sector as a primary vehicle for appreciation and embrace a largely risk adverse approach. Holdings are structured and managed to provide a stream of income, dampen volatility in portfolio asset value, and provide liquidity.

To the extent the yield curve permits, NRS prefers a "laddered" maturity structure in order to avoid disruptive changes in the flow of income and to avoid the reinvestment risk resulting from an uneven pattern of maturities. With few exceptions, investments are largely within a ten-year maturity range in order to provide call protection and diminish volatility inherent with longer maturities.

Changes in the maturity structure and composition of the holdings are primarily made against the background of an anticipation of a meaningful change in the trend of interest rates. Forecasting this trend is the key determinant and is based upon an ongoing analysis of inflation expectations, Federal Reserve Policy and the overall level of economic activity domestically and abroad.

In appropriate accounts, NRS also seeks to take advantage of opportunities arising from spread differentials between industrials, utilities, financials and US Governments as well as anomalies in maturity and quality rankings.

Short-term and margin trading is not encouraged, but if relative value or prospects change, short-term losses or profits may be realized upon occasion, especially in tax-exempt portfolios. Short-term losses or gains may also be realized in transactions designed to minimize client tax exposure.



## **Risk of Loss**

***Investing in securities involves risk of loss that clients should be prepared to bear.***

All investments present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities.

The securities and instruments utilized by NRS are subject to normal market fluctuations and other risks inherent in investing in such investments and there can be no assurance that any appreciation in value will occur. Securities markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market can react differently to these developments and the value of an individual security or particular type of security can be more volatile than, and can perform differently from, the market as a whole. Investing in foreign securities involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility.

Equity securities (common, convertible preferred stocks and other securities whose values are tied to the price of stocks, such as rights, warrants and convertible debt securities) could decline in value if the issuer's financial condition declines or in response to overall market and economic conditions. A market segment(s), such as large cap, mid cap or small cap stocks, or growth or value stocks, may underperform other market segments or the equity markets as a whole. Investments in smaller companies and mid-size companies may involve greater risk and price volatility than investments in larger, more mature companies. Market prices of growth stocks are often more sensitive than other securities to earnings expectations.

The return of principal for the bond holdings is not guaranteed. Bond holdings are subject to interest rate, inflation and credit risks.

Mutual funds and ETFs are subject to the same risks associated with the underlying equity or bond holdings.

The risk of loss described herein should not be considered to be an exhaustive list of all the risks which clients should consider.

## **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 NRS or the integrity of NRS's management. NRS has no information applicable to this Item.

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

NRS has no other financial industry activities or affiliations.

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

NRS has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. All supervised persons at NRS must acknowledge the terms of the Code of Ethics annually.

The objectives of the NRS Code of Ethics are primarily to protect NRS clients but also to educate NRS employees, remind employees that they are in a position of trust, guard against violations of securities laws and establish verification procedures. Implicit in the NRS Code of Ethics is the recognition that as investment advisors we are fiduciaries and, as a consequence, have the responsibility to render professional, continuous and unbiased investment advice acting at all times in the client's best interest and avoiding even the appearance of a conflict.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of NRS will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of NRS's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. If a potential purchase or sale is being considered for client accounts in a particular security, any employee transaction in said security must be cleared by the "Conflict Committee" as having no material effect on market price or on an ultimate decision by the firm for client accounts. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between NRS and its clients.

Should you wish to obtain a complete copy of the NRS Code of Ethics, please contact the Chief Compliance Officer, Frank J. Anastasi at (212)725-1440.

It is not a general practice to recommend client purchase or sale of securities in which the firm or a related person has an interest. Recommendations for clients are based upon the perceived advantages or disadvantages of the security in relation to the client's investment situation and objectives, and upon economic, financial, social and other factors bearing on its value and on the valuation of alternatives. Recommendations are not withheld and client transactions are not forestalled because the registrant or a related person may have a direct or indirect interest in the security. NRS does from time to time maintain an investment portfolio for the purpose of putting its reserve cash to work, which portfolio may include stocks and longer term securities as well as short-term issues, some of which may be identical to securities bought, held or sold in client portfolios. Said portfolio is not expected to become material in size in relation to total client portfolios in the foreseeable future.

It is NRS's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. NRS will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

Except in those instances where a client wishes to retain discretion over broker selection and commission rates, NRS accepts discretionary authority to determine the brokers used and the commission paid by clients for securities transactions.

