

**Item 1. Cover Page**

**FORM ADV PART 2A  
DISCLOSURE BROCHURE**

**March 28, 2013**

**Adviser Investments LLC**

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*This brochure provides information about the qualifications and business practices of Adviser Investments LLC. If you have any questions about the contents of this brochure, please contact us at (617) 321-2200. Our website is [www.adviserinvestments.com](http://www.adviserinvestments.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.*

*Adviser Investments LLC is a registered investment adviser with the Securities and Exchange Commission. Registration of an investment adviser does not imply any level of skill or training. Additional information about Adviser Investments LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2. Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission ("SEC") approved new requirements for the disclosure document ("Brochure") required to be provided to clients that affected both the format and content of the Firm's Brochure.

The Material Changes section of the Brochure will address specific material changes in future versions of the Brochure and include a summary of such changes since the last annual update. There have been no Material Changes since Adviser Investments LLC filed its last annual update on March 30, 2012.

You may request a copy of our current Brochure at any time, which we will provide to you free of charge. If you would like to request a copy of our current Brochure, please contact Chad Onufrechuk at 617-321-2200.

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## Item 4. Advisory Business

### A. The Firm and Principal Owners

Adviser Investments LLC ("Adviser Investments") provides money management services primarily to individuals and high net worth individuals. We have been in business since 1994. Our majority owner is Adviser Investment Management, Inc. ("Parent"). The Parent is owned by certain members of our executive management. Mr. Daniel Weiner owns approximately 55% of the Parent individually and through a family trust. Mr. Weiner is CEO of Adviser Investments and the Parent. Our advisory activities were conducted through our Parent until January 20, 2012. On that date, all advisory activities were transferred to Adviser Investments.

Adviser Investments owns 100% of Adviser Investments Acquisition Co., LLC ("AIA"), an SEC registered investment adviser. AIA was formed to acquire substantially all of the assets of Kobren Insight Management, Inc., ("AIA-Predecessor Adviser") an indirect wholly owned subsidiary of E\*Trade Financial Corporation. That acquisition was completed on March 18, 2011.

### B. Types of Services Offered

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates or charitable organizations, and businesses.

We offer the following investment programs to clients. Please see Item 8 below for additional information on the investment program strategies and material risks.

#### **Managed Fund Program:**

We provide discretionary investment management services using an active asset allocation approach. Our primary investment objective is to build diversified portfolios of mutual funds and exchange-traded funds ("ETFs") that will provide a balanced approach to investing in the stock, bond and alternative markets, when applicable, given the individual investor's long-term and short-term risk tolerance and return objectives. We primarily use mutual funds and, while we have specialized in funds offered by Fidelity Investments and Vanguard in the past, our range of fund expertise is broader and encompasses many fund families of various sizes. We also use ETFs from a host of providers.

We require a minimum account size of three hundred fifty thousand dollars (\$350,000). We reserve the right to accept smaller accounts on a case-by-case basis.

#### **Managed Fixed Income Program:**

The Managed Fixed Income Program provides discretionary investment management services using primarily individual investment grade corporate and municipal bonds. The Fixed Income portfolio management team builds individual bond portfolios for clients tailored to meet the clients' specific needs.

We require a minimum account size of five hundred thousand dollars (\$500,000) for new accounts. We reserve the right to accept smaller accounts on a case-by-case basis.

**Managed Annuity Program:**

We provide discretionary portfolio management services to clients who own one or more variable annuity contracts. We select and manage the investment funds within the variable annuity contract using the same investment approach employed for the Managed Fund Program.

We do not provide advice to clients on selecting or establishing variable annuities or any annuity features. In order to provide such advice we are required to register as a broker-dealer and we have chosen not to do so.

We require a minimum account size of one hundred thousand dollars (\$100,000). We reserve the right to accept smaller accounts on a case-by-case basis.

**Managed 401(k) Program:**

The Managed 401(k) Program provides a managed portfolio option primarily to employer sponsored 401(k) retirement plans. Working in conjunction with third party administrators, we create and manage a series of mutual fund investment portfolios. We contract with the 401(k) plan sponsor.

We do not require a minimum account size for this program.

**Non-Discretionary 401(k) Plan Advisory Services:**

We provide investment advice on a non-discretionary basis to employer sponsored self-directed 401(k) Retirement Plans. In this program, we select mutual fund options for the plan participant. We also develop model portfolios.

We do not require a minimum account size for this program.

**Adviser Investments Alliance Program:**

We also offer the Adviser Investments Alliance Program ("Alliance Program"). Through this program, we provide sub-advisory services to investment professionals who wish to remain the primary contact person for their clients. We provide portfolio construction and management on a discretionary basis, execute the trades and maintain client files. Our strategies are the same as for our other programs, as more fully described in Item 8 below.

**C. Level of Services Provided to Clients**

We tailor our advisory services to the individual needs of our clients. Our account managers discuss and advise clients on the types of investments and investment strategies based upon their financial situation, risk profile and financial goals. This process requires account managers to collect information about clients through personal interviews and completion of client profile forms. We then place most clients in an appropriate established portfolio strategy. However, we may customize the strategies based upon the particular circumstances of the client. Clients are permitted to impose reasonable investment restrictions on investing in certain securities or types of securities.

The level of service provided for the 401(k) Programs differs from the service provided for other Adviser Investments programs. Under these programs, clients are allowed to impose only limited investment restrictions. They generally must choose from a menu of pre-established mutual fund options and/or model portfolios.

**D. Portfolio Management Services to Wrap Fee Programs**

We do not provide portfolio management services to wrap fee programs.

