



# Breckinridge Capital Advisors, Inc. Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Breckinridge Capital Advisors, Inc. ("BCA"). If you have any questions about the contents of this brochure, please contact us at 617-443-0779. 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 BCA is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

BCA's most recent update to Part 2 of Form ADV was made in July 2014. BCA's business activities have not changed materially since the time of that update. This contains updates to and expansion of the information presented in our Investment Philosophy, Investment Process, Investment Risks and Investment Strategies. Updates to our Portfolio Management team are also noted.

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## **Advisory Business**

Breckinridge Capital Advisors, Inc. (BCA) provides investment advice for the management of both taxable and tax free fixed income bond portfolios. BCA provides its services to individuals, trusts, estates, and/or charitable organizations, corporations and/or other business entities, an investment company registered under the Investment Company Act of 1940, and private investment funds. Clients' primary access to BCA is through other financial advisors or wrap programs. BCA may have direct contractual arrangements with clients or maintain master agreements with other financial advisors or wrap sponsors.

BCA serves as portfolio manager in the following Wrap programs:

### **ADVISOR SELECT PROGRAM**

*Sponsor*

DB ALEX. BROWN

### **BRINKER PLATFORM ADVISER**

*Sponsor*

BRINKER CAPITAL

### **CALLAN UMA**

*Sponsor*

CALLAN ASSOCIATES

### **CHASE PORTFOLIO MANAGER PROGRAM**

*Sponsor*

CHASE INVESTMENT SERVICES, CORP.

### **MANAGED ACCOUNT SOLUTIONS PROGRAM**

*Sponsor*

ENVESTNET ASSET MANAGEMENT

### **ENVESTNET PREMIER ASSET MANAGEMENT PROGRAM**

*Sponsor*

ENVESTNETPMC

### **FORTIGENT UMA**

*Sponsor*

FORTIGENT

### **PRIVATE WEALTH AND ASCENT PORTFOLIO MANAGEMENT**

*Sponsor*

ENVESTNETPMC



KEYBANK INVESTMENT ADVISOR PROGRAM

*Sponsor*

KEYBANK NATIONAL ASSOCIATION

LOCKWOOD MANAGED ACCOUNT LINK

*Sponsor*

LOCKWOOD ADVISORS, INC.

LOCKWOOD MANAGED ACCOUNT ADVISOR

*Sponsor*

LOCKWOOD ADVISORS, INC.

LOCKWOOD MANAGED ACCOUNT COMMAND

*Sponsor*

SECURIAN ADVISORS

KEY INVESTMENT SERVICES

SELECTS PORTFOLIO SOLUTIONS

*Sponsor*

MERRILL LYNCH

CONSULTING SERVICES UMA

*Sponsor*

MERRILL LYNCH

MERRILL LYNCH IAP

*Sponsor*

MERRILL LYNCH

MERRILL LYNCH Consults

*Sponsor*

MERRILL LYNCH

MORGAN STANLEY SMITH BARNEY FIDUCIARY SERVICES

*Sponsor*

MORGAN STANLEY SMITH BARNEY

MORGAN STANLEY UMA

*Sponsor*

MORGAN STANLEY SMITH BARNEY

MANAGED ACCOUNT ACCESS

*Sponsor*

CHARLES SCHWAB & CO, INC.



MANAGED ACCOUNT SELECT

*Sponsor*

CHARLES SCHWAB & CO, INC.

SULLIVAN, BRUYETTE, SPEROS & BLANEY, INC.

*Sponsor*

SULLIVAN, BRUYETTE, SPEROS & BLANEY, INC.

UBS Access

*Sponsor*

UBS

UBS Strategic Wealth Portfolio

*Sponsor*

UBS

WP STEWART ASSET MANAGEMENT

*Sponsor*

ALLIANCEBERNSTEIN



BCA was founded in 1993 and is primarily owned by Peter Coffin. As of December 31, 2014 BCA managed \$20,786,614,957 on a discretionary basis and \$20,068,000 on a non-discretionary basis on behalf of approximately 9,900 clients.

## **Fees and Compensation**

The maximum fee BCA assesses for management of a client account is 35 basis points. Fees are negotiable based on the size and nature of the portfolio and if the portfolio is managed through a wrap account. As the custodian will not do so, it is the client's responsibility to verify that the fee is properly calculated. Fees will be payable quarterly, either in advance or in arrears. BCA may deduct fees directly from client custodial accounts, or bill primary advisors or clients for fees. The manner in which fees are deducted is detailed in the signed agreement with the primary advisor or client.