Occasionally a client may direct the use of a particular broker-dealer to execute portfolio transactions and/or have a prior custodial arrangement with a broker-dealer. NRS will accept such accounts to the extent that the technology of the custodian and NRS allow the

effective servicing of the account. In those cases where the client has directed a particular broker-dealer, it should be understood that NRS will not have authority to negotiate commissions or obtain volume discounts and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

In the absence of any client direction to utilize a particular broker or dealer for the execution of transactions in any client accounts, NRS' overriding objective in the selection of broker-dealers is to obtain the best combination of price and execution. When possible, NRS will block, or, aggregate multiple client orders in the same bond or stock. This practice could facilitate execution of the order and may result in a better execution price and lower commission cost. Best price, is normally an important factor in this decision, but the selection also takes into account the quality of brokerage services, including such factors as execution capability, financial stability, and clearance and settlement capability. Accordingly, transactions will not always be executed at the lowest available commission. In our attempt to give equitable treatment to clients orders whether they are in custody at a bank or broker, orders are entered on a rotation basis.

Fixed Income securities are generally purchased from the issuer or a primary market-maker acting as principal on a net basis with no brokerage commission paid by the client.

Where more than one broker-dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction, NRS often selects a broker-dealer which furnishes it research, including research reports on companies, industries, and securities; economic and financial data; financial publications and computer data bases. These selections, and the amount of brokerage given to a particular broker-dealer, are not made pursuant to any agreement or commitment with any of the selected broker-dealers that would bind NRS to compensate the selected broker-dealer for research provided. However, NRS does maintain an internal allocation procedure to identify those broker-dealers who have provided it with research and the amount of research they provided, and does endeavor to direct sufficient commissions to them to ensure the continued receipt of research NRS believes is useful. Although it is not possible to assign an exact dollar value to certain services, they may, if and to the extent used, tend to reduce the expenses of NRS. The fees paid to NRS by clients are not reduced because NRS receives such services. Research and execution-related services furnished by brokers and dealers with whom NRS arranges transactions may be beneficial to certain accounts advised by NRS. A particular account may be charged a commission paid to a broker dealer which supplies research or execution-related services not directly utilized by such account.

However, NRS expects that all client accounts will benefit overall by these practices because of the overall benefits of research and execution-related services.

Consistent with seeking to obtain best execution for clients, NRS may direct brokerage transactions for clients' portfolios to broker-dealers who provide research and execution services to NRS and, indirectly, to NRS's clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment NRS's own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at NRS's discretion). Research services obtained through the use of soft dollars generally include statistical or quotation services, including on-line services. NRS does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research NRS receives will help NRS to fulfill its overall duty to its clients. NRS may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers selected by NRS may be paid commissions for effecting transactions for NRS's clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if NRS determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or NRS's overall duty to its ('brokerage') discretionary client accounts. Soft dollar benefits are not limited to those clients who may have generated a particular benefit, although certain soft dollar allocations are connected to particular clients or groups of clients.

The reasonableness of brokerage commissions is evaluated on an on-going basis. Such factors as a periodic review of the general level of commissions paid and comparison with industry data are considered.

NRS will suggest those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions are based on the broker's ability to provide professional services, research and other services which will help NRS in providing investment management services to clients. NRS may, therefore, use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research furnished by broker-dealers may be used in servicing any or all of the clients of NRS and may be used in connection with accounts other than those which pay commissions to the broker-dealer providing the research.

If a client does not have a current custodial relationship or would like to be directed to one, NRS may suggest that clients consider Fidelity Brokerage Services, LLC ("Fidelity"), member FINRA/SIPC or Charles Schwab & Company, Inc., member FINRA/SIPC. NRS participates in the Fidelity Institutional Wealth Services (FIWS) program, sponsored by Fidelity and Schwab Advisor Services (SAS) program, sponsored by Schwab. Both programs are offered to independent investment advisors. Fidelity and Schwab are unaffiliated SEC-registered broker dealer and FINRA member broker dealer. Fidelity and Schwab offer all the services a bank does without the custodial fee. In addition, they also offer "Prime Brokerage" services where the client has the ability to trade with other "free" accounts (those held at a bank). This is beneficial when buying or selling thinly traded stocks so that the orders can be entered as a block. However, when trading with free accounts a trade-away fee will be assessed.

While NRS has the discretion to select various brokers on behalf of clients, the decisions regarding where to implement client transactions are significantly effected by the client's choice of a custodian. For clients choosing brokers as custodians, NRS must execute most client transactions through the client's selected broker/custodian unless the broker-dealer allows us to do otherwise.

For clients choosing a bank as a custodian, clients are not charged trade-away fees, but rather pay custodial fees to the banking institution. Clients should consider these fees in connection with their selection of a custodian.

Brokers and banks that NRS selects to execute transactions may from time to time refer clients to NRS. While NRS will not make commitments to any broker to compensate that broker through commissions for client referrals, a potential conflict of interest may arise between the client's interest in obtaining best price and execution and NRS's interest in receiving future referrals. This may provide NRS with an incentive to recommend that a client also retain the referring broker or banking institution for custodial services.

Clients may also further direct NRS to conduct all securities transactions at a directed broker of the client's choice. In such cases, NRS will not have the authority to negotiate client commissions, and NRS's ability to seek best execution will be limited.

