



## **Part 2A of Form ADV Firm Brochure**

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This Brochure provides information about the qualification and business practices of French Wolf & Farr, Inc. ("FWF"). If you have any questions about the contents of this Brochure, please contact us at 404.604.3400 or by email at [info@frenchwolffarr.com](mailto:info@frenchwolffarr.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.

FWF is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The oral and written communications of an advisor provide you with information with which you determine to hire or retain an advisor.

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

## Material Changes

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The U.S. Securities and Exchange Commission (the "SEC") rules require investment advisors to provide a disclosure Brochure to new clients and to deliver to clients at least annually a summary of any material changes to the Brochure. This Brochure was prepared according to the SEC's requirements and rules.

FWF will deliver to clients a summary of all material changes to this Brochure within 120 days after the end of every calendar year. The Brochure may be requested at any time by calling FWF at 404.604.3400 or via email at [info@frenchwolffarr.com](mailto:info@frenchwolffarr.com). Additionally, a current Brochure is available to existing and prospective clients 24 hours a day through the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This section of the Brochure only addresses material changes since FWF's last delivery or posting on the SEC's public website from March of 2013. While minor revisions and updates have been made to items within this Brochure, no material changes have been made to the substance of the Brochure. Therefore, there is no information to disclose in relation to this item.

## Table of Contents

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Material Changes .....	2
Advisory Business.....	4
Fees and Compensation .....	4
Performance-Based Fees & Side-by-Side Management.....	5
Types of Clients .....	5
Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Disciplinary Information.....	7
Other Financial Industry Activities and Affiliations .....	8
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	8
Brokerage Practices .....	8
Review of Accounts .....	122
Client Referrals and Other Compensation .....	122
Custody .....	122
Investment Discretion .....	133
Voting Client Securities.....	133
Financial Information .....	133

## Advisory Business

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French Wolf & Farr, Inc. ("FWF") provides discretionary investment management and wealth advisory services to affluent individuals and families, endowments, foundations, and other institutional investors. The firm was founded in 2006 by Wesley A. French, Michael E. Wolf and Dorsey D. Farr. At the end of 2011, FWF acquired Piedmont Asset Management, LLC, and Mark A. Stancil joined the firm as a partner. FWF is wholly-owned by its four principals.

FWF analyzes the client's balance sheet, investment objectives, risk tolerance, liquidity needs and financial goals to develop a customized investment policy, which may include restrictions on investing in certain securities or types of securities. FWF manages client assets across a variety of investment strategies including multi-asset, equity and fixed income portfolios. FWF also advise clients on items such as asset allocation, estate planning, portfolio structure and wealth transfer.

FWF may implement its advice and strategy using a variety of securities, including common stocks, bonds, notes, options, futures, and swaps, as well as pooled investment vehicles such as exchange-traded funds, mutual funds, private investment partnerships, funds of funds, and other similar pools. FWF manages some assets on a pooled basis through FWF Global Opportunity Partners, LP and FWF Real Return Partners, LP (the "FWF Funds"), private investment partnerships of which FWF serves as the general partner.

As of December 31, 2013, FWF managed \$392 million on a discretionary basis on behalf of 104 clients.

## Fees and Compensation

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FWF's sole source of revenue is based on a percentage of assets under management. FWF's fee schedule is set forth below:

<u>Client's Assets Under Management</u>	<u>Annual Fee %</u>
First \$2 million	1.00%
Next \$3 million	0.80%
Next \$5 million	0.60%
Over \$10 million	0.40%

Fees are payable quarterly in advance. For new accounts, FWF prorates the fee. Clients may terminate the advisory agreement within five business days after execution and receive a full refund. Either the client or FWF may terminate the agreement upon thirty days' written notice. If the agreement is terminated, the client shall pay any fees owed or, for fees paid in advance, FWF will refund any unearned fees, pro-rated based on the number of days remaining in the quarter as of the termination date. FWF deducts fees from client accounts by giving instructions to the independent, third party custodian. The account custodian is not responsible for verifying the

accuracy of fee calculations. Therefore, we urge clients to do so. It is FWF's policy not to negotiate fee rates.

The management fee charged by FWF is separate and distinct from (a) commissions and other transaction charges from third party broker-dealers or custodians (see "Brokerage Practices" below); (b) custody expenses or other charges by the client's custodian; (c) any advisory or other fees assessed by third party money managers; and (d) any advisory and other fees and expenses described in mutual fund prospectuses or investment partnership agreements. FWF does not receive any portion of these charges.