**E. Assets Under Management**

As of, February 28, 2013, we manage approximately \$1,572,400,000 of clients' assets on a discretionary basis.

We use the same method to calculate our assets under management here as we have used to calculate our assets under management on Item 5(F) of our Form ADV, Part 1. We do not provide asset management services on a non-discretionary basis.

We do provide advisory services through our Non-Discretionary 401(k) Program, as described above. However, these services are not considered "asset management" services.

## Item 5. Fees and Compensation

### A. Investment Advisory Fees

Please find below a discussion of our compensation for providing advisory services under each of our investment programs. The fee and method of calculation is outlined in the applicable investment advisory agreement.

#### **Managed Fund Program, Alliance Program and Managed Annuity Program:**

We charge a management fee that is due and payable at the end of each calendar quarter in arrears. The management fee is based upon either: (i) the average daily market value of the account for the calendar quarter (Method 1); or (ii) the market value of the account at the end of the calendar quarter (Method 2). The method for calculating the management fee is stated in the advisory agreement. Depending on the activity in the account and the market performance during the quarter, fees paid by clients utilizing Method 1 may be higher or lower than the fees paid by clients utilizing Method 2.

Clients' assets are held in custody at the custodian selected by the client. The custodian for the majority of our clients is Fidelity Investments.

Please find our fee schedule below.

<b>Account Size</b>	<b>Annual Fee</b>	<b>Quarterly Fee</b>
\$350,000 - \$750,000	1.50%	0.3750%
\$750,001 - \$1,000,000	1.25%	0.3125%
\$1,000,001 - \$3,000,000	1.00%	0.2500%
\$3,000,001 - \$5,000,000	0.90%	0.2250%
\$5,000,001 - \$10,000,000	0.80%	0.2000%
\$10,000,001 - \$15,000,000	0.75%	0.1875%
\$15,000,001 and above	Negotiable	Negotiable

We also offer cash-substitute income focus portfolios at a reduced fee.

We may negotiate fees on a case-by case basis. The fees we charge to existing clients may vary depending upon the fee schedule in place at the time the client signed the advisory agreement.

#### **Managed Fixed Income Program:**

For accounts in the Managed Fixed Income Program, we charge a management fee at the end of each calendar quarter in arrears. The management fee is based upon the average daily market value of the account for the calendar quarter.

Please find below our fee schedule for the Managed Fixed Income Program. The Firm may negotiate fees on a case by case basis.

Account Size	Annual Fee	Quarterly Fee
\$500,000 - \$2,500,000	0.60%	0.1500%
\$2,500,001 - \$5,000,000	0.50%	0.1250%
\$5,000,001 - \$10,000,000	0.40%	0.1000%
\$10,000,001 - Over	Negotiable	Negotiable

**Managed 401(k) Program:**

Our fees for the Managed 401(k) Program are generally one half of one percent (.50%).

We reserve the right to negotiate fees on a case-by-case basis. Either the plan sponsor or plan participant may pay the fees at the plan sponsor's option. We assess fees at the end of each calendar quarter in arrears. We calculate fees based on either: (i) the average daily balance of the previous quarter; or (ii) the market value of the account at the end of the quarter.

A variety of mutual fund platforms hold assets in custody.

**Non-Discretionary 401(k) Plan Advisory Services:**

For the Non-Discretionary 401(k) Plans Advisory Services, we charge the plan sponsor an annual advisory fee of three-quarters of one percent (0.75%) as compensation for our providing the menu of mutual funds described in Item 4 above. We charge the employee an additional one half of one percent (0.50%) if the employee utilizes any of the model portfolios provided, as described in Item 4 above. We reserve the right to negotiate fees on a case-by-case basis. Such fees are payable quarterly in arrears based upon the market value of the account at the end of the quarter.

**B. Payment of Fees****Managed Fund Program, Alliance Program, Managed Fixed Income Program and Managed Annuity Program:**

We charge fees for Managed Fund, Alliance Program, Managed Fixed Income and Managed Annuity Programs at the end of each calendar quarter. For these Programs, at the client's option, the custodian may directly deduct the management fee from the client's account and automatically remit it to us. If the client does not select this option, we will bill the client for the management fee.

**Managed 401(k) Program:**

We assess the fees for the Managed 401(k) Program at the end of each calendar quarter. The custodian deducts the fee directly from the plan participant's account.

**Non-Discretionary 401(k) Plan Advisory Services:**

For the Non-Discretionary 401(k) Plan Advisory Services, we bill all advisory fees to the third party administrator or trustees of the plan, who then remits payment to us.

**C. Additional Fees and Expenses**



In addition to the advisory fees described above, clients are responsible for paying all additional fees related to managing their accounts. These fees and expenses include, but are not limited to, the following, as applicable:

1. Transaction costs and other related trading costs and expenses;
2. Custodial fees;
3. Mutual fund network fees;
4. Interest;
5. All applicable taxes;
6. Wire transfer and electronic fund fees;
7. Other fees and taxes related to brokerage accounts;
8. IRA and qualified retirement plan fees;
9. Internal management fees and administrative expenses for mutual funds and ETFs, as disclosed in the fund prospectus;
10. All fees and expenses related to variable annuities and sub-accounts;
11. Mutual fund or money market 12b-1 fees;
12. Mutual fund redemption fees, if applicable; and
13. Other fees and expenses required by law.

We and our adviser representatives do not share in these fees. Please refer to Item 12 below for more information on our brokerage practices.

**D. Prepayment of Fees**

We do not collect fees in advance.

**E. Compensation for Sale of Securities or Other Investment Products**

We and our adviser representatives do not accept any compensation for the sale of securities or other investment products, including asset based sales charges or service fees from the sale of mutual funds.

