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# REDWOOD INVESTMENTS, LLC

One Gateway Center, Suite 802

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617-467-3000

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

## **Firm Brochure**

(Part 2A and 2B of Form ADV)

March 28, 2012

This Brochure provides information about the qualifications and business practices of Redwood Investments, LLC. If you have any questions about the contents of this Brochure, please contact us at 617-467-3000 or [sflammey@redwoodinv.com](mailto:sflammey@redwoodinv.com). 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.

Redwood Investments, LLC 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 Redwood Investments, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Sec's website also provides information about any persons affiliated with Redwood Investments, LLC who are registered as an investment adviser representative of Redwood Investments, LLC

## Item 2 – Material Changes

The SEC requires that we highlight any material changes in this document as compared to the previous version (dated 3/31/2011). Accordingly, below is a summary of the material changes:

- Change in Assets, clients and accounts

	<u>At December 31, 2010</u>	<u>At December 31, 2011</u>
Managed Assets	\$557,761,000	\$674,548,000
Number of accounts	118	125
Number of clients	50	51

## Item 3 -Table of Contents

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

Brochure Supplement (Part 2B of Form ADV)

## **Item 4 – Advisory Business**

Redwood Investments, LLC was formed and began managing assets in 2004 by its Founders and Managing Partners Jennifer K. Silver and Michael J. Mufson. The firm is registered with the SEC (Securities and Exchange Commission) as a Registered Investment Adviser. Redwood has a total of nine employees. The two partners own 94% of the firm.

### **Investment Business**

Redwood manages taxable and non-taxable U.S. equity investment portfolios. The Redwood investment team invests each client's portfolio in accordance with their risk and return profile and relevant benchmark. Redwood's investment strategies invest in a range of small to large capitalizations securities encompassing growth and value securities. Further details about Redwood's portfolio strategies are provided in **Item 8**.

### **Revenue Source**

The firm earns revenue solely from management fees paid by clients. Additional details about management fees are discussed in **Item 5**.

Independent custodians, broker dealers, and/or banks hold clients' assets. Redwood's primary custodian is State Street Bank, but clients may choose their own custodian.

As of December 31, 2011, Redwood Investments, LLC managed approximately \$674,548,000 in assets for 125 accounts representing 51 clients.

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## **Item 5 – Fees and Compensation**

A client's written agreement with Redwood describes how and when our fees are calculated. Clients may elect to be billed in advance or arrears each calendar quarter, however, Redwood generally bills its fees in arrears. Clients may also elect to be billed directly for fees or to authorize Redwood to directly debit fees from their account(s). Management fees are prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be refunded, and any earned, unpaid fees will be due and payable.

The following table shows Redwood's standard investment management fees schedule:

Account Value	Management Fee
first \$5 million of account balance	1.00%
next \$5 million of account balance	0.85%
balance above \$10 million	0.75%

Redwood aggregates accounts of related family members for the purpose of calculating management fees. Redwood's fees are subject to negotiation.

Redwood's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. These additional expenses are paid by the client. Clients may incur charges imposed by custodians, brokers, and other third parties such as fees charged by financial planners, custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Redwood's management fee. Redwood does not receive any portion of these commissions, fees, and additional costs.

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

Redwood does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

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## **Item 7 – Types of Clients**

Redwood provides portfolio management services to individuals, corporate and public pension plans, profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, and other institutions. Redwood requires a minimum opening account balance of \$1,000,000; Redwood may, at its discretion, accept a lower initial account balance.

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

Redwood employs a fundamental, bottom-up stock selection process that integrates traditional fundamental analysis with proprietary quantitative screening tools. The investment team focuses on companies that demonstrate strong fundamentals, attractive valuation, high quality, and a management team with a demonstrated track record of success. By combining qualitative analysis with systematic risk management tools, the Redwood investment team builds diversified portfolios appropriate to each client's return and risk objectives.

Redwood Investments manages U.S. equity investment portfolios in the following primary strategies:

Investment Strategy	Objective	Benchmark
Large Cap Core Equity	Invests in large-capitalization (greater than \$1.0 billion) securities across the growth, blend, and value styles	Russell 1000 Index
Large Cap Growth Equity	Invests in large-capitalization (greater than \$1.0 billion) securities, primarily in the growth style	Russell 1000 Growth Index
Small-Mid (SMID) Cap Growth Equity	Invests in small- and mid-capitalization (\$300 million - \$6 billion) securities in the growth style	Russell 2500 Growth Index

The investment strategy for a specific client is based upon a client's objectives and risk profile; Redwood identifies and discusses these items during the initial and subsequent client meetings. A client's investment objectives are recorded during meetings and in correspondence with the client.

