

**FORM ADV PART 2A: FIRM BROCHURE**

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**March 31, 2014**

**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF NEW VERNON WEALTH MANAGEMENT LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 847-926-5700. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY.**

**ADDITIONAL INFORMATION ABOUT NEW VERNON WEALTH MANAGEMENT LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).**

**REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.**

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## MATERIAL CHANGES

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New Vernon Wealth Management LLC's ("NV-WM" or the "Firm") previous brochure filed with the Investment Adviser Registration Depository was dated January 1, 2013. Subsequently, NV-WM filed an amended firm brochure on July 9, 2013 in which the following material information was added:

- NV-WM added a disclosure regarding its trade error correction policies and procedures. *See "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading."*

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## ADVISORY BUSINESS

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New Vernon Wealth Management LLC (“NV-WM”) is a newly-formed Delaware limited liability company that succeeded to the investment advisory business of SF Investments, Inc. (d/b/a SF Investment Advisers) (“SFI”), effective as of January 1, 2013. Prior to that time, SFI had operated its investment advisory business since 2003. NV-WM’s ownership is equally divided among (i) Daniel and Steven Shapiro and certain gift trusts established for their benefit (with a collective 33% ownership interest), (ii) Mansoor Zakaria (with a 33% ownership interest), and (iii) NV Capital Holdings II, LLC (also with a 33% ownership interest) (“NVCH II”), a financial services holding company in which members of the Shapiro family hold a non-controlling minority interest.

NV-WM acts as a discretionary investment adviser to numerous investment accounts maintained by its advisory clients (“Clients”), and generally has full power and authority to buy and sell various financial instruments for their accounts, pursuant to the terms of their respective investment advisory agreements. Among the securities that NV-WM may purchase for Client accounts are fixed income securities including Federal Government, municipal and/or corporate bonds, and long and short positions in listed and unlisted common equities, preferred equities and convertible securities of issuers domiciled in developed or in emerging market countries. NV-WM may invest in equity securities regardless of market capitalization, including securities of micro- and small-cap companies.

NV-WM strives to implement a forward-looking, value based investment philosophy across a broad range of securities and asset classes, with a focus on the risk/return profile of each Client. NV-WM manages Client assets based on the Client’s individual investment goals and needs, including consideration of existing portfolio investments, cash/liquidity needs, risk tolerance, tax considerations and investment planning time horizons. NV-WM discusses these and other factors with its Clients in an effort to develop appropriate investment strategies for each Client. NV-WM may agree, upon Client request, to specific investment restrictions or guidelines as to the types or amounts of particular financial instruments traded for such Client’s account, which may include restrictions on investing in certain securities, types of securities or general industry sectors.

As of March 13, 2014, NV-WM managed approximately \$431.5 Million of Client assets on a discretionary basis.

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## FEES AND COMPENSATION

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**Advisory Fees.** NV-WM charges each Client an asset-based fee equal to a percentage of the assets in such Client’s account, as set forth in the Client’s investment advisory agreement. NV-WM’s fee is charged at different rates based on the portion of the Client’s account consisting of (i) equity and equity-related securities, and (ii) fixed-income and cash/cash equivalent instruments, with the overall rate decreasing as the Client’s assets under management with NV-WM increase. NV-WM’s current fee schedule is as follows:

Aggregate Dollar Value of Assets in Client's Account	Annualized Equity Fee Rate	Annualized Fixed Income Fee Rate
\$0 - \$499,999	1.75%	0.4%
\$500,000 - \$999,999	1.50%	0.4%
\$1,000,000 - \$1,999,999	1.25%	0.4%
\$2,000,000 and up	1.00%	0.4%

Accounts of multiple Clients who reside in the same household may be combined and charged fees on an aggregate basis. These fees may be negotiated by NV-WM with respect to certain Client accounts based on a variety of factors, which may include the size and composition of the Client's account, special services agreed upon with the Client or other factors deemed relevant by NV-WM.

The annualized fee payable to NV-WM by a Client is paid on a quarterly basis, in advance. Fees generally are deducted from the Client's account in custody at the clearing broker for the Client's account (the "Clearing Broker"). The first payment generally is due upon NV-WM's determination of the initial allocation of a Client's account assets after execution of the Client's investment advisory agreement, and will be prorated for any partial quarter. Subsequent payments generally are due and will be assessed on the first day of each calendar quarter based on the value of the Client's assets under management at the beginning of such quarter.