The FWF Funds do not charge separate management fees to FWF clients, but all investors in FWF Funds bear their proportionate share of the trading, legal, accounting and other operating expenses as described in the Confidential Private Placement Memorandum. Nothing in this Brochure constitutes an offer to sell or the solicitation of an offer to purchase FWF Fund limited partnership interests.

## **Performance-Based Fees and Side-by-Side Management**

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FWF does not have any performance-based fee arrangements.

## **Types of Clients**

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FWF provides investment advisory services to affluent individuals and families, endowments, foundations, and other institutional investors. FWF also serves as the general partner and discretionary portfolio manager of the FWF Funds. As a condition for managing new accounts, FWF generally imposes an asset value of \$3 million and above. In some situations, FWF may accept accounts below the stated asset minimum.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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FWF manages portfolios using a variety of investment strategies. Broadly, these strategies can be classified according to two groups: Multiple Asset Strategy Portfolios and Traditional Equity and Fixed Income Portfolios.

### **Multiple Asset Strategy Portfolios**

FWF manages Multiple Asset Strategy Portfolios for a range of different risk profiles. Many of these portfolios are designed to serve as a surrogate for traditional equity and fixed income portfolios. These strategies range from endowment style portfolios with assertive growth objectives to fixed income substitutes and other portfolios designed primarily for capital preservation.

FWF builds portfolios using a diverse mix of asset categories, including equity securities (e.g., common stocks), fixed income securities (e.g., bonds issued by sovereign governments and municipalities, government agencies, and corporations), inflation-hedging assets (e.g., real estate securities, commodity-related investments, floating-rate securities, and inflation-linked notes), and hedging strategies (e.g., strategies that take long and short positions in securities). FWF adjusts the mix of these assets based on a client's objectives and tolerance for risk as well as FWF's views of the risks and opportunities presented by current capital market conditions.

When analyzing investment opportunities and current capital market conditions, FWF uses methods of quantitative analysis designed to highlight assets that are attractively valued and, in FWF's opinion, are priced to deliver returns over the long run that are favorable relative to the amount of risk involved. These methods include estimates of prospective returns and estimates of relative returns when compared with other assets that involve a similar degree of risk. FWF also uses trend-based quantitative models that are designed to identify prevailing preferences of other participants in the capital markets. These models also help to confirm turning points in major asset categories and are intended to complement the valuation models described above.

These investment strategies are designed to mitigate risks through their diversified structure and by emphasizing attractive valuations, especially at the point of purchase. Buying when valuations are low provides a margin of safety. However, the strategies FWF employs are not without risks that the client must be prepared to bear. Specifically, investments selected based on favorable valuations may take time to deliver desired results. Such investments may cause a portfolio to experience short-term losses or deviations from market benchmarks. Investments selected using trend-based models may produce poor results during volatile periods when investor psychology and capital market movements are subject to unusual volatility.

### **Traditional Equity and Fixed Income Portfolios**

FWF also constructs portfolios built primarily with traditional equity securities (e.g., common stocks) and fixed income securities (e.g., bonds issued by sovereign governments and municipalities, government agencies, and corporations). In some cases, exchange-traded funds ("ETFs") and mutual funds may also be used in portfolio construction. FWF builds and manages portfolios based on a client's objectives and tolerance for risk as well as its own views of the risks and opportunities presented by current capital market conditions.

For equity investments, FWF employs a "bottom-up", fundamentals based approach. Quantitative screening is used to identify stocks with attractive characteristics (e.g., high return on equity, low leverage, above-average free cash flow and earnings growth, etc.), favorable valuations and above-average prospective returns. These companies undergo a qualitative review utilizing sources such as company reports and filings, publicly available information, and fundamental analysis. Finally, macroeconomic analysis is used to achieve the appropriate

weightings among the various economic sectors (e.g., technology, energy, etc.) within the portfolio.

Fixed income investments may be used as a strategic investment, to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. In constructing bond portfolios, FWF focuses on diversification and intermediate-term maturities to manage risk. The bond management process includes duration and yield curve management, sector rotation and security selection. FWF generally invests in fixed income securities that are rated investment grade by the various rating agencies.

Clients should recognize that all investments are made based on available information at the time an investment is made and by their nature these decisions must be made in the face of considerable uncertainty. Any investment involves the possible risk of loss. Past performance is not an indication of future return.

Equity investments involve substantial risk of loss, since equity holders fall at the bottom of the corporate capital structure and hold the last claim in the event of a corporate default. Equities have historically provided strong returns over long periods of time, but these strong results have also been associated with both large losses from time to time and long periods of poor returns.