**Investing in securities involves risk of loss that clients should be prepared to bear.** All investment programs have certain risks that are borne by the investor. Our investment approach keeps the risk of loss in mind. However, as with all investments, clients face investment risks including the following: Loss of Principal Risk, Interest-rate Risk, Market Risk, Inflation Risk, Currency Risk, Business Risk, Liquidity Risk, and Financial Risk.

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## 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 Redwood Investments, LLC or the integrity of our management. Neither Redwood nor its employees have been involved in any legal or disciplinary events related to past or present activities.

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## Item 10 – Other Financial Industry Activities and Affiliations

Redwood does not participate in other industry business activities. Redwood does not have any affiliates.

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## Item 11 – Code of Ethics and Personal Trading

Redwood has adopted a Code of Ethics for all employees. The Code of Ethics describes Redwood's 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, restrictions on accepting of significant gifts and business entertainment items, and personal securities trading procedures, among other things. All

employees at Redwood Investments must annually acknowledge the terms of the Code of Ethics. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request; please contact Steven Flammey, Chief Compliance Officer (CCO), at 617-467-3027 or [sflammey@redwoodinv.com](mailto:sflammey@redwoodinv.com). Several employees hold the CFA® designation, and these employees are held to a Code of Ethics as outlined by the CFA Institute ([www.cfainstitute.org](http://www.cfainstitute.org)).

Partners, officers and employees of Redwood Investments may trade for their own accounts in securities which are also recommended to and/or purchased for Redwood's clients. The Code of Ethics is designed to ensure Redwood employee's personal securities transactions, activities and interests will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Redwood's clients; these exempt transactions apply to trading of government bonds, money market instruments, mutual funds, and ETFs. Moreover, the Code of Ethics requires pre-clearance of employee transactions, and restricts employee trading in close proximity to client trading activity.

Redwood's CCO, Steve Flammey, reviews all employee trades each month. The CCO's personal trades are reviewed by Managing Partner Jennifer Silver. These reviews ensure that employees' personal trades were approved according to pre-clearance guidelines, and that clients of the firm received preferential treatment. Employees' personal accounts that are managed by Redwood (full discretion similar to other client accounts) are not subject to the pre-approval requirement. These employee accounts are treated as client accounts, and thus are subject to the same portfolio management decisions and fees that are applied to all client accounts.

Redwood will not cross trades between client accounts or between client and principal accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an employee, officer or partner, buys from or sells any security to any advisory client.

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## Item 12 – Brokerage Practices

### **Brokers**

Redwood Investments' fiduciary role requires that it seek best execution when trading client accounts. Best execution comprises many factors including price, commission cost, quality of trade execution and clearing, and research services. Redwood selects a number of brokers to provide brokerage services. Redwood uses the following criteria to select brokers:

1. The broker's knowledge of the underlying company and the trading activity of the specific security and the broker's ability to execute the proposed transaction at the most favorable price possible to the client.
2. The financial strength of the broker.
3. The efficiency of the broker's administrative operations and its ability to assure efficient transactions among Redwood, the brokerage house, the depository institution, if any, the transfer agent and the custodian.
4. The commission or fees to be charged on the transaction, with the understanding that no transaction will be executed if commissions to be charged are not reasonably competitive with prevailing institutional rates.
5. The provision to Redwood of "research services", as described below. In this regard, Redwood does not consider it administratively feasible to allocate to particular accounts or clients a value for research services received on behalf of such account or client, and therefore Redwood does not award brokerage for research services on an account-by-account or client-by-client basis. Periodically Redwood makes a good faith effort to quantify the relative value of research services received from members of the brokerage community and to adjust the awarding of brokerage accordingly, subject to the four preceding criteria.

If a client is referred to Redwood Investments by the broker who has an established relationship with the client, and the client requests that the brokerage relationship be maintained, then it will be the client's responsibility to negotiate a commission schedule with that broker. The commissions paid by the client in such broker-directed accounts may thus, depending on the client's commission arrangement with the broker, be higher than the commission level that Redwood would otherwise be able to obtain for such client.

### **Soft Dollars**

"Soft dollars" refers to the practice of using broker commission dollars to pay for trading-related goods or services in addition to paying for trade execution. That is, historically, full-service broker dealers have provided other services, such as incidental advice, research and analytical tools, with trade execution ("bundled services"). "Soft dollar arrangements" is often used to refer to both bundled services and to the practice of advisers directing part of the broker's commissions to third parties. Congress created a safe harbor under Section 28(e) of the Securities Exchange Act of 1934 to protect advisers from claims that they had breached their fiduciary duties by causing clients to pay more than the lowest available commission rates in exchange for research and execution.