Clients may terminate an advisory contract within five business days after execution without penalty; otherwise the contract may be terminated upon thirty days prior written notice. Advisory contracts cannot be assigned without the approval of the client. Fees paid in advance for the current quarter will be pro-rated on a daily basis and any unused portion returned to the client. Fees paid in arrears for the current quarter will be pro-rated on a daily basis and billed to the client.

All holdings in BCA accounts are priced at month-end by Standard and Poors. If a security's price is unavailable from Standard and Poors, BCA will seek the most accurate price (at its discretion) available from either a) Interactive Data pricing, b) Bloomberg pricing, c) dealer/underwriter evaluation or d) portfolio manager evaluation.

In addition to BCA's investment management fees, clients bear trading costs and custodial fees. To the extent that clients' accounts are invested in mutual funds, these funds pay a separate layer of management, trading, and administrative expenses.

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

BCA does not charge any performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to BCA.

## **Types of Clients**

Breckinridge Capital Advisors, Inc. (BCA) provides investment advice for the management of both taxable and tax free fixed income bond portfolios. BCA provides its services to individuals, trusts, estates, and/or charitable organizations, corporations and/or other business entities, an investment company registered under the Investment Company Act of 1940, private investment funds and other institutional investors.



BCA provides advice to private investment funds in limited partnerships or limited liability form (that are not registered under the Investment Company Act) that invest in similar securities as other advisory clients. BCA is not the general partner to any private investment funds and does not receive placement fees with respect to investments in private investment funds.

Accounts of \$500,000 or more will be accepted, however, smaller accounts may be accepted when part of a household with more than \$1,000,000 total value.

## **Investment Philosophy, Process, Risks and Strategies**

### **Investment Philosophy**

Grounded in our mandate to preserve capital and provide reliable income, our investment philosophy seeks to carefully analyze and manage risk while investing opportunistically to improve incremental returns. Breckinridge strives to add value through efficient trading, rigorous bottom-up credit research and proactive portfolio management, while avoiding excessive speculation. These strategies are always balanced with a common sense approach based on the seasoned judgment of our investment team.

### **Investment Process**

Breckinridge's investment process begins with the client. At portfolio inception, the client's investment parameters and objectives are reviewed in accordance with the individual Investment Policy Statement (IPS). These parameters are then incorporated into the portfolio management and trading system to ensure accurate and timely implementation, monitoring and compliance.

Outlook and strategy is determined by the Investment Committee. The Committee, comprised of seven senior members of the investment team representing Portfolio Management, Credit Research, and Trading, meets at a minimum monthly to review and formulate the firm's macro-economic, interest rate and sector outlooks. Various fundamental factors such as Federal Reserve and fiscal policy, economic data, market conditions, flow of funds and liquidity, are assessed in conjunction with a review of our credit analysts' sector outlooks. Additionally, the Committee evaluates relative value among sectors, and reviews spread history and sector/security attribution. Based on its analysis, the Committee sets duration targets, yield curve positioning/maturity distribution and sector risk exposures for each strategy. Rules and targets are adjusted accordingly in our integrated portfolio management and trading system for implementation. All updates to outlook and strategy are simultaneously communicated firm-wide.

Portfolio managers implement the firm's strategy in client portfolios in conjunction with client's individual objectives and parameters. Breckinridge's portfolio management system enables both customization and compliance with each client's Investment Policy Statement; allowing our portfolio managers to implement the firm's overall strategy in accordance with each client's objectives and guidelines. Portfolio managers determine purchases, sales and possible swaps through the assimilation of credit analysts' views and ratings, and traders' input on valuation.



Breckinridge has a thirteen member research team responsible for coverage of specific fixed income sectors. Analysts provide ongoing surveillance of existing holdings and review new and secondary issues to identify potential purchases. Sector outlooks are determined and ranked. Issue-specific internal credit reviews are prepared resulting in the assignment of an internal credit rating.

Traders are able to use analysts' internal ratings to enhance the assessment of a security's fair value. Our traders continually assess opportunities in both the primary and secondary markets for suitability and value, monitor spread relationships, credits and maturities and take action when relative-value opportunities are identified.