Fixed income securities involve credit risk, interest rate risk, and inflation risk. Credit risk involves the ability of a bond issuer to make interest and principal payments. Interest rate risk involves the exposure of bond prices to changes in market interest rates. Inflation risk involves the erosion of a bond's price or the purchasing power of its face value or coupon payments due to increases in the general price level.

Clients are also referred to the prospectuses of the mutual funds and ETFs in which their accounts invest. Current and prospective FWF Fund investors are referred to the Confidential Private Placement Memorandum that sets out a more detailed discussion of risks associated with those investments.

## **Disciplinary Information**

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FWF and its management personnel have not been involved in any legal or disciplinary events that would be material to a client's evaluation of FWF's business or the integrity of its management.

## Other Financial Industry Activities and Affiliations

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As mentioned above, FWF is the general partner and discretionary portfolio manager of the FWF Funds. FWF only recommends the FWF Funds to clients where appropriate. The FWF Funds do not pay the general partner a management fee. However, clients in the FWF Funds pay a fee to FWF in accordance with their investment advisory agreement with FWF.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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FWF has adopted a Code of Ethics, which is available upon request, to eliminate potential conflicts of interest and to help ensure compliance with applicable provisions of state and federal law. The Code of Ethics, which establishes standards for professional behavior and policies for trading, requires among other things, that employees:

- Reflect the professional standards expected of persons in the investment advisory business.
- Comply with all federal and state securities laws and regulations pertaining to investment advisors.
- Place the interests of FWF's clients ahead of any personal interests.
- Avoid trading, recommending or communicating in or about securities while in possession of material, non-public information.
- Conduct all personal securities transactions in a manner consistent with the trading policies. These policies include prohibited trading periods, preclearance of certain securities transactions and ongoing reporting of securities transactions and holdings.

The principals and employees of FWF may buy or sell securities that are also bought or sold for clients, including investing alongside clients in the FWF Funds where FWF serves as the general partner. FWF's policy is that the interest of the client takes precedence over that of FWF, its affiliates, employees and representatives. See Brokerage Practices section for FWF's policy for aggregated trades.

## Brokerage Practices

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Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. FWF reviews custodial and brokerage options on an on-going basis. FWF currently recommends that clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. FWF is independently owned and operated and is not affiliated with Schwab.

### Selection of Brokers/Custodians

FWF's recommendation of a custodian/broker is based on its abilities to hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. FWF considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for accounts)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.)
- Reputation, financial strength, and stability
- Prior service to FWF and FWF's clients
- Availability of other products and services (see "Products and Services Available From Schwab")

### **Brokerage and Custody Costs**

For FWF's clients' accounts that Schwab maintains, Schwab does not charge separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into accounts. Schwab's commission rates and fees applicable to FWF's client accounts were negotiated. This arrangement benefits FWF clients because the overall commission rates and fees are lower than they would be otherwise. Even though the account is maintained at Schwab, FWF can still use, or the client may specifically direct FWF to use, non-affiliated broker-dealers other than Schwab to execute trades. In addition to commissions, Schwab charges a flat dollar amount known as a "prime broker" or "trade away" fee for each trade that is executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize the clients' trading costs, FWF has Schwab execute most trades. FWF has determined that having Schwab execute most trades is consistent with FWF's duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "Selection of Brokers/Custodians").

### **Products and Services Available From Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like FWF. Schwab provides FWF and FWF's clients with access to its institutional brokerage—trading, custody, reporting, and related

services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help FWF manage or administer client accounts; while others help FWF manage and grow its business. Schwab's support services generally are available on an unsolicited basis (FWF doesn't have to request them) and at no charge to FWF or clients. Following is a more detailed description of Schwab's support services.

**Services That Benefit Clients:** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which FWF might not otherwise have access or that would require a significantly higher minimum initial investment by FWF clients. These services benefit clients and their accounts.

**Other Services:** While there is no direct link between the investment advice given and the relationship with Schwab, Schwab also makes available to FWF other products and services that benefit FWF but may not directly benefit client accounts. These products and services assist FWF in managing and administering client accounts and may include:

- Access to client account data (such as duplicate trade confirmations and account statements)
- Trade execution and allocation of aggregated trade orders for multiple client accounts (see "Aggregate Trades")
- Research (Schwab's own and that of third parties), pricing and other market data
- Facilitation of fee payments from clients' accounts
- Assistance with back-office functions, recordkeeping, and client reporting

FWF may use these services to service all or a substantial number of client accounts.

**Services That Benefit FWF:** Schwab also offers other services intended to help FWF manage and further develop its business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of FWF personnel.