Redwood's Soft Dollar Policy prohibits the firm from entering into brokerage arrangements (whether formal or informal) to use brokerage commissions as payment for goods and services other than order execution services and research (it may not always be simple to determine whether a service meets these requirements, particularly in the case of mixed use items, which must be allocated reasonably). Further, Redwood must act in the best interests of its clients by ensuring that the order execution services or research benefits all clients, that the research adds value to investment or trading decisions, and that the brokerage commissions are reasonable in relation to the goods and services received.

Redwood Investments uses a soft-dollar arrangement called BrokerShare provided by Instinet. The BrokerShare program allows Redwood to separate the cost of trade execution from investment research on a cents per share basis. The industry standard cost for execution ranges from 1 to 2 cents per share, depending on volume and



broker relationship. When Redwood Investments negotiates brokerage commissions, the maximum commission is typically 4 cents per share. Accordingly, when Redwood Investments trades with Instinet, 1.5 cents per share is assigned to execution and 2.5 cents per share is assigned to research. Payment to brokers for research under the Brokershare program fall under Section 28(e) of the Securities and Exchange Act and thus qualify for Safe Harbor protection associated with soft dollars.

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### **Item 13 – Review of Accounts**

On an annual basis, Redwood Investments reviews with each client their investment goals and objectives. The Redwood investment team reviews each investment strategy at each investment meeting; these meetings are held three times a week. Moreover, the investment team will increase the frequency of these reviews in response to market conditions.

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

Redwood Investments does not currently pay fees for client referrals.

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### **Item 15 – Custody**

All client assets are held at broker dealers, banks, or other qualified custodians (“custodians”) who provide account statements directly to clients at their address of record. These custodians should provide a client statement at least quarterly. Redwood will, at times, provide clients with account statements, and urges clients to carefully review these statements and to compare them with the official custodial records. Redwood statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

According to a ruling by the SEC, investment advisers are deemed to have “custody” of client funds if certain conditions are met. From time to time, Redwood Investments may technically be considered to have “custody” of certain types of accounts, such as when a client directs Redwood Investment to transfer funds or securities on the client’s behalf. As a result, the SEC requires an annual surprise audit of those “custodied” accounts by an independent CPA firm; Redwood’s independent CPA firm is Miller Wachman, LLP. Redwood Investments complies with this requirement.

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

Redwood accepts discretionary authority to manage securities accounts on behalf of clients. Redwood has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Discretionary trading authority facilitates placing trades in clients’ accounts on their behalf so that Redwood may promptly implement the investment policy that they have approved. In all cases, however, such discretion is exercised in a manner consistent with the stated investment objectives for each particular client account, including any limitations and/or restrictions imposed by the client.

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

Unless the client designates otherwise, Redwood votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. Clients may obtain a copy of Redwood's complete proxy voting policies and procedures upon request. Clients may also obtain information from Redwood regarding how Redwood voted any proxies on behalf of their account(s).

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

Registered investment advisers are required in this Item 18 to provide you with certain financial information or disclosures about Redwood Investments, LLC's financial condition. Redwood Investments, LLC 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.

# Michael J. Mufson

## Redwood Investments, LLC

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617-467-3000

### Form ADV PART 2B BROCHURE SUPPLEMENT

This Brochure Supplement provides information about Michael J. Mufson and supplements the Redwood Investments, LLC Brochure. You should have received a copy of that Brochure. Please contact Steven Flammey, CFO/CCO at 617-467-3027 if you did not receive Redwood Investments, LLC's Brochure or if you have any questions about the contents of this supplement.

Additional information about Michael J. Mufson is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### Educational Background and Business Experience - Michael J. Mufson

Year of Birth:	1963
Formal Education after High School	Vanderbilt University, BA, 1985 Emory University, MBA, 1988
Business Background Preceding 5 Years	Managing partner and portfolio manager, Redwood Investments, LLC, 2004 – present.

**Disciplinary Information:** Mr. Mufson does not have any disciplinary disclosure.

**Other Business Activities:** Mr. Mufson is not actively engaged in any other investment related business or occupation.

**Additional Compensation:** Mr. Mufson does not receive any additional compensation.

**Supervision:** Michael Mufson, Managing Partner, is a member of and reports to the Board of Managers. Mr. Mufson is a voting member of the Investment Committee.

# Jennifer K. Silver

## Redwood Investments, LLC

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### Form ADV PART 2B BROCHURE SUPPLEMENT

This Brochure Supplement provides information about Jennifer K. Silver and supplements the Redwood Investments, LLC Brochure. You should have received a copy of that Brochure. Please contact Steven Flammey, CFO/CCO at 617-467-3027 if you did not receive Redwood Investments, LLC's Brochure or if you have any questions about the contents of this supplement.

