



**Wellesley Investment  
Advisors**

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

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**This brochure provides information about the qualifications and business practices of Wellesley Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 781-416-4000. The information in this brochure has not been approved of or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Wellesley Investment Advisors, Inc. is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).**

Although Wellesley Investment Advisors, Inc. ("WIA" or "Advisor") is a registered investment advisor, the term "registered" does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

The following material changes have been made to Form ADV since the last annual amendment dated March 25, 2014:

- Information has been updated to reflect the change in ownership resulting from the dissolution of the Greg Miller Grantor Annuity Trust and the addition of two new shareholders of WIA: The Michael David Miller Trust – 2011 and The Darlene M. Murphy Trust – 2011.
- Wellesley Investment Advisors, Inc. has a new Chief Compliance Officer. On January 12, 2015 Pamela Grossetti became the Chief Compliance Officer of WIA. Paul Samuels, who previously served as Chief Compliance Officer, is now the Treasurer of WIA.
- Item 17 has been updated to reflect current practices.

### **Item 3 - Table of Contents**

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#### **Item 4 - Advisory Business**

Wellesley Investment Advisors, Inc. (“WIA”) was founded in 1991 by Greg Miller (CEO) and Darlene Murphy (President). Greg Miller is the majority owner of WIA and no other individual owns 25% or more of WIA.

As of February 28, 2015, WIA’s total assets under management were \$2,415,428,629, managed on a discretionary basis.

##### **Separately Managed Account Clients**

WIA provides discretionary investment management services to individuals, institutions, retirement plans, trusts, estates, private foundations, investment companies, corporations, other advisory firms, and various other entities.

WIA specializes in investing in convertible bonds. In managing client accounts, WIA predominantly uses convertible bonds and convertible bond and corporate bond mutual funds as it seeks to protect client wealth and provide absolute returns. Although WIA’s advice is principally in the area of convertible securities, WIA may from time to time advise on other types of securities. Clients may impose limited restrictions on investing in certain securities or types of securities.

##### **Affiliated Funds**

In addition to the separate account services described above, WIA provides advisory services to mutual funds sponsored by WIA. Information concerning these funds, including a description of the services provided and management fees, is generally contained in the funds’ prospectus.

WIA also provides advisory services to a private limited partnership, Brenton Partners, L.P. (“Brenton”), established by WIA in which WIA and its employees have an ownership or management interest. Additional information concerning Brenton can be found in its offering documents.

##### **Wrap Programs**

WIA acts as sub-advisor to certain wrap program providers (each a “Wrap Provider”). WIA is paid a management fee by the Wrap Provider based on the assets under management, which indirectly can be considered a portion of the wrap program fee.

#### **Item 5 - Fees and Compensation**

##### **Separately Managed Account Clients**

Compensation to WIA for discretionary investment management services is based on a percentage of funds under management. Effective January 1, 2013, WIA’s minimum fee is \$7,500 per year for new clients.

### Basic Annual Fees for Separately Managed Accounts

Under \$500,000	1.75%
\$500,000 - \$1,000,000	1.50%
\$1,000,000 - \$10,000,000	1.25%
Over \$10,000,000	Negotiable

WIA may also choose to waive all or a portion of fees or fee minimums in certain circumstances. Also, for fee calculation purposes, WIA may agree to aggregate the assets of related client accounts and such accounts may receive the benefit of a lower effective fee rate due to such aggregation.

WIA deducts its fees from client accounts, quarterly, in advance. Quarterly fees are based upon the end of quarter valuation of total assets under management. Clients can terminate WIA's services at any time, by written notice. If the advisory relationship is terminated before the end of a calendar quarter, WIA will refund unearned advisory fees to the client, based on the number of days left in the quarter of termination.

Clients may incur custodial fees and transaction fees on the purchase and sale of securities.

### Subadvisory Relationships

WIA has been retained as a sub-advisor by certain unaffiliated advisory firms. In these arrangements, WIA's fee is negotiated with the other advisory firm.