All members of our investment team use The Breckinridge Gateway, our proprietary system that integrates the work and knowledge of our Portfolio Managers, Credit Analysts and Traders.

## **Risks Analyzed**

- **Interest Rate Risk:** The risk that a bond's value will change due to a change in the level of interest rates. As interest rates rise, bond prices fall and vice versa. At Breckinridge, we analyze the yield curve to evaluate potential returns based on different maturity structures (barbelled, laddered, etc.) under various interest rate scenarios.
- **Liquidity Risk:** The risk that exists when a bond's limited marketability prevents it from being bought or sold quickly enough to avoid or minimize a loss. At Breckinridge, we evaluate factors affecting the marketability of a bond (rating, coupon, lot size, etc.) as well as the market's overall liquidity.
- **Credit Default Risk:** The risk of loss of principal due to the borrower's failure to repay the loan or risk of liquidity from the decline in the borrower's financial strength. Breckinridge has a fundamental, bottom-up research process. As a high-grade manager, we seek to maintain a sizable margin of safety with each holding. Every borrower's balance sheet is analyzed to ensure a manageable degree of leverage and ample level of liquidity. Breckinridge's analysis of operating results stresses the reliability and sufficiency of cash flow relative to fixed costs and debt service.
- **ESG Risk:** The risk associated with material environmental, social and governance (ESG) issues. ESG risks can be non-financial in nature and can affect a borrower's performance over the medium to long term. Breckinridge has developed formal frameworks for analyzing ESG risks, which are fully integrated into our rigorous bottom-up research process. We believe this analysis helps us identify factors that may affect the present and future value of a bond.
- **Event Risk:** The possibility that an unforeseen event will negatively affect a company or industry. Specific to the corporate bond space, mergers,

acquisitions and leveraged buyouts (LBO's) are analyzed to evaluate potential impacts and changes to credit quality.

- **Call Risk:** The risk the owner of a callable bond faces if the bond is redeemed prior to maturity. Particularly important in the municipal bond space, embedded call options are analyzed for bonds with different coupon, maturity, and redemption features to identify circumstances where callable bonds may be mispriced.
- **Tax Risk:** The risk that the tax-exempt status of any or all types of municipal securities might change and effect after-tax yield on the security. Specific to the municipal bond space, the potential for a change in the tax-exempt status of any or all types of municipal securities is evaluated relative to the current after-tax yield advantage.

## **Investment Strategies**

### **Tax-Efficient Bond Strategies**

Designed for investors that pay income taxes, our tax-efficient strategies seek to provide a high level of after-tax income and principal protection. We strive to achieve this through a primary and highly diversified allocation to tax-exempt municipal bonds. Tactical allocations to taxable municipal, high-quality corporate, treasury and agency bonds may also be considered based on each client's particular tax rate. We offer several tax-efficient strategies across the short to intermediate maturity spectrum that can be customized by benchmark, maturity, duration, credit quality, tax status and state. Over 30 state preference options are available for clients with state-tax liabilities.

#### **Investment Objective:**

Maximize after-tax income while minimizing overall risk through an investment-grade municipal bond portfolio.

#### **Eligible Investments**

- Tax-exempt municipal bonds
- Taxable bonds (tactical)

### **Taxable Bond Strategies**

Our investment grade taxable fixed income strategies are well suited for investors interested in a fixed income solution that seeks to generate solid risk-adjusted returns, a consistent long-term income stream, and most importantly, capital preservation. We strive to achieve this by investing in investment-grade corporate, local government, supranational, treasury and agency issuers. We offer several taxable bond strategies across the short to intermediate maturity spectrum that can be customized by benchmark, sector, maturity, duration and credit quality.

#### **Investment Objective:**

Maximize risk-adjusted returns through an investment-grade bond portfolio.

#### **Eligible Investments**

- Corporate Bonds
- Local Government Bonds
- Supranational Bonds
- U.S. Treasury Notes
- U.S. Agency Debt

### **Sustainable Bond Customizations**

Our sustainable bond customizations are designed for investors who are interested in emphasizing environmental, social and governance (ESG) criteria. Our fully integrated bottom-up fundamental credit and ESG research is a key driver in security selection. We offer both tax-efficient and taxable sustainable bond strategies that selectively invest in corporate, local government authority, municipal, supranational and agency issuers with best-in-class ESG characteristics and bonds that fund essential environmental, social or economic development projects. Additionally, values-based customizations, such as environmental or religious based themes, are available.