Additional information about Jennifer K. Silver is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### Educational Background and Business Experience – Jennifer K. Silver

Year of Birth:	1957
Formal Education after High School:	Wellesley College, BA, 1978 Stanford University, MBA, 1981
Business Background Preceding 5 Years	Managing partner and portfolio manager, Redwood Investments, LLC, 2004 – present.

**Disciplinary Information:** Ms. Silver does not have any disciplinary disclosure.

**Other Business Activities:** Ms. Silver is not actively engaged in any other investment related business or occupation.

**Additional Compensation:** Ms. Silver does not receive any additional compensation.

**Supervision:** Jennifer Silver, Managing Partner, is a member of and reports to the Board of Managers. Ms. Silver is a voting member of the Investment Committee.

# Valerie B. Klaiman

## Redwood Investments, LLC

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617-467-3000

### Form ADV PART 2B BROCHURE SUPPLEMENT

This Brochure Supplement provides information about Valerie B. Klaiman and supplements the Redwood Investments, LLC Brochure. You should have received a copy of that Brochure. Please contact Steven Flammey, CFO/CCO at 617-467-3027 if you did not receive Redwood Investments, LLC's Brochure or if you have any questions about the contents of this supplement.

Additional information about Valerie B. Klaiman is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### Educational Background and Business Experience – Valerie B. Klaiman

Year of Birth:	1957
Formal Education after High School:	Cornell University, BA, 1979 MIT, MSM, 1981
Business Background Preceding 5 Years	Senior Portfolio Manager, Redwood Investments, LLC, 2004 – present.

**Disciplinary Information:** Ms. Klaiman does not have any disciplinary disclosure.

**Other Business Activities:** Ms. Klaiman is not actively engaged in any other investment related business or occupation.

**Additional Compensation:** Ms. Klaiman does not receive any additional compensation.

**Supervision:** Jennifer Silver and Michael Mufson, Managing Partners, are responsible for supervising the activities of Ms. Klaiman. You may contact Ms. Silver at 617-467-3020 or Mr. Mufson at 617-467-3003. Ms. Klaiman is a voting member of the Investment Committee.

# Anthony E. Sutton

## Redwood Investments, LLC

One Gateway Center, Suite 802  
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617-467-3000

### Form ADV PART 2B BROCHURE SUPPLEMENT

This Brochure Supplement provides information about Anthony E. Sutton and supplements the Redwood Investments, LLC Brochure. You should have received a copy of that Brochure. Please contact Steven Flammey, CFO/CCO at 617-467-3027 if you did not receive Redwood Investments, LLC's Brochure or if you have any questions about the contents of this supplement.

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

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#### Educational Background and Business Experience – Anthony E. Sutton

Year of Birth:	1963
Formal Education after High School:	Monmouth College, BA, 1989 MIT, MBA, 1993
Business Background Preceding 5 Years	Managing Director and Portfolio Manager, Putnam Investments, 2001 – 2010. Analyst and portfolio manager, Redwood Investments, LLC, 2010 – present.

**Disciplinary Information:** Mr. Sutton does not have any disciplinary disclosure.

**Other Business Activities:** Mr. Sutton is not actively engaged in any other investment related business or occupation.

**Additional Compensation:** Mr. Sutton does not receive any additional compensation.

**Supervision:** Jennifer Silver and Michael Mufson, Managing Partners, are responsible for supervising the activities of Mr. Sutton. You may contact Ms. Silver at 617-467-3020 or Mr. Mufson at 617-467-3003. Mr. Sutton is a voting member of the Investment Committee.

# John P. Schwartz

## Redwood Investments, LLC

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617-467-3000

### Form ADV PART 2B BROCHURE SUPPLEMENT

This Brochure Supplement provides information about John P. Schwartz and supplements the Redwood Investments, LLC Brochure. You should have received a copy of that Brochure. Please contact Steven Flammey, CFO/CCO at 617-467-3027 if you did not receive Redwood Investments, LLC's Brochure or if you have any questions about the contents of this supplement.

Additional information about John P. Schwartz is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### Educational Background and Business Experience – John P. Schwartz

Year of Birth:	1961
Formal Education after High School:	Georgetown University, BA, 1983 Harvard University, MBA, 1987
Business Background Preceding 5 Years	Director of the North American Equity Sales Team, State Street Global Markets, 2004 – 2010. Head of Sales and Marketing, Redwood Investments, LLC, 2010 – present.

**Disciplinary Information:** Mr. Schwartz does not have any disciplinary disclosure.

**Other Business Activities:** Mr. Schwartz is not actively engaged in any other investment related business or occupation.

**Additional Compensation:** Mr. Schwartz does not receive any additional compensation.

**Supervision:** Jennifer Silver and Michael Mufson, Managing Partners, are responsible for supervising the activities of Mr. Schwartz. You may contact Ms. Silver at 617-467-3020 or Mr. Mufson at 617-467-3003.