In order to sell securities for a commission, we are required to have our adviser representatives registered with a broker-dealer, which we have chosen not to do.

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

Performance-based fees are based on a share of the capital gains on, or the capital appreciation of, clients' assets. Neither we nor our supervised persons charge performance-based fees on client accounts.

**Item 7. Types of Clients**

We offer investment advisory services to individual investors, pension and profit sharing plans, trusts, estates or charitable organizations and privately held businesses. We require a minimum account size for all of the investment programs we offer with the exception of our 401(k) programs. Please refer to the descriptions of the minimum investment levels disclosed under the description for each investment program in Item 4(C) above.

We may grant waivers from minimum fee requirements at our discretion on a case-by-case basis.

**Item 8. Methods of Analysis, Investment Strategies and Risk of Loss****A. Method of Analysis and Investment Strategy****Managed Fund Program**

Our primary investment objective is to build diversified portfolios of mutual funds and ETFs that will provide a balanced approach to investing in the stock, bond and alternative markets, when applicable, given the individual investor's long-term and short-term risk tolerance and return objectives.

We use fundamental analysis to build our clients' portfolios by assessing both the state of the investment markets, the state of the domestic and global economies, and the investment options available to meet investors' goals and objectives. Some of the many factors we may assess when considering both portfolio investments as well as overall portfolio risks and returns include yield (taxable and tax-free), price-earnings multiples, price-book multiples, and other measurements of stock and bond market valuation, as well as how long a manager has been at a certain fund, the size of the fund they manage, a manager's personal investment in the fund, portfolio diversification and historical performance when assessing mutual funds and exchange-traded funds. We also measure historical risk using our formulas for measuring risk, as well as traditional calculations.

We also employ quantitative measures, such as monitoring price movements in our high-risk strategies that are only available to a small number of our clients. We do not recommend these speculative investment strategies for most investors as they are subject to a higher level of risk and a lower level of portfolio diversification.

Our core investment strategies tend to be low turnover strategies—we do not trade frequently and we are constantly considering the tax ramifications of our transactions. That said, however, we do not let taxes dictate our strategies when we feel a change is necessary.

**Managed Fixed Income Program:**

The Managed Fixed Income Program invests in individual corporate and municipal bond positions for clients. Bonds purchased for the portfolio must be "investment grade." This means that when we purchase each security it must carry an "A" category rating or higher from Moody's, Standard & Poor's, Fitch, or Egan Jones. We also look at debt service backing, current events/news stories and historical and current pricing trends. We buy new issue bonds as well as bonds in the secondary market (bonds that are already trading in the marketplace). We emphasize diversification among names, issuers and sectors in each account. We also pay careful attention to sectors (e.g., financials, pharmaceuticals, utilities, industrial, consumer, etc.) We employ diversification in order to limit our exposure to any one sector or issuer.

We generally structure the portfolio using a staggered maturity schedule in order to reduce the impact of interest rate fluctuations. If interest rates rise, there is an opportunity to invest the proceeds of maturing bonds at higher rates. If rates decline, clients will have effectively locked-in higher rates on the current bonds in their portfolios.

This strategy is appropriate for accounts with a more conservative investment objective and lower risk tolerance. Please refer to the Material Risks section (Item 8(B)) below for a discussion of the specific risks of investing in bonds.

**Managed Annuity Program:**

We generally utilize the same methods of analysis and investment strategies described for our Managed Fund Programs to manage the investment options within a client's variable annuity contract. However, the strategy will differ somewhat due to the limited investment options available within an annuity contract. As stated earlier, we do not provide advice on selecting or establishing variable annuities or any annuity features.

**Managed 401(k) Program:**

The Managed 401(k) Program provides a managed portfolio option primarily to 401(k) retirement plans. Working in conjunction with third party administrators, we create a series of mutual fund investment portfolios. We target each portfolio to a specific risk level from aggressive to conservative and actively manage the portfolios on a discretionary basis. Educational services to plan participants are also available. We contract with the plan sponsor.

The Managed 401(k) Program utilizes the same investment approach described for our Managed Fund Programs. Using the funds available in the 401(k) plan, we build and maintain similar strategies in the allocations.

**Self-Directed 401(k) Plan Advisory Services:**

We provide investment advice on a non-discretionary basis to employer sponsored Self-Directed 401(k) Plans. We enter into a contract with a third party service provider to the Plan sponsor and provide the following advisory services:

1. We select a menu of mutual funds that the Plan participant may select for its 401(k) plans; and
2. We build several model portfolios appropriate for different risk tolerances.

The Self-Directed 401(k) Program utilizes the same investment approach described for our Managed Fund Programs. Using the funds available in the 401(k) plan, we build and maintain similar strategies in the allocations.

**Risk of Loss Inherent in All Strategies** – Investing in securities involves risk of loss that clients should be prepared to bear. We have described below the material risks of each of our strategies.

**B. Material Risks Involved For Each Significant Investment Strategy**

All of our investment strategies have risk. That risk may include the risk of loss of principal, the risk of declining income yield, or the risk of missing the investor's long-term goal.

More specifically, there are myriad risks that one may be exposed to when investing. While the following list is not meant to be comprehensive, it does enumerate many of the risks we are aware of and attempt to manage through our day-to-day operations as portfolio managers.