### **Investment Objective**

Maximize risk-adjusted returns through a portfolio of sustainable fixed income securities.

### **Eligible Investments**

#### **Corporate Bonds**

- Bonds issued by companies with above average ESG profiles
- Corporate issued green bonds

#### **Local Government Authority Bonds**

- State and local governments with above average ESG profiles
- Local government bonds that fund essential public purpose projects
- State green bonds

#### **Agency Bonds**

- Agency issuers that finance economic development, housing and agriculture

#### **Supranational Bonds**

- Supranational bonds that fund environmental, social and economic development projects

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

## **Disciplinary Information**

BCA and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

BCA and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

To avoid any potential conflicts of interest involving personal trades, BCA has adopted a Code of Ethics ("COE"), which includes personal trading reporting and review policies and procedures and insider trading policies and procedures. BCA's COE requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of BCA above one's own personal interests;
- Adhere to the fundamental standard that one should not take inappropriate advantage of his/her position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on oneself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve his/her professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws. BCA's COE also requires employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide BCA with a detailed summary of certain holdings and securities accounts (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of BCA's COE is available to any client or prospective client upon request.

## Brokerage Practices

BCA has been granted the authority by a substantial majority of its clients to determine, without specific consent, the securities to be bought or sold, the amounts of those securities, and the broker-dealers utilized to effect those trades. Any limitations which might be placed on BCA are "client specific" and, to the extent that they exist, are detailed at the opening of the client's account. BCA invests client assets primarily in individual municipal bond issues. BCA may also invest client assets in U.S. Government securities, corporate debt securities and sovereign securities.

Absent an existing custodial relationship, BCA may assist the client in developing a relationship with a custodian with whom Breckinridge has an existing relationship. While there is no direct link with the investment advice given, economic benefits may be received which would not be received if BCA did not place client assets at the selected custodian. These benefits include: receipt of duplicate client confirmations and bundled duplicate statements; access to trading desks serving institutional managers exclusively; ability to have investment advisory fees deducted directly from client accounts; receipt of compliance publications; ability to view account balances and activity online; etc. The benefits received may or may not depend upon the amount of assets custodied. To the extent that BCA receives these benefits, the benefits may be used to facilitate the management of not only the client accounts responsible for generating the benefits, but all client accounts.

On occasion, BCA may receive sell-side research from broker-dealers, including market indices, that is not available to the general public. BCA does not direct trades in order to obtain this research. To the extent that BCA receives this research, the research may be used to facilitate the management of all client accounts.

BCA combines orders for clients. The combining of orders may allow BCA to achieve lower transaction costs and more effective execution for orders than would be the case if each individual client order were placed separately with one or several dealers. Clients may also be able to achieve lower trade execution prices as a result of this practice.

In selecting broker-dealers, BCA's guiding principle is to seek to obtain the best overall execution for each client on each trade. BCA considers a number of factors, including, without limitation, the actual handling of the order, the ability of the dealer to settle the trade promptly and accurately, the financial standing of the dealer, the ability of the dealer to commit capital, BCA's past experience with similar trades and other factors that may be unique to a particular order. In recognition of the value of these qualitative factors, BCA may cause clients to pay markups or markdowns that are higher than the lowest cost that might otherwise be available for any given trade.



Breckinridge may use a bid wanted platforms when soliciting bids for bonds being sold. Using a bid wanted platform expands the number of broker-dealers alerted to and responding to our bid wanted and helps to ensure that we will receive an acceptable bid.

Subject to any contractual restrictions, client directions or requirements under ERISA or the Investment Company Act of 1940, Breckinridge may conduct cross-trades between client accounts. All cross trades must be beneficial to both parties and adhere to all investment objectives and trade allocation guidelines. Transaction prices will be based on prices provided by independent third party pricing services. All cross trades will be processed through broker-dealers not affiliated with Breckinridge.

Generally, a client may not direct BCA to utilize a particular broker-dealer to execute some or all transactions for the client's account; however, the client will be required to choose its own custodian. The client is responsible for negotiating the terms and arrangements for the account with that custodian. As a result, BCA will be unable to influence the transaction costs charged by the custodian to settle BCA trades for clients.