### Affiliated Funds

WIA serves as the investment advisor to the Miller Convertible Bond Fund, the Miller Convertible Plus Fund, and the Miller Intermediate Bond Fund, each a series of the Miller Investment Trust, (each a "Fund", together the "Funds"). As the manager of the Funds, WIA is paid a management fee as specified in the Funds' prospectus.

To the extent that a separately managed account client is invested in shares of a Fund, such client's separate account management fee will be reduced by the management fee that WIA receives directly from the applicable Fund with respect to the client's shares in such Fund. Additional information about each Fund, including information about fees, expenses and risk, can be found in the Funds' prospectus.

Certain supervised persons and sales personnel may also act as registered representatives of an unaffiliated broker-dealer and, in that capacity, may engage in marketing or selling activities with respect to shares in the Funds. Supervised persons and sales personnel may be internally compensated for successful marketing or selling activities with respect to shares in the Funds.

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

WIA serves as general partner to a limited partnership, Brenton Partners L.P. (“Brenton”). Fees for Brenton are charged within the partnership itself and allocated to limited partners in accordance with Brenton’s offering documents. Fees are generally comprised of an annual management fee plus a performance allocation, as outlined in the offering documents.

Since WIA manages accounts with and without performance-based fees, WIA has a potential conflict of interest and an incentive to favor Brenton over accounts that do not pay a performance allocation. WIA takes various steps to address these conflicts. For example, when WIA places trades, its policy is to aggregate separately managed accounts with Brenton where practical and feasible. In that way, separately managed accounts and Brenton get the same execution price. To ensure fairness when a trade is executed for something less than the total desired quantity, WIA allocates the partial trade fill to separately managed accounts and Brenton primarily on a random basis, but may also do the allocation on a percentage or alphabetic rotational basis. Notwithstanding the foregoing, the order may be allocated on a different basis if all client accounts receive fair and equitable treatment and the reason for the different allocation is explained in writing and is approved in writing by the Chief Compliance Officer (or the CEO or President if the Chief Compliance Officer is not available) no later than one hour after the opening of the markets on the trading day following the day the order was executed.

## **Item 7 - Types of Clients**

WIA provides discretionary investment management services to individuals, institutions, retirement plans, trusts, estates, private foundations, investment companies, corporations, other advisory firms, and various other entities.

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

WIA deploys absolute return strategies and invests predominantly in convertible bonds and convertible bond and corporate bond mutual funds. WIA uses fundamental analysis and the following sources of information for its investment decisions:

- Financial newspapers and magazines
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses and filings with the Securities and Exchange Commission
- Company press releases and conference calls
- Bond pricing services
- Trade monitoring services

Convertible bonds are hybrid securities that have characteristics of both bonds and common stocks. There is risk of loss as they may fall in value. They are subject to risks associated with

both debt securities and equity securities. Risks associated with WIA's investment strategies include:

- Interest Rate Risk. The market value of fixed-income securities tends to decline as interest rates increase.
- Credit / Default Risk. An issuer of a security may not be able to make principal and interest payments as due.
- Prepayment Risk. Bonds may get called, resulting in lower reinvestment rates.
- High Yield Bond Risk. WIA will invest in convertible bonds that are either unrated or rated less than investment grade. These securities may carry greater risks and may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher quality fixed income securities.
- Borrowing Risk. In cases where margin borrowing is utilized, clients may risk loss if market values decline, interest rates increase, or margin loans are called.
- Liquidity Risk. Convertible bonds are traded over the counter in a bid-ask format. Circumstances may arise in which bonds may not be immediately liquid.
- Common Stock Risk. Convertible securities may have characteristics similar to common stocks, especially when their conversion value is the same as the value of the bond. The price of equity securities may rise or fall because of economic or political changes. Stock prices in general may decline over short or even extended periods of time.
- Synthetic Convertible Security Risk. The value of a synthetic convertible security may respond differently to market fluctuations than a convertible security because a synthetic convertible is composed of two or more separate securities, each with its own market value.
- Leverage Risk. Certain WIA products may utilize leverage. The use of leverage through activities such as borrowing or purchasing derivatives can magnify the effects of changes in the value and increase volatility. Because leverage increases the fees payable to the advisor, WIA has an incentive to increase the use of leverage.
- Management Style Risk. WIA's objective judgments about the attractiveness and potential appreciation of particular investments may prove to be incorrect and there is no guarantee that its investment strategy will produce the desired results.
- Market Risk. One or more markets in which WIA invests may go down in value, including the possibility that the markets may go down sharply and unpredictably.