While in most cases we attempt to create a diversified portfolio of securities irrespective of the risk tolerance of the client, all securities, including mutual funds and ETFs, are subject to market, economic and business risks that may cause their value to fluctuate over time - sometimes rapidly. Generally, large cap mutual funds and ETFs are less volatile than those that invest in small cap stocks, as smaller companies can be less seasoned, have smaller market share and weaker financial stability, although they often have greater potential for growth. Domestic stocks are generally less volatile than international stocks. International investing poses additional risks, such as foreign currency exposure that may rise or fall relative to the U.S. Dollar. International markets may also be subject to more political risk than domestic markets and they may not be as liquid or have as stringent accounting and corporate governance rules as U.S. companies. Bonds tend to exhibit lower levels of risk, or volatility, than stocks, but they are still subject to many of the above-mentioned risks, as well as other risks specific to bonds, including interest-rate and credit risk.

The two (2) primary strategies we use for all of our programs are: (i) the Managed Fund Strategies; and (ii) the Managed Fixed Income Strategies. We have enumerated some of the most important specific risks associated with both strategies below.

- **Active Management Risk** can be found in many forms. For instance, when we take a tactical position versus a benchmark, we are taking on tactical risk. The actual mutual fund or investment security that we select can introduce a second type of risk. And, the active management of mutual funds introduces a third form of manager risk since the underlying managers are making their own decisions about how to invest. In the Managed Fixed Income Program, we are also acting as an active manager, selecting specific bonds to buy or avoid, in an effort to minimize the above risks, as well as interest-rate and credit risk.
- **Commodity Risk** is the risk that certain commodities will underperform a particular benchmark. In general, we do not take on specific commodity risks, although our underlying fund managers may take on some commodity risk when they deem it appropriate. At times, we may wish to invest in funds specifically focused on commodities and at that time we will be sensitive to commodity risk.
- **Concentration Risk** is the risk of having too many eggs in one basket. We actively try to avoid an overconcentration in any one (1) investment; however, our portfolios may often have lesser or greater concentrations in a particular sector or market than that found in a global benchmark. Within the Managed Fixed Income Program, our goal is to invest in a minimum of ten (10) different securities for each account. It should be noted that there may be instances when, because of account size for instance, it would be impractical to meet this objective.
- **Credit Risk** is the risk of a company being unable to meet its obligations. In general, this risk is inherent in bond portfolios, although we attempt to mitigate this risk by investing in high-quality securities where credit risk is lower, rather than higher along the risk spectrum. At times, we may decide to invest in higher credit risk securities if we believe them to be a good relative value.
- **Derivatives Risk.** We do not directly invest in derivatives. However, we may invest in funds that invest in derivatives as part of their underlying strategies. This is a

decision made by the underlying fund managers. Within the Managed Fixed Income Program, we do not take on derivative risk. We invest in cash bonds.

- **Equity Market Risk** is the risk that stock markets will generate negative, rather than positive, total returns. Our strategies target a level of risk relative to the broad equity/stock market. Our strategies do not aim for absolute returns. Diversification does not eliminate equity market risk or guarantee positive returns. The Managed Fixed Income Program does not take on direct equity market risk.
- **Foreign Currency Risk** is the risk that our portfolios will have exposure to non-dollar securities and that a change in the relationship between the U.S. Dollar and foreign currencies causes a non-dollar denominated investment, when translated back into U.S. dollars, to have a lower or higher value. Foreign currency risk can add to, or subtract from, overall returns. We often invest in mutual funds with exposure to foreign currencies. Our goal is to maintain broad diversification across the globe to limit exposure to a single non-dollar currency. The Managed Fixed Income Program invests solely in dollar-denominated bonds.
- **Sovereign Risk** is the risk that investments in companies or securities with exposure to non-U.S. countries and political systems are impacted by the performance or action of governments in those countries. We often invest in mutual funds with exposure to non-U.S. companies that operate outside of U.S. borders. Our goal is to maintain broad global diversification to limit exposure to any one (1) single country or political system. The Managed Fixed Income Program invests primarily in the U.S. market.
- **Interest Rate Risk** is a risk inherent in the bond markets whereby higher interest rates can cause the value of fixed income securities or funds to fall, and vice-versa. That being said, higher interest rates can also contribute to higher yields in bond funds, over time. The level of interest rate risk taken by a portfolio manager is the decision of that manager. We attempt to manage interest rate risk at the overall portfolio level through our fund selection and weightings. In the Managed Fixed Income Program, when investing in individual bonds, the securities are subject to interest rate risk. As interest rates rise, investors may see the value of their bond decline. As interest rates fall, investors may see the value of their bond increase.
- **Inflation Risk** is the risk that rising inflation diminishes the value of your assets and/or investments, a risk faced by consumers and investors alike. We have the ability to attempt to mitigate the impact from inflation by investing in securities that may, for instance, protect current income from rising inflation.
- **Liquidity Risk** is the risk that an investor may not be able to exchange their portfolio holdings for cash on an as-needed basis. Mutual funds provide daily liquidity, as do bonds and ETFs, since they are actively traded every day that their particular markets are open. An example of a non-liquid investment might be shares in a private company or private investment fund. We do not invest in either.

Our higher-risk, momentum strategies do entail **higher frequency trading** that results in higher transaction costs. These higher transaction costs negatively impact investment

performance. However, these strategies are not recommended for most clients and are subject to higher risks than our core mutual funds and ETF portfolios and are less diversified.

### **C. Material Risks Associated with Certain Securities**

As stated above, our strategy involves investing in mutual funds, ETFs and individual corporate and municipal investment grade bonds. In Item 8(B) above, we have outlined the risks associated with our strategies. Below you will find general risks associated with investing in mutual funds, ETFs and corporate and municipal investment grade bonds.

Specific risks associated with particular mutual funds and ETFs are outlined in the prospectuses for the individual funds that we provide to you when we invest in those funds on your behalf. We encourage you to read the prospectuses in order to understand fully the risks involved in each fund.