In the event that a Client's investment advisory agreement with NV-WM is terminated during a calendar quarter, NV-WM will calculate and refund to the Client the "unearned" portion of its fee for such calendar quarter, based on the number of days remaining in the quarter after the agreement is terminated.

**Other Fees and Expenses.** NV-WM's fees are exclusive of transaction fees and other related costs and expenses that will be incurred by a Client with respect to the transactions in its account. (See "*Brokerage Practices*" below for additional information regarding the brokerage arrangements for Client accounts.) Additionally, NV-WM's fees described above do not include Individual Retirement Account ("IRA") and Qualified Retirement Plan account termination fees (if applicable), which will also be billed to the Client (as applicable). Clients will also bear the investment management or other fees charged by any mutual funds or ETFs (as defined below) in which the Client's account may invest, as disclosed in the prospectus for the applicable fund. Such fees are in addition to NV-WM's investment advisory fees as described above.

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

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Unless otherwise negotiated, NV-WM currently does not charge its Clients any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client). Please see "*Other Financial Industry Activities and Affiliations -- Other Activities of NV-WM and Related Persons*" for a discussion of the management of accounts with different fee structures by NV-WM and its affiliates.

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## TYPES OF CLIENTS

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NV-WM provides investment advice primarily to high net worth families and individuals, but also advises other individuals, trusts, defined benefit and defined contribution plans, profit sharing plans, charitable organizations, corporations and other entities.

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## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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NV-WM's investment approach is based upon consideration of each Client's short, intermediate and long term investment goals and the Client's current situation and outlook, income and capital needs and risk tolerance. After obtaining information about a Client's investment needs, goals and risk tolerance NV-WM typically will develop an investment plan for that Client. These are reviewed with the Client and may be revised based on Client feedback. Once finalized with the Client, NV-WM will begin implementing the Client's investment plan.

### **Methods of Analysis.**

NV-WM's investment team utilizes analytical tools, proprietary screens, industry and market experts, direct company contact and a wide variety of research from leading institutional providers and independent research firms in evaluating investment opportunities for its Clients' accounts. In particular, NV-WM uses the following methods of analysis in formulating investment advice and managing client assets:

**Asset Allocation.** Rather than focusing simply on securities selection as a means of maximizing investment returns, NV-WM initially attempts to identify an appropriate asset allocation – a ratio of equity securities, fixed income instruments and cash and cash equivalent assets to implement each Client's indicated investment goals, considering the Client's risk tolerance, cash & capital needs and other relevant factors. Asset allocations are reviewed periodically and may be adjusted from time to time, based on changing market conditions and/or client needs and goals. Although this method of investing may help to mitigate the effect of declines in the value of a particular security, industry or market sector on a Client's overall portfolio, a potential drawback of constructing Client portfolios in this manner is that a Client similarly may not benefit (or may benefit to a lesser extent) from sharp increases in the value of a particular security, industry or market sector. In addition, this method of investing requires periodic reevaluation and rebalancing to ensure that the ratio of securities, fixed income and cash in the Client's account, which will change over time due to stock and market movements, remains consistent with the Client's investment goals and risk tolerance.

**Fundamental Analysis.** NV-WM also seeks to measure the intrinsic value of the securities that it purchases for its Clients by considering various economic and financial factors (including the overall economy, industry conditions and the financial condition and management of the issuer) from a variety of sources to determine if the security is underpriced (indicating it might be a good time to buy) or overpriced (indicating it might be a good time to sell). Fundamental analysis does not attempt to anticipate broad market movements or trends, seeking instead to ascertain the intrinsic value of specific securities and to identify mispricings. However, this presents a potential risk, as the price of a security

nonetheless may rise or fall as a result of overall market movements, regardless of the economic and financial factors considered in evaluating its intrinsic value.

### **Investment Strategies.**

**Investment Mandates.** Client accounts are broadly managed along three investment mandates – Capital Preservation, Balanced Income & Growth and Capital Appreciation. These are described below:

#### **Capital Preservation:**

The primary goal of this investment mandate is to preserve the value of the portfolio. This mandate stresses safety, security and risk avoidance over portfolio gains. Some or all of the funds in accounts with this mandate are kept liquid so that they can be immediately available.