Notwithstanding the above, if a client insists that BCA direct its trading to a particular broker or dealer, the client should be aware that it may lose out on certain benefits that would otherwise be obtained and it should be understood that BCA will not have authority to obtain volume discounts, lower commissions, or narrower spreads. Consequently, clients directing the use of a particular broker or dealer may not receive best execution.

If BCA sells non-fixed income debt securities on the client's behalf, it will do so with the broker or dealer affiliate of the custodian. BCA executes the sells at the direction of the client as a courtesy and the assets are not considered managed by BCA until such sales are completed. Clients should be aware that BCA claims no experience as an equity manager, nor does it evaluate execution quality for the broker-dealers' execution of equity transactions.

If BCA executes over-the-counter securities transactions on an agency basis at the client's request, clients may incur two transaction costs for a single trade: a commission paid to the executing broker-dealer plus any mark-up or mark-down charged by the market-making broker-dealer, which is included in the offer or bid price of the securities purchased or sold.

If BCA manages the client account of a wrap fee client, the client should be aware that BCA may not be provided sufficient information by the wrap program sponsor to perform an assessment as to the suitability of BCA's services for the client. BCA will rely on the wrap program sponsor who, within its fiduciary duty, must determine not only the suitability of BCA's services for the client, but also the suitability of the wrap fee program for the client. Furthermore, BCA will make every effort to obtain best execution within any constraints that may be set forth by the client and the wrap program sponsor.



## **Review of Accounts**

All accounts will be continuously monitored. As market and credit conditions change, the impact on each account will be assessed.

Each portfolio's interest rate risk profile (duration, convexity, call protection, etc.) will be updated and evaluated to determine whether it complies with stated objectives.

Each bond is assigned an internal credit quality rating and is reviewed according to the level of risk.

Peter Coffin, David Madigan, Sara Chanda, Matthew Buscone, Ji Young Jung, Anthony Greco and/or Jeff Glenn will be the Reviewer for all accounts.

Portfolio reports are produced on at least a quarterly basis which will include: \*\*

- 1) Complete list and description of Portfolio Holdings
- 2) Graphics showing overall portfolio structure (ratings, maturity, duration and sector profiles)

Peter Coffin, David Madigan, Sara Chanda, Matthew Buscone, Ji Young Jung, Anthony Greco and/or Jeff Glenn will be available to review all accounts with clients on a regular basis either in person or by telephone.

\*\* Excludes portfolios managed through certain wrap-fee programs when such information is provided by the wrap-fee program sponsor.

## **Client Referrals and Other Compensation**

BCA does not directly or indirectly compensate any person for client referrals.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but BCA can access many clients' accounts through its ability to debit advisory fees. For this reason BCA is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by BCA.



## **Investment Discretion**

BCA has been granted the authority by a substantial majority of its clients to determine, without specific consent, the securities to be bought or sold, the amounts of those securities, and the broker-dealers utilized to effect those trades. Any limitations which might be placed on BCA are "client specific" and, to the extent that they exist, are detailed at the opening of the client's account.

## **Voting Client Securities**

Our Proxy Administrator is Peter B. Coffin, who is charged with identifying the proxies upon which BCA will vote, voting the proxies in the best interest of clients, and submitting the proxies promptly and properly. BCA will only be responsible for voting proxies for those fixed income bond issues actively managed by BCA.

Our policy is to vote client proxies in the interest of maximizing bondholder/shareholder value. To that end, BCA will vote in a way that it believes, consistent with its fiduciary duty, will cause the issue to increase the most or decline the least in value. BCA will consider both the short and long-term implications of the proposal to be voted on when considering the optimal vote.

We have identified no current conflicts of interest between client interests and our own within our proxy voting process. Nevertheless, if Peter B. Coffin determines that he or BCA is facing a material conflict of interest in voting a proxy (e.g., an employee of BCA may personally benefit if the proxy is voted in a certain direction), BCA will engage a competent third party, at our expense, who will determine the vote that will maximize shareholder value. As an added protection, the third party's decision is binding.

We maintain written proxy voting guidelines and records of all proxy actions. Our guidelines are available for review. Our complete voting record is available to our clients. Contact BCA for any questions or to request review of either of these documents.

## **Financial Information**

BCA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.