#### **Mutual Funds:**

**Manager risk**, which is the chance that poor security selection or focus on securities in a particular sector, category, or group of companies will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

**Investment style risk**, which is the chance that returns from the specific strategy will trail returns from the overall stock market.

**Sector risk**, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.

**Non-diversification risk**, which is the chance that a fund's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock. Certain funds may be non-diversified, which means that they may invest a greater percentage of their assets in the securities of a small number of issuers as compared with other mutual funds.

#### **ETFs:**

ETFs are typically registered investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. (Some ETFs that invest in commodities, currencies, or commodity or currency based instruments are not registered as investment companies.) Unlike traditional mutual funds, shares of ETFs typically trade throughout the day on a securities exchange at prices established by the market. While investing in ETFs may create similar risks to those of mutual funds (because ETF shares are traded on an exchange), they are subject to additional risks that include the following:

**Valuation Risk.** ETFs are listed for trading on exchanges and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of an ETF share typically will approximate its net asset value ("NAV"), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV



when you buy an ETF share and you may receive more or less than NAV when you sell those shares.

**Liquidity Risk.** Although ETF shares are listed for trading on exchanges, it is possible that they may not maintain an actively trading market. In addition, trading of ETF shares on an exchange may be halted by the activation of individual or market-wide “circuit breakers” (that halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). Trading of ETF shares may also be halted if: (i) the shares are delisted from the exchange where they are trading without first being listed on another exchange; or (ii) exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

**Leveraged or Inverse ETFs.** Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark they track. Inverse ETFs (also called “short” funds) seek to deliver the opposite of the performance of the index or benchmark they track. Both leveraged and inverse ETFs pursue a range of investment strategies that may include swaps, future contracts and other higher risk derivative instruments. Most leveraged and inverse ETFs “reset” daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of the underlying index or benchmark during the same time. This effect can be magnified in volatile markets. In addition, Leveraged or Inverse ETFs may be less tax efficient because daily resets can cause the ETF to realize significant short-term capital gains that may not be offset by a loss.

#### **Investment Grade Corporate and Municipal Bonds:**

The Managed Fixed Income Program primarily invests in corporate and municipal corporate bonds. In Item 8(B) we discuss the risks associated with our strategies.

In that section, we discuss general risks affecting bonds, such as credit risk and interest rate risk. Below we list additional specific risks of investing in corporate and municipal bonds.

**Investment Grade Debt Securities.** Investment grade debt securities are investment grade rated obligations that have credit ratings that are intended to reflect (but will not necessarily reflect) relatively less credit risk than high yield debt securities. Risks of investment grade debt securities may include (among others): (i) marketplace volatility resulting from changes in prevailing interest rates; (ii) the absence, in many instances, of collateral security; and (iii) the declining creditworthiness and the greater potential for insolvency of the issuer of such investment grade debt securities during periods of rising credit spreads and/or interest rates and/or economic downturns.

**Credit Ratings.** Credit ratings of debt securities represent rating agencies’ opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer’s current financial condition may be better or worse than a rating indicates. Consequently, we will use credit ratings of portfolio investments only as a preliminary indicator of investment quality.

**Call Risk** is when an issuer exercises its option to redeem securities prior to their maturity. This most often occurs when interest rates are declining, making it in the issuer's best interest to call outstanding bonds and reissue debt at the lower prevailing rates. The owner of the bond needs to reinvest the proceeds from the call in a lower interest rate environment. As the call date approaches, it is unlikely that the price of the bond will move much above the call price, limiting the bond holder's upside.

### **Item 9. Disciplinary Information**

We do not have any legal or disciplinary events that are material to our clients' or prospective clients' evaluation of our advisory business or the integrity of our management.

## Item 10. Other Financial Industry Activities and Affiliations

### A. Registered Broker-Dealers

We and our management persons are not registered and do not have an application pending to register as a broker-dealer or registered representatives of a broker-dealer.

### B. Registered Futures Commission Merchant, Commodity Pool Operator, a Commodity Trading Advisor

We and our management persons are not registered and do not have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or associated persons of those entities.

### C. Material Relationships with Related Persons and Conflicts of Interest from Relationships with Related Persons

#### Material Relationships with AIA:

Currently, Adviser Investments and its wholly-owned subsidiary, AIA, are operated as two separate registered investment advisers offering the same strategies under the same fee structure. In addition, the executive management group of Adviser Investments also serves in executive management positions with AIA. Potential conflicts resulting from this arrangement are discussed below:

Certain AIA employees previously had a financial incentive to recommend clients invest in an AIA strategy as opposed to an Adviser Investments strategy. This financial incentive is the result of the terms of the purchase of the AIA-Predecessor Adviser from E\*Trade. We addressed this conflict through our investment committee meetings where new client portfolio proposals are vetted by a team of experience portfolio executives from both companies. Currently, both AIA and Adviser Investments offer the same strategy to new clients under the same fee arrangement. AIA employees no longer have a financial incentive to recommend an AIA strategy as opposed to an Adviser Investments strategy.

As noted above, certain of our executive management team (Messrs. Wiener, Silver and Lowell) serve as executive management of AIA. This presents a conflict because executive management will be expected to be involved in the operations of both firms. We believe that management persons will have sufficient time to adequately address all of their responsibilities for both firms as each firm is located on the same premises and utilizes a team approach for the management of the firms' business.