#### **Balanced Income & Growth:**

The primary goal of this investment mandate is to provide a balance of current income and future capital appreciation. Assets allocated according to this mandate are diversified across asset classes based on client's income and capital needs, risk tolerance etc. While aiming for increased return increases risk, this mandate seeks to balance potential gains with risks so that the portfolio achieves superior risk adjusted returns.

#### **Capital Appreciation:**

The primary goal is to produce gains in the portfolio. This investment mandate generally has larger allocations to equities and equity driven strategies and focuses on investing securities that will rise in value based on their current price, earnings potential and other fundamental factors. Investments targeted for capital appreciation tend have more risk than assets allocated to capital preservation and income generation.

NV-WM's investment strategy generally pairs an opportunistic value investment philosophy with a mid- to long-term time horizon, subject to each Client's indicated investment objectives, risk tolerance and time horizons.

**Opportunistic Value Investing.** Opportunistic value investing is an investment strategy that seeks out attractive investment opportunities across a broad range of securities and asset classes, while at the same time considering the composition, time horizon and risk profile of the Client's overall portfolio. As NV-WM seeks to optimize its Clients' risk-adjusted returns (subject to each specific Client's investment objectives and needs), its strategies typically emphasize capital preservation, predictable income and long-term capital appreciation, rather than short-term, high turnover trading profits (as further described below). However, although NV-WM generally intends to invest in securities that it determines are valued favorably in comparison to peers or historically, there can be no guarantee that such securities will appreciate in value or that any anticipated gains in value (which may take a significant period of time to occur) will be realized during the life of a Client's investment.

**Mid- to Long-term Time Horizon.** NV-WM generally purchases securities for its Clients with the intention of holding the securities for a year or longer, and positions its portfolio based on a 3 to 5 year time horizon (subject to the specific needs or objectives of each Client). Although this manner of investing will reduce portfolio turnover and the associated transaction costs in Client accounts (as compared to more active trading strategies), and may help to protect Clients from the effect of short-term price drops with respect to their securities, Clients also may not benefit from short-term gains in the value of their securities that might otherwise be profitable to the Client. Moreover, if NV-WM's mid- to long-term value predictions are incorrect (for example, if what is perceived to be a short-term decline in value proves to be a longer-term decline, or if a predicted long-term increase in value takes longer to materialize

than initially anticipated), a Client's investment returns may be diminished and/or the Client may realize a loss on such investments.

### **Certain Risk Factors.**

The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Although NV-WM's methodology seeks to minimize some of the risks and volatility associated with investing in securities and other financial instruments, there can be no assurance that NV-WM will be successful in doing so and, accordingly, Clients will be subject to those market risks common to investing in all types of financial instruments, including market volatility, which could result in a substantial loss in a Client's account. In addition to the risks described above, potential Clients should consider the following additional risks before engaging NV-WM to manage their accounts.

**Equity Securities.** NV-WM will trade in equity securities on behalf of its Clients. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments. The securities of smaller companies may involve more risk and their prices may be subject to more volatility. NV-WM may also invest in distressed equity securities, which are generally considered to be riskier, speculative and relatively illiquid.

**Fixed-Income Investments.** NV-WM may invest in fixed-income instruments on behalf of its Clients. The value of fixed-income instruments will change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed-income instruments can be expected to rise. Conversely, when interest rates rise, the value of such instruments can be expected to decline. Investments in lower rated or unrated fixed-income instruments, while generally providing greater opportunity for gain and income than investments in higher rated instruments, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such instruments).

**Small- to Micro-Cap Stocks.** NV-WM may invest in small- to micro-cap companies on behalf of its Clients. While smaller companies may have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger corporations. In addition, Clients may be unable to sell certain small- or micro-cap stocks at an advantageous time or price. In most cases, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Also, due to thin trading in some of these stocks, an investment in these stocks may be considered less liquid than an investment in many larger-capitalization stocks, making purchases or sales at desired prices or in desired quantities more difficult. When making large sales, it may be necessary to sell the securities at discounts from quoted prices or to make a series of small sales over an extended period of time due to the trading volume of the securities of smaller companies. Accordingly, such stocks may be required to be held for a lengthy period of time and often require more time to sell than does the sale of securities for which there is an active market. In some cases, a Client's disposition of the securities may be dependant upon a major issuer liquidity event (i.e., a sale of the issuer).