#### **Item 9 - Disciplinary Information**

WIA and its management personnel have no reportable disciplinary events to disclose.

## **Item 10 - Other Financial Industry Activities and Affiliations**

WIA is also the general partner to Brenton (from which it may receive a performance allocation) and the investment advisor to the Funds.

With respect to direct clients, WIA may enter into agreements to directly compensate another person or firm for client promotion and servicing. These solicitation agreements are governed by Rule 206(4)-3 under the Investment Advisers Act of 1940 (the “Advisers Act”). The fees paid by the client to WIA will not increase as a result of the solicitation agreement. The fees paid to solicitors are negotiable and depend upon the client’s account size and investment strategy. Payments under such agreements may continue for a stated period or until the client relationship is terminated.

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

WIA’s Code of Ethics is based on the principle that all its employees have a fiduciary duty to place the interest of clients ahead of their own and WIA’s.

WIA’s Code of Ethics is further based on the desire of management to ensure compliance with federal securities laws, and to ensure that employees and access persons act in an ethical manner at all times. Our policies are premised on fundamental principles of openness, integrity, honesty and trust. WIA places a high value on ethical conduct, and challenges employees to live up not only to the letter of the policy, but to the substance and ideals of ethical behavior.

Officers and employees of WIA will occasionally buy or sell, for their personal trading and investment accounts, certain securities that WIA may recommend to its clients. In some cases, the employee or officer making the recommendation may own or may buy or sell the same security as he or she recommends to clients. Because of this potential conflict of interest, WIA has adopted a Code of Ethics and Insider Trading Policy that each employee must comply with. These policies are designed to detect any violation. Key provisions include:

- Statement of General Principles
- Policy on Personal Securities Transactions, including
  - Pre-clearance on Private Placements
  - Pre-clearance on reportable securities when not bundled with client trades
  - No participation in IPOs
  - Procedures for Reporting Personal Securities Transactions and Holdings
- Code of Conduct
- Annual Acknowledgements by Covered Personnel

Officers and employees of WIA may be encouraged to invest in shares of the Funds, separately managed accounts, or in interests in Brenton, as appropriate. WIA may also recommend to clients the purchase of shares in the Funds and interests in Brenton, in which WIA or its employees have a financial interest, when consistent with the client’s investment



objectives. WIA's aggregate fee revenues may be increased by purchases by clients or others of shares of Funds and interests in Brenton.

From time to time, when it may be appropriate for one client to purchase a security and for another client to sell the same security, WIA may, but is not required to simultaneously place cross-trades with one or more broker-dealers or to effect the cross-trade through the applicable custodians in an attempt to seek the best execution for each client by obtaining reduced transaction or execution costs for each client. Since, in such transactions, WIA will represent both client-seller and client-buyer, WIA may have a conflict of interest given the obligation to seek the best price and most favorable execution. Clients should consider the possible costs or disadvantages of this potential conflict versus the potential benefit of obtaining reduced transaction or execution costs that may be obtained from such cross-trades. WIA will not place cross-trades for client accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended, and will only place cross-trades for the Funds in accordance with Section 17(a) of the Investment Company Act of 1940.