#### Other Material Relationships with Related Persons:

##### 1. Senior Management Persons

**Daniel Wiener**, CEO of Adviser Investments and Manager of AIA, is one of three portfolio managers for Adviser Investments strategies. Mr. Wiener writes and edits the newsletter *The Independent Adviser for Vanguard Investors*, which offers advice on investing in Vanguard mutual funds and ETFs. The newsletter is owned by InvestorPlace Holdings, LLC. Mr. Wiener owns less than two percent (2%) of InvestorPlace Holdings, LLC.

**James Lowell**, Chief Investment Officer of Adviser Investments and Manager and Chief Investment Officer of AIA, is one of three portfolio managers for Adviser Investments

strategies. Mr. Lowell owns one hundred percent (100%) of Fundworks, Inc., which publishes *Fidelity Investor* and *Fidelity Sector Investor*, newsletters offering advice on investing in Fidelity Mutual Funds and ETFs. Mr. Lowell also owns fifty percent (50%) of Rankings Service Holding Company, which, through a subsidiary, publishes a research product that ranks investment managers. Mr. Lowell is the founding editor of *The ETF Trader on Marketwatch from Dow Jones*. He is also the Editor-In-Chief of the *Forbes ETF Advisor by Jim Lowell*, an investment advisory service exclusively focused on ETFs.

Mr. Lowell's newsletters, *Fidelity Investor* and *Fidelity Sector Investor*, include model portfolios made up of Fidelity mutual funds and ETFs. In addition, he recommends specific ETFs in his ETF publications described above.

### **Potential Conflicts:**

The newsletters published by Mr. Wiener and Mr. Lowell include model portfolios made up of mutual funds and ETFs. As stated above, Mr. Lowell also recommends specific ETFs in other referenced publications. The newsletter portfolios and recommendations may differ substantially from portfolios managed by Mr. Wiener and Mr. Lowell for Adviser Investment portfolios. The newsletters render impersonal investment advice, without specific knowledge of the particular circumstances of the readers of the publications or subscribers to the services. This means the newsletter services are qualitatively different than the services rendered to our clients. A potential conflict exists in cases where Mr. Wiener or Mr. Lowell makes a portfolio model change that includes buying or selling a thinly traded ETF in both a newsletter and client portfolios. If the trade is included in the newsletter before trading client portfolios, resulting market activity could move the market for the ETF up or down. This has the potential to create a less advantageous price for trades of the ETF in client portfolios. Mr. Wiener and Mr. Lowell address this conflict by: (i) seeking out ETFs characterized by substantial daily trading volume; and, if necessary, (ii) making trades in thinly traded ETFs in client portfolios prior to including them in the newsletter portfolios.

A potential conflict also exists regarding the amount of time Mr. Wiener and Mr. Lowell spend on the outside activities described above. This can impact the amount of time they spend fulfilling their obligations to Adviser Investments and AIA. We address this conflict by appointing qualified management to run the day-to-day operations of Adviser Investments and AIA.

## **2. Other Employees**

Our advisory representatives are compensated for enrolling clients in our programs. This compensation is based upon a percentage of the advisory fees received by such clients. This practice presents a conflict of interest. Advisory fees vary by strategy, and our employees may be motivated to sell strategies with higher advisory fee schedules since the sale may generate a higher amount of compensation. We address this conflict through our Portfolio Review Committee meetings where new client portfolio proposals are vetted by a team of experience portfolio executives from our Firm.

### **D. Conflicts of Interest from Arrangements with Other Investment Advisers**

We do not recommend any other investment advisers to our clients.

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

### **A. Summary of Code of Ethics**

We maintain a Code of Ethics (the "Code") that describes our fiduciary duty to our clients and sets standards for business conduct. The following is a summary of the key provisions of the Code:

**Scope** - The Code covers all directors, officers, partners, employees, and any other persons who are under our supervision and control.

**Fiduciary Duties** - The Code is based on the principle that the Firm and its employees owe a fiduciary duty to our clients. Accordingly, the Firm and its employees must avoid activities, interests and relationships that might interfere or appear to interfere with making decisions in the best interests of the Firm's clients.

**Personal Securities Trading** - All Employees are subject to certain trading restrictions. In addition, all employees must report their personal securities transactions quarterly and personal securities holdings annually.

**Code of Conduct** - The Code contains specific topics designed to reflect our commitment to ethical conduct. These topics include compliance with legal and regulatory requirements, gifts, outside activities, entertainment and board directorships. We also maintain separate Insider Trading Policies and Procedures.

**Code Violations** - The Code requires that all employees report any actual or apparent violation of the Code and provides for a prohibition on retaliation against any person who reports such violations. Appropriate sanctions are included for Code violations.

You may receive a copy of our Code by contacting our Compliance Department at 85 Wells Avenue, Newton, MA 02459, or calling (617) 321-2200.

### **B. Recommending Securities in Which We Hold a Financial Interest**

We do not recommend or buy or sell securities in which we or a related party hold a material financial interest.

### **C. Adviser Investments' Employees Investing in the Same Securities as Clients**

We permit our employees to trade in the same securities as those held by clients. Potential conflicts arise when employees buy or sell the same securities we buy or sell for clients. For instance, if employees have knowledge of pending client trades that could impact the market price of a security, they could time their transactions so as to receive a better price than that of the clients. Our policy is, with the exception of open-end mutual funds, to closely monitor employee personal trading to ensure that such employees do not profit at the expense of clients.

Employees, aside from those in their status as our clients, are not permitted to participate in aggregated trades with client accounts.

For additional information on aggregation of trades see Item 12(B).

**D. Adviser Investments' Employees Trading in the Same Securities as Clients at the Same Time**

See Item 11(C) above.