**Trading in ETFs.** NV-WM may invest in ETFs on behalf of its Clients, both long and short. ETFs are funds that track a particular basket or index of securities traded on a public exchange such as the



American Stock Exchange. ETF investments are subject to the risks arising from the portfolio of underlying stocks, including market and issuer risks, but may also present certain unique risks. It is possible for the value of ETFs to fall or to rise more slowly than the stock market as a whole even when stock prices in general are rising. In addition, the fees and expenses charged by such ETFs result in an additional level of fees and greater expense to Clients than would be associated with direct investment.

**Sovereign Debt.** NV-WM may invest in sovereign debt securities on behalf of its Clients, including debt obligations issued or guaranteed by national, state or provincial governments, political subdivisions or quasi-governmental or supranational entities, in developed and emerging markets. Certain sovereign debt may have non-investment grade ratings or be in distress or even default. Sovereign debt issued by many emerging market countries is considered to be below investment grade, and should be viewed as speculative with respect to the issuing government's ability to make payments on interest and principal. Risks that are inherent in sovereign debt, such as the ability of the issuing country to make timely payments, amounts outstanding, market liquidity, limited legal recourse, economic and fiscal factors affecting the price of the sovereign debt, and other external factors, all could have a material impact on the market value of the securities in which Clients may invest. Additionally, all the aforementioned risks inherent in sovereign debt may impact the ability of NV-WM to execute hedging strategies involving sovereign debt.

**High Yield Securities.** NV-WM may invest on behalf of its Clients in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer's capacity to pay interest and repay principal. They also are generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

**Subordinated Securities.** NV-WM may invest in securities that are subordinate to one or more senior classes on behalf of its Clients. Generally, such subordinated securities bear the first risk of loss on the collateral underlying such securities. As a result, changes in the value of the performance of subordinated securities are expected to be greater than the change in the value or payment performance of the underlying collateral. In the event of a default, proceeds from any realization on the underlying collateral will first be allocated to the senior classes of securities in accordance with the priority of payments prior to any allocation to the subordinated securities held by a Client.

**Credit Risk of Issuer.** NV-WM may invest in securities that have built-in convertibility (from debt to equity) features on behalf of its Clients. The risks associated with such securities include credit risk. Credit risk is the possibility that an issuer will be unable to make interest payments and repay principal when due. Changes in an issuer's financial strength or in a security's credit rating may affect a security's value. Securities rated below investment grade, sometimes called "junk bonds," generally have more credit risk than higher rated securities.

**INVESTMENT IN SECURITIES AND OTHER FINANCIAL INSTRUMENTS INVOLVES CERTAIN SIGNIFICANT INVESTMENT RISKS, INCLUDING LOSS OF AN INVESTOR'S ENTIRE INVESTMENT.**

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## DISCIPLINARY INFORMATION

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NV-WM is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of NV-WM or the integrity of NV-WM's management. The following matters relate to the operations of NV-WM's predecessor, SFI, as a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA").

On October 2, 2006, without admitting or denying the findings, SFI settled an NASD (n/k/a FINRA) inquiry by acceptance, waiver and consent ("AWC"). NASD's findings related to trade reporting deficiencies under NASD and Municipal Securities Rulemaking Board ("MSRB") rules, including the filing of certain reports that were untimely and/or inaccurate in certain respects. SFI was censured and fined \$10,000 in connection with this matter.

On June 7, 2005, SFI consented to the entry of an order in an action initiated by the Tennessee Department of Commerce and Insurance Securities Division finding violations of the registration requirements of the Tennessee Securities Act of 1980, as amended, and the rules promulgated thereunder. In November 2002, SFI opened an IRA account in Tennessee, in reliance upon an exemption from Tennessee state broker-dealer registration which allowed for fifteen (15) exempt transactions on a twelve (12)-month rolling basis. However, SFI inadvertently exceeded the number of transactions permitted under such exemption, executing thirty-eight (38) such transactions on behalf of the Tennessee customer between November 2002 and September 2004. SFI subsequently filed (and was ultimately approved) for registration as a broker-dealer in Tennessee and submitted an analysis of the account activity, after which a consent order was entered in the state of Tennessee, fining SFI \$19,000, requiring the disgorgement of \$2,325 in commissions paid by SFI's Tennessee customer and enjoining SFI from violations of Tennessee securities laws.

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## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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NV-WM is a successor to the advisory business of SFI. SFI will no longer provide investment advisory services, but will continue in business as a broker-dealer. NV-WM intends to continue utilizing the brokerage services of SFI on behalf of Clients (as further described below in this section and in "*Brokerage Practices*"). SFI is a registered broker-dealer and FINRA member that is principally owned by three trusts for the benefit of certain executive officers of SFI and NV-WM and members of their families. Daniel Shapiro and Steven Shapiro are Registered Principals of SFI.