### **FWF's Interest in Schwab's Services**

The availability of these services from Schwab benefits FWF because it may not have to produce or purchase them. These services are not contingent upon FWF committing any specific amount

of business to Schwab in trading commissions or assets in custody. Nevertheless, FWF has an incentive to recommend that clients maintain accounts with Schwab based on FWF's interest in receiving Schwab's services that benefit FWF's business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. FWF believes, however, that its recommendation of Schwab as custodian and broker is in the best interests of clients. FWF's selection is primarily supported by the scope, quality, and price of Schwab's services (see "Selection of Brokers/Custodians") and not Schwab's services that benefit only FWF.

### **Aggregate Trades**

FWF may enter trades as a block where possible and when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block. Block trading allows FWF to execute equity trades in a timelier, equitable manner, and may reduce overall costs to clients.

FWF will only aggregate transactions when it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients, and is consistent with the terms of FWF's Investment Advisory Agreement with each client for which trades are being aggregated. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all FWF's transactions in a given security on a given business day, with transaction costs generally shared pro-rata based on each client's participation in the transaction. On occasion, owing to the size of a particular account's pro rata share of an order or other factors, the commission or transaction fee charged could be above or below a breakpoint in a pre-determined commission or fee schedule set by the executing broker, and therefore transaction charges may vary slightly among accounts. Accounts may be excluded from a block due to tax considerations, client direction or other factors making the account's participation ineligible or impractical.

FWF will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will generally be allocated pro-rata, based on the Allocation Statement, or randomly in certain circumstances. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment, and the reason for different allocation is explained in writing and is approved by an appropriate individual/officer of FWF. FWF's books and records will separately reflect, for each client account included in a block trade, the securities held by and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held

collectively any longer than is necessary to settle the transaction on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement, and FWF will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

## **Review of Accounts**

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The principals of FWF regularly review client portfolios. These reviews focus on appropriateness of the client's investments, consistency with FWF's current portfolio strategy and performance of the client's account. Changes in financial situation, investment objectives or risk tolerance are potential triggering factors for further discussion and analysis around the client's investment policy. Other potential causes for change, such as significant cash flows or economic events, are also monitored on an on-going basis.

Each client's custodian is responsible for providing monthly or quarterly detailed account statements including holdings and transactional activity. The custodian also provides trade confirmations, prospectuses, and tax reports such as 1099s. FWF may also provide quarterly consolidated reports to clients.

## **Client Referrals and Other Compensation**

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FWF may provide compensation to third parties for client referrals. Any referral fee is paid solely from FWF's management fee and does not result in any additional charges to clients. Clients are advised of the referral relationship and are provided with a disclosure document outlining the terms and conditions of the referral arrangement.

## **Custody**

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Client accounts are held at an unaffiliated, qualified custodian (see discussion of Schwab in the Brokerage Practices section). Schwab sends account statements directly to clients on at least a quarterly basis. Clients should compare these account statements with reports they receive from FWF.

FWF is the general partner of the FWF Funds. For this reason, FWF indicates in item 9.A.(1) of its Form ADV Part 1A that it has custody of client assets. However, Schwab maintains actual custody of client assets. For item 9.A.(2), which asks for the amount of client funds and securities and total number of clients for which FWF has custody, the total account values of the FWF Funds as of December 31, 2013 is reported as \$91.1 million.

## Investment Discretion

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FWF has discretionary authority to manage accounts on behalf of clients. FWF services are provided under an investment advisory agreement executed by both FWF and the client. This agreement authorizes FWF to supervise and direct the portfolio without prior consultation with the client. Any limitations which might be placed on FWF are client-specific and will be noted in the client's file. Such limitations may include the client's liquidity needs, risk tolerance, investment objectives or restrictions on investing in certain securities or types of securities.

## Voting Client Securities

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FWF may vote proxies if the client and FWF agree in writing or on account opening paperwork. When FWF accepts such responsibility, it will cast proxy votes in a manner that serves the best interests of clients. FWF has adopted a set of Proxy Voting Policies, which are available upon request, to help ensure shareholder voices are heard in order to influence the direction of publicly-traded companies. FWF believes that each proxy proposal should be individually reviewed to determine whether the proposal is in the best interests of clients. Clients may contact FWF to direct the vote in a particular solicitation. FWF has not identified any conflicts of interest between client interests and those of FWF with respect to voting proxies. Clients can obtain information on how their securities were voted by calling the telephone number on the cover page of this Brochure.

## Financial Information

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FWF 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. Therefore, no disclosure is required.