## **Item 12. Brokerage Practices**

### **A. Criteria for Broker Selection and Reasonableness of Compensation**

#### **Selection of Broker/Custodian**

We generally require that clients designate Fidelity Investments ("Fidelity") to act as the custodian for their accounts. Clients enter into agreements directly with the Fidelity to open their account. We do not open the account for the client, although we will assist the client in doing so.

Brokerage transactions are generally executed through Fidelity. However, we have the right to use other brokers to execute trades for the client's account. We use other brokers, primarily to execute bond trades for those clients participating in the Managed Fixed Income Program. Fixed income trades are settled through the client's account at Fidelity.

We selected Fidelity to participate in our program after considering a wide range of factors, including, among others:

- Financial strength, integrity and stability;
- Quality of their trading and execution services;
- Competitiveness of the fees based upon the quality of service;
- Breadth of available investment products (mutual funds and ETFs); and
- Responsiveness.

Fidelity charges our clients a flat transaction fee for effecting all securities transactions. We seek to negotiate competitive rates for our clients. However, the transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers for the same services.

If trades are executed with a broker other than Fidelity where the client account is maintained, an additional fee ("prime broker fee") is charged by Fidelity. This fee is in addition to commissions paid to the executing broker. To minimize trading costs, we execute most client trades through Fidelity where the client's account is maintained for a negotiated flat fee rate. We have determined in good faith that having Fidelity execute most trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including execution capability, transaction costs, value of research, responsiveness and financial strength and reputation of the broker.

In order to meet our duty of best execution for our Fixed Income Program, trades may be executed through brokers other than Fidelity. In these cases, the client will pay a prime broker transaction fee.

For our fixed income trades, we select brokers based upon a number of factors, including the following:

- Financial strength, integrity and stability;



- Execution capabilities;
- Broker compensation (commissions, mark-ups, mark-downs);
- Responsiveness and service; and
- Available inventory of bonds.

We periodically review our policies regarding broker selection for all of our investment programs in light of our duty to obtain best execution.

### **Products and Services Available to Us from Broker/Custodian**

Fidelity provides us and our clients with services and benefits that are generally not available to their retail customers. Some of these services help us manage or administer clients' accounts, while others help us manage and grow our business. These support services are generally, but not always, available to us whether we request them or not. Among the services provided by Fidelity that may **directly benefit clients** are: (i) execution and settlement services; (ii) broad range of investment products; (iii) custody of client assets; and (iv) availability of certain investment products that are not available to retail accounts.

Certain services provided by Fidelity may **benefit us but may not directly benefit clients**. These services may assist us in managing client accounts. They include, but are not limited to:

- Research, pricing services and other market data;
- Ability to electronically download client trades, balances and positions and input them into our portfolio record keeping systems;
- Use of trading software to facilitate trade execution and aggregate orders for multiple client accounts;
- Ability to pay our management fees directly from client accounts; and
- Provide access to client account data, such as confirmations and statements.

Other services that are made available by Fidelity generally **benefit only us**. These services may include, but are not limited to: (i) consulting on technology, compliance, legal and business needs; (ii) educational conferences; (iii) publications and conferences on practice management; and (iv) access to employee benefits providers, human capital consultants and insurance providers. These services may be provided by Fidelity or by a third-party vendor. Fidelity may waive its fees for some of these services or pay all or part of the fees of a third-party vendor. Other benefits, such as business entertainment, may be provided to our personnel from time to time.

### Potential Conflicts of Interest Arising from Broker/Custodian Arrangements

The following potential conflicts of interest arise from our relationship with Fidelity:

- The products and services made available to us through Fidelity may directly benefit us to the extent that we would have to produce or pay for such products and services; and

- Since Fidelity has a minimum dollar amount of assets required in order to receive some or all of the services discussed above, we may have an incentive to continue to use or expand our use of Fidelity in order to benefit us rather than our client.

We examine these potential conflicts of interest on an ongoing basis. We believe that our selection of Fidelity is in the best interests of our clients. Our selection is primarily based upon the quality and price of the services provided that benefit our clients and not on those services that benefit only us.

### **Soft Dollar Benefits**

Although we receive certain benefits discussed above from Fidelity as advisors on their advisor platform, we do not receive such benefits for directing specific client trades to Fidelity. For trades, other than fixed income trades, all clients are charged the same negotiated flat fee. All fixed income trades are directed to brokers based upon execution capabilities, broker charges, availability of bonds and responsiveness and service. Please refer to Selection of Broker/Custodian for a discussion of our practices regarding trade execution.

In placing orders for the execution of portfolio transactions for client accounts to specific brokers, we reserve the right to consider such factors as research and other services provided by such brokers as long as such research and other services are compliant with Section 28(e) of the Securities Act of 1934.

### **Brokerage for Client Referrals**

We do not select or recommend brokers or direct client transactions to brokers based upon whether we or our employees receive client referrals from such brokers.

### **Adviser Investments Directed Brokerage**

As stated in Item 12(A), we generally require that our clients designate Fidelity to act as the custodian for their accounts as part of their client advisory agreements with us. Inherent in that requirement is the fact that we will also direct most brokerage transactions to Fidelity in order to minimize trading costs. We have provided a full explanation of this practice and the consequences to the client under Selection of Broker/Custodian at the beginning of Item 12(A). However, we have the right in our advisory agreement to direct trades to other brokers in cases where we cannot meet our responsibility to achieve best execution through Fidelity.

Not all investment advisers require their clients to use a specific custodian. Representatives of Adviser Investments are available to address any questions that a client or prospective client may have regarding the Firm's arrangement with Fidelity and any corresponding perceived conflict of interest any such arrangement may create.

#### Client Directed Brokerage

We do not allow our clients to direct brokerage.