Daniel Shapiro, Steven Shapiro and their father, Nathan Shapiro, are also minority owners of (i) New Vernon Investment Management LLC ("NVIM"), an investment management firm that is managed by Steven Shapiro and provides investment advice to several private investment funds, and (ii) New Vernon Partners LLC ("NVP"), a firm managed by Steven Shapiro which operates the private investment funds advised by NVIM. NV-WM also provides analysis to Baldwin & Lyons Capital Markets, LLC ("BLCM"), a separate investment management firm which operates a family of private investment funds. Members of the Shapiro family have significant ownership interests in Baldwin & Lyons, Inc. ("B&L"), a property and casualty insurer that is the parent company of BLCM.

NVCH II, which holds a 33% interest in NV-WM, is a financial services holding company that beneficially owns both the General Partner's and Limited Partner's interests in New Vernon Advisers LP, an investment management firm that advises several private investment funds and is registered as an investment adviser with the SEC. Daniel Shapiro, Steven Shapiro and their father, Nathan Shapiro, are also minority owners of NVCH II. However, NV-WM and its personnel have no direct day-to-day involvement in the business and operations of the other subsidiaries of NVCH II, other than as described in the preceding paragraph.

**Affiliated Brokerage.** It is anticipated that SFI will act as introducing broker for NV-WM Client accounts. Client accounts are assessed the fees, expenses and other charges imposed by the Clearing Broker; however, SFI does not charge Clients additional brokerage commissions for transactions in their accounts advised by NV-WM. See "Brokerage Practices" for additional information.

**Other Clients.** As described above, affiliates of NV-WM act as investment adviser to private investment funds, and may also act as investment adviser to other clients. Although NV-WM and its affiliates may manage investments on behalf of a number of client accounts, investment decisions and allocations will not necessarily be made in parallel among all such accounts. Other accounts managed by NV-WM, NVIM, NVP or their respective principals or affiliates may make investments and utilize investment strategies that may not be made or utilized by NV-WM on behalf of all (or any) of its Clients, and may take positions that are opposite those of all or some Clients. Accordingly, the various accounts managed by NV-WM, NVIM, NVP and their respective principals and affiliates may produce results that are materially different from those experienced by a particular Client, and the records of any investment management activities that NV-WM, NVIM, NVP and their respective principals and affiliates may engage in on behalf of other clients will not be available to any such Client.

**Other Activities of NV-WM and Related Persons.** NVIM and NVP are advisory affiliates of NV-WM and advise and/or operate various private investment funds. As described above, certain key personnel of NV-WM are also members of and/or involved in the operations of NVIM and NVP. Although these individuals are expected to commit an appropriate amount of their business efforts to NV-WM, they are not required to devote all of their time to the affairs of NV-WM or of a particular Client.

NV-WM, NVIM, NVP and their respective principals and affiliates may engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature or description, alone or with others, including, without limitation, the management of or investment in other investment or trading accounts, entities or vehicles, and Clients shall have no right in or to any such activities or the income or profits derived therefrom. NV-WM may have a conflict of interest in rendering advice to a Client because the financial benefit to NV-WM or one of its affiliates from managing some other client's account may be greater, which could provide an incentive to favor such other account.

NV-WM, NVIM, NVP and their respective principals and affiliates may invest and trade for their own accounts, including in securities which are the same as or different or opposite from those traded or held by NV-WM's Clients. As a result, NV-WM, NVIM, NVP and their respective principals and affiliates may from time to time have proprietary investments in securities in which a Client may take a position, may trade and invest simultaneously with Clients and may take investment positions that are different or opposite from the positions taken by Clients. As a result, conflicts of interest may arise between NV-WM's Clients and NV-WM, NVIM, NVP or their respective principals or affiliates with respect to matters such as the allocation of investment opportunities, purchases and sales of securities in connection with particular trading situations and allocation of personnel, resources and expenses. The records of trading by NV-WM, NVIM, NVP and their respective principals and affiliates will not be made available to Clients, except to the extent required by law. However, it is NV-WM's policy that the interests of its advisory Clients must precede the interests of NV-WM's own proprietary trading on a given trading day,

with Client transactions to be executed at the same price or better than NV-WM's proprietary transactions. In addition, trading by principals and personnel of NV-WM will be subject to NV-WM's Code of Ethics and personal trading policy, as described below in "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*," which seeks to further mitigate the conflicts described above.