Client's selections of custodians and/or direction of brokerage further limits NRS's ability to block client transactions. Client accounts held at brokers may not be included in block trades with clients custodied at other financial institutions. To the extent custodial choices effect the ability to block trades, NRS's ability to seek best execution is further limited.

Whether a client is custodied at a bank or broker, NRS's practice is to "rotate" order entry so that no one group is given preference over the other.

## **Item 13 – Review of Accounts**

### **Reviews**

Investment management accounts are under constant review by a principal/portfolio manager of NRS. All accounts are under constant supervision concerning adherence to investment mandates and client investment restrictions. Monitoring of accounts is performed to verify, among other reasons, client transactions, the receipt and distribution of funds, and compliance with clients' investment guidelines and restrictions. The individual management and consideration of client accounts subjects clients to investment in similar securities at different times and prices. NRS does not seek to advantage any clients over other clients through the order of trading decisions in similar securities for different clients.

Portfolio managers actively review client accounts via reports and an internal portfolio management system. The number of client accounts monitored by portfolio manager varies. In addition, the sequence and frequency of his/her reviews varies depending on his/her appraisal of the significance of the informal discussions with clients, examination of portfolio weightings, income requirements and consideration of possible improvement or risk. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market, political or economic environment.

### **Regular Client Reports**

Portfolio appraisals are customarily furnished to clients on at least a quarterly basis. Different cycles of reporting are also available upon special request. Written portfolio appraisals show the amount, dollar cost, current market value, estimated annual income, and dividend yield or bond yield to maturity on each security held in the account in a format which allows the client to assess his/her situation readily.

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

### Client Referrals

NRS may from time to time compensate, either directly or indirectly, any person (defined as a natural person or a company) for client referrals. NRS is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940, as amended and similar state regulations. As such, appropriate disclosure shall be made, all written instruments will be maintained by NRS and all applicable federal and/or state laws will be observed.

### Other Compensation

As indicated under the disclosure for Item 12, FIWS and SAS provides NRS with access to services which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them.

These services benefit NRS but may not benefit its clients' accounts. Many of the products and services assist NRS in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of NRS' fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service a substantial number of NRS' accounts. FIWS and SAS also make available to NRS other services intended to help NRS manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. NRS does not, however, enter into any commitments with the brokers for transaction levels in exchange for any services or products from brokers. While as a fiduciary, NRS endeavors to act in its clients' best interests, NRS' recommendation that clients maintain their assets in accounts at FIWS or SAS may be based in part on the benefit to NRS of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the brokers, which may create a potential conflict of interest.



## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. NRS urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

NRS usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Some clients retain NRS on a non-discretionary basis, requiring that portfolio transactions be discussed in advance and executed at the client's direction.

Any non-discretionary accounts should recognize that by their very nature and the need for NRS to receive consent on trades for such accounts, non-discretionary accounts will often be traded after discretionary accounts and separate from discretionary accounts. The execution time and price of securities transactions will be effected by the delay in obtaining client consent.

When selecting securities and determining amounts, NRS observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to NRS in writing.

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

### **Proxy Voting**

As a matter of firm policy and practice, NRS does not generally accept the authority to and does not vote proxies on behalf of advisory Clients. Clients retain the responsibility for receiving and voting proxies for all and any securities maintained in Client portfolios.

In certain circumstances, however, NRS may be required to vote proxies as part of its fiduciary duties to certain ERISA plans or certain other unique client circumstances.

For client accounts where NRS does provide proxy voting services, NRS has retained Institutional Shareholder Services (“ISS”), formerly known as Risk Metrics Group (RMG). In order for NRS to be able to vote proxies on behalf of a client, NRS must receive written authorization from the client. Authorization from a client may be obtained through the NRS Investment Advisory Agreement, through the client’s custodial agreement or via a separate NRS proxy letter.

Currently, there are three distinct voting policies in which clients are placed based on their mandates. 1) ISS’ Standard Voting Policy, which typically votes ballots based on what is financially best for the client, 2) ISS’ SRI Policy (socially responsible investing) that is for clients who are concerned not only with economic returns and good corporate governance, but also with the ethical behavior of corporations and the social and environmental impact of their actions and lastly, 3) ISS’ Catholic Policy that is consistent with the objectives of SRI shareholders, as well as the teachings of the Roman Catholic church. The majority of NRS’s clients are placed in ISS’ Standard Voting Policy.

Based on the guidelines outlined in the separate policies, ISS votes all proxies it receives for NRS clients. NRS has full access to view how client’s proxies have been voted via a secure web site and if necessary, given sufficient time, NRS has the ability to override a vote.

ISS provides NRS annually, with a Master Account List of all clients for which proxies are being voted. This list is reviewed to ensure all clients where NRS has authority to vote is included and is being voted under the correct policy.

To request a copy of the firm's proxy policy or to obtain proxy vote records, please contact Chief Compliance Officer, Frank J. Anastasi at (212) 725-1440.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about NRS’s financial condition. NRS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.