### **B. Trade Aggregation**

We may aggregate orders for the sale and purchase of ETF securities for our clients if we believe we can obtain a better execution price. For aggregated trades that are fully

executed, each client will receive the number of shares originally intended for his or her account. In the event trades are partially executed, clients will receive a pro-rated allocation. An aggregated order for the remaining shares will be entered on the next trading day. For aggregated orders that are executed in more than one transaction, the client's portion of such order is the average of the prices at which all of such transactions were executed for each day. The average price may be greater or less than the price the client would receive if the trade was made separately for such client. All transactions costs for aggregated orders will be shared on a pro-rata basis based on each client's participation in the transaction.

We may aggregate orders for the sale and purchase of bonds for our clients. For aggregated trades that are fully executed, each client will receive the number of bonds originally intended for his or her account. In the event trades are partially executed, clients will receive a pro-rated allocation. All transactions costs remain the same regardless of whether the order is aggregated or not.

Employee accounts we manage may be included in aggregated orders. We prohibit favoring any account, including employee managed accounts, over any other account. We maintain a record of the aggregated order that includes each participating account and its allocation that we complete prior to entering the aggregated order. Orders are allocated consistent with our initial allocation.

**Item 13. Review of Accounts****A. Periodic Review of Client Accounts**

Generally, client level account reviews occur at least quarterly. These reviews are conducted by the assigned Account Executive with oversight by the Director of Client Services. These reviews examine total return versus widely accepted market indices.

All new accounts are reviewed by the Portfolio Review Committee, which is responsible for implementing the appropriate portfolio strategy. Generally, the Portfolio Review Committee is composed of eight to twelve members. A quorum consists of three members comprised of at least one senior manager and at least one Account Executive.

**B. Review of Client Accounts on Other than Periodic Basis**

Factors that may cause our portfolio managers to review a client's account more frequently include:

- Volatile market periods;
- Changes in client objectives; and
- Client request.

**C. Content and Frequency of Client Reports**

We provide clients with written quarterly portfolio evaluations of their accounts, including portfolio statements and performance reports.

**Item 14. Client Referrals and Other Compensation****A. Economic Benefits from Third Parties**

We receive an economic benefit from the broker/custodian we recommend to clients. This benefit is in the form of products and services the custodian makes available to investment advisers whose clients maintain their accounts with the broker/custodian. The actual products and services received that benefit us and potential conflicts of interest are fully described in Item 12 (Brokerage Practices) above.

We do not receive any other economic benefit from a third party for providing investment advisory services.

**B. Compensation to Third Parties for Referrals**

1. We have solicitation arrangements with unaffiliated third parties ("Solicitors") that allow the Solicitors to receive a cash referral fee for referring clients to us. The Solicitors will be paid a cash referral fee based upon a percentage of the advisory fees actually received from any client introduced by the Solicitors to us. Our payment of the fee will not result in any increase in the advisory fee paid by any client. The Solicitors are required to provide any prospective client they solicit with a written disclosure document outlining the compensation arrangement with us. The Solicitors are also required to meet certain requirements under Rule 206(4)-3 of the Investment Advisers Act of 1940.
2. Cash referral fees paid to our employees are generally calculated as a percentage of the investment advisory fees, which are based on assets under management. This practice presents a conflict of interest. Advisory fees vary by product and our employees may be motivated to sell products with higher advisory fee schedules since the sale may generate a higher cash referral fee or commission. We address this conflict through our Portfolio Review Committee meetings where new client portfolio proposals are vetted by a team of experienced portfolio executives.

**Item 15. Custody**

We generally require that our clients designate Fidelity to act as the custodian for their accounts as part of their client advisory agreements with us. We do not maintain physical custody of any client assets. However, we do debit client advisory accounts for payment of our advisory fees. This policy is more fully described under Item 5 (Fees and Compensation).

Our policy is to have clients open their own accounts with the custodian. The custodian will directly send the client account statements at least quarterly. The account statements that the custodian sends to clients list their account balance(s), transaction history and any fee debits or other fees taken out of their accounts, including our advisory fee. Clients should carefully review the account statements for accuracy.

We do not provide separate account statements to our clients. However, we do provide quarterly performance reports to our clients. We urge clients to compare the account statements they receive from the qualified custodian with the performance reports they receive from us. If clients have any questions about their account statement or if they do not receive an account statement, they should contact our Compliance Department at 617-321-2200.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets.

**Item 16. Investment Discretion**

Our clients must sign a discretionary investment management agreement with our Firm before we will begin managing their accounts. This agreement gives us the right to choose both the amount and type of security to be traded in our clients' accounts without receiving prior consent from them. Clients may impose reasonable restrictions and investment parameters for their account(s). For a further discussion of this process, see Item 4 (Advisory Business).

**Item 17. Voting Client Securities**

We do not and will not accept the proxy authority to vote our clients' securities. In addition, we will not provide advice to our clients about how to vote proxies. Our clients will receive proxies or other solicitations directly from the custodian or transfer agent. In the event that proxies are sent to us, we will forward them on to our clients and ask the party who sent them to mail them directly to our clients in the future.

We do not determine if securities held by clients are the subject of a class action lawsuit or whether the client is eligible to participate in class action settlements or litigation, nor do we initiate or participate in litigation to recover damages on the client's behalf for injuries as a result of actions, misconduct, or negligence by issuers.



### **Item 18. Financial Information**

We do not require, nor do we solicit, prepayment of more than one thousand two hundred dollars (\$1,200.00) in fees per client, six (6) months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year.

We do not have any financial condition to disclose that is likely to impair our ability to meet our contractual commitments to our clients.

We have never been the subject of a bankruptcy petition.