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## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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NV-WM has adopted a Code of Ethics for all supervised persons of the Firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. All supervised persons at NV-WM must acknowledge the terms of the Code of Ethics annually, or as amended. NV-WM's Clients or prospective Clients may request a copy of NV-WM's Code of Ethics by contacting Gary Just at (847) 926-5724.

As a matter of policy, NV-WM does not cause Client accounts to effect transactions in which such Client purchases securities or other instruments from, or sells securities or other instruments to, NV-WM or its principals or affiliates (i.e., principal trades), or in which one of NV-WM's affiliates acts as broker for both the Client's account and the other party to the transaction (i.e., agency cross transactions).

NV-WM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause Client accounts to purchase or sell securities in which NV-WM, its affiliates and/or clients, directly or indirectly, have a position or interest. Several Clients currently hold positions in the stock of B&L, a property and casualty insurance company in which Daniel Shapiro, Steven Shapiro and members of their family also hold a substantial ownership stake. Nathan Shapiro, currently an investment adviser representative of NV-WM, and Steven Shapiro are also members of B&L's board of directors, and BLCM is a subsidiary of B&L. NV-WM provides no advice to its clients as to the advisability of purchasing or selling B&L stock.

NV-WM's employees and persons associated with NV-WM are required to follow NV-WM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of NV-WM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Clients, as described above in "*Other Financial Industry Activities and Affiliations*." The Code of Ethics is designed to assure that the personal transactions, activities and interests of the employees of NV-WM will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while at the same time allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of certain transactions, and requires that the interests of Client accounts be placed ahead of those of NV-WM employees in their personal trading. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee. Employee trading is regularly monitored under the Code of Ethics, in an effort to prevent conflicts of interest between NV-WM and its clients.

**Trade Errors.** Although they are not expected to occur frequently, trading errors may from time to time occur with respect to Client accounts. Such errors may include, but are not limited to, purchases or sales of the incorrect security, an incorrect order size or order type (e.g., "buy" versus "sell"), execution of orders that would contravene Client instructions or guidelines, or other similar errors. Upon identifying a trade error in respect of a Client account, NV-WM's policy is to promptly correct the error in a manner

that places the Client in the same position he or she would have been in had the error not occurred. This process may involve NV-WM or its affiliated broker-dealer, SFI (where the order is committed by the broker), taking the error trade into their own account(s), at their own expense and risk. However, from time to time, such error trades may ultimately result in a profit to NV-WM or SFI after their transfer. In such circumstances, Clients should be aware that NV-WM or SFI (as applicable) may retain such profits to defray their costs and risks associated with correcting errors in Client accounts, and are not required to account to Clients for, or notify Clients of, any such profits that may be received in this manner.

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## BROKERAGE PRACTICES

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Unless otherwise agreed between NV-WM and a particular Client, NV-WM will require the Client to direct brokerage to SFI, an affiliated broker-dealer which will effect all transactions for a Client's account and Pershing, LLC will clear and carry the Client's account as Clearing Broker, except as otherwise agreed. Clients should note that not all advisers require their clients to direct brokerage. Because Clients of NV-WM whose accounts are carried by Pershing, LLC are required to direct brokerage to SFI, they may be unable to achieve most favorable execution of their transactions.

A Client will bear any other fees and charges, such as a "ticket charge" per transaction that are imposed by the Clearing Broker and any regulatory fees and taxes that may apply to any transactions. Currently, SFI does not charge additional brokerage commissions with respect to transactions for Client accounts advised by NV-WM. A Client may be charged a negotiated fee for special transactions and any related fees and charges, if applicable. "Special Transactions" include sales pursuant to SEC Rules 144 and 144A, other sales of control and/or restricted securities, private placement activities, block positioning and related transactions, so-called "reorganization" items and other similar situations. In each case, the relevant fee for a Special Transaction will be provided to and negotiated with the applicable Client no later than the time of the transaction or trade.

NV-WM reserves the right to use brokers other than SFI and Pershing, LLC to execute transactions for Client accounts under certain circumstances (including, for example, where another broker may have particular industry, company-specific, geographic or other expertise for particular transactions). In such cases, the commissions payable by the Client shall be determined by negotiation between NV-WM and such other executing brokers, and may be higher than the fees and charges described above for transactions effected by SFI and Pershing, LLC.

**Aggregation and Allocation of Client Orders/Investments.** NV-WM may aggregate orders for a Client's account with orders for other Client accounts (and/or for certain NV-WM-affiliated accounts) in the same security, when consistent with NV-WM's obligation of best execution. In such circumstances, the participating Client accounts (and, if applicable, NV-WM-affiliated accounts) will share transaction costs equally and receive securities at a total average price. NV-WM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the trade order ticket.

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## REVIEW OF ACCOUNTS

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**Account Reviews.** NV-WM conducts periodic portfolio and account reviews with clients on at least an annual basis, or more frequently as determined between the Client and NV-WM. Client accounts are reviewed by Nathan Shapiro (Investment Adviser Representative), Daniel Shapiro (Chief Compliance Officer) and/or Steven Shapiro (Chief Investment Officer) and other licensed staff members, as appropriate.

**Client Reporting.** Clients receive all brokerage confirmations and monthly statements with respect to their accounts. Clients also have the option to obtain online, electronic access to their account information, including statements and tax documents. Additionally, at any time upon Client request, NV-WM will provide a Client with a portfolio appraisal.

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## CLIENT REFERRALS AND OTHER COMPENSATION

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NV-WM may invest Client cash balances through sweep arrangements to bank deposit accounts pursuant to the Liquid Insured Deposits<sup>SM</sup> Program and, in connection therewith, NV-WM's affiliate SFI may receive payments from Pershing, LLC for certain administrative and/or recordkeeping services. The amount of such payments is based upon the average amount of Client cash balances invested through the program, and averaged approximately 5 bps per month of such amounts during 2013 and approximately 6 bps per month of such amounts during 2012. In 2013, SFI received payments with respect to Client assets invested through the program of approximately \$40,665, which represented approximately 5% of SFI's total revenues for 2013, and in 2012, SFI received payments with respect to Client assets invested through the program of approximately \$41,437, which represented approximately 2.8% of SFI's total revenues for 2012. In addition, NV-WM may in the future invest Client cash balances through other cash management deposit or money market products for which SFI may receive similar payments, including in connection with shareholder servicing, distribution of fund shares (12b-1 payments) and/or certain other administrative or recordkeeping services. As a result of these payments, SFI (and, indirectly, certain principals of NV-WM) may receive greater revenue in connection with the investment of Client assets through these programs than it might receive if such assets were invested in other cash management alternatives that might be available to Clients. Clients are free to direct that their cash balances instead be managed through investment in U.S. Treasury securities or investment in other money market products that would not result in the receipt by SFI of the payments described above. Clients may also make arrangements to have their cash managed by persons or entities other than NV-WM.

Except as described above, NV-WM currently has no other arrangements whereby it receives an economic benefit from any person who is not a Client for providing investment advice or other advisory services to its Clients.

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## **CUSTODY**

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NV-WM is deemed to have custody of its Clients' funds and securities, which are maintained at one or more "qualified custodians," as defined under Rule 206(4)-2 of the Advisers Act, due to NV-WM's ability to withdraw its advisory fee from Client accounts. A "qualified custodian" generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC registered broker-dealer, a futures commission merchant or a foreign financial institution that holds segregated customer assets. The Clearing Broker currently acts as the qualified custodian for NV-WM client accounts.

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains the Client's investment assets. NV-WM urges each Client to carefully review such statements and compare such official custodial records to any account statements that NV-WM may provide such Client. NV-WM's statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

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## **INVESTMENT DISCRETION**

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NV-WM accepts discretionary authority to manage the accounts of its Clients. NV-WM usually receives discretionary authority from the client at the outset of an advisory relationship, by means of an investment advisory agreement which grants a power of attorney in favor of NV-WM to select the identity and amount of any securities to be bought or sold for its Clients. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account. Although Clients do not commonly impose limitations on NV-WM's investment discretion, NV-WM may agree, upon Client request, to specific investment restrictions or guidelines as to the types or amounts of particular securities traded for such Client's account.

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## **VOTING CLIENT SECURITIES**

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As a matter of Firm policy and practice, NV-WM does not, and does not have any authority to, vote proxies on behalf of Clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in Client accounts.

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## **FINANCIAL INFORMATION**

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NV-WM is required to provide certain financial information or disclosures about its financial condition. NV-WM 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.

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