WIA will provide a copy of its Code of Ethics to any client or prospect who requests one.

## **Item 12 - Brokerage Practices**

WIA has full investment authority to act on behalf of the client, including the selection of brokers.

WIA has the discretion to choose brokers for the execution of trades. WIA seeks best execution for client trades.

Client assets may be custodied with any of a number of brokers selected by the client, or recommended by WIA. In addition, WIA utilizes several different brokerage firms for trading. In seeking best execution, the trade is often executed with a broker other than the custodial broker. This allows WIA to shop among brokerage firms to obtain best execution for all clients. WIA has no obligation to execute trades at any particular broker.

WIA does not direct brokerage transactions to brokers who provide research services in return for commissions that exceed those charged by other brokers. WIA does not have any soft dollar arrangements and does not receive any soft-dollar benefits.

As discussed in Item 6, WIA aggregates client trades whenever practical to effect best pricing and execution for the client.

In recommending custodians / brokers, WIA takes the following factors into consideration:

- Overall financial condition of the custodial brokerage firm
- Ability to execute convertible bond trades
- Transaction charges, including commissions, if any, charged to clients
- Pricing on trades

- Customer service
- Margin rates charged to clients
- On-line access for WIA to client account information
- Quality of account reporting by the custodial brokerage firm
- Client preference
- Sub-advisory agreements

WIA's policy and practice is to not engage in agency cross transactions.

WIA's policy and practice is to not accept advisory clients' instructions for directing a client's brokerage transactions to a particular broker-dealer.

WIA's policy and practice is to not engage in principal transactions.

WIA participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. WIA receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14 below).

### **Item 13 - Review of Client Accounts**

Greg Miller (CEO and Co-CIO), Michael Miller (Co-CIO) and other employees review each account at least quarterly. Reviews are also conducted on an ongoing basis, as well as in response to changes in market conditions, changes in the financial situation of clients, and other factors. Holdings are generally reviewed daily on a portfolio-wide basis.

Clients receive quarterly position statements from WIA. Clients also receive monthly statements from their custodians. We urge clients to carefully review these reports and compare the statements that they receive from their independent qualified custodian to the reports that we provide. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Investors in Brenton receive position statements at least quarterly and audited financial statements annually.

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

As disclosed under Item 12 above, WIA participates in TD Ameritrade's institutional customer program and WIA may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between WIA's participation in the program and the investment

advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving WIA participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to WIA by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by WIA's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit WIA but may not benefit its Client accounts. These products or services may assist WIA in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help WIA manage and further develop its business enterprise. The benefits received by WIA or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, WIA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by WIA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence WIA's choice of TD Ameritrade for custody and brokerage services.

WIA may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, WIA may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with WIA and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise WIA and has no responsibility for WIA's management of client portfolios or WIA's other advice or services. WIA pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to WIA ("Solicitation Fee"). WIA will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by WIA from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired WIA on the recommendation of such referred client. WIA will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

WIA's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their

clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, WIA may have an incentive to recommend to clients that the assets under management by WIA be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, WIA has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. WIA's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Additionally, WIA has entered into a solicitation agreement with Halbert Wealth Management, an investment advisory firm in Austin, Texas.

### **Item 15 - Custody**

WIA does not maintain physical custody of client assets.

#### **Separately Managed Accounts**

WIA's clients generally retain their own custodians and maintain a separate agreement with their custodian governing the custodial services provided. WIA provides separately managed account clients with quarterly reports based on information obtained from its accounting system. WIA urges clients to compare any WIA account statements with those of their custodian.

#### **Private Fund**

WIA is deemed to have custody of Brenton for which WIA serves as general partner. Brenton maintains unaffiliated qualified custodians and undergoes an annual audit by an independent PCAOB-registered accounting firm for which financial statements are provided to investors.

### **Item 16 - Investment Discretion**

#### **Separately Managed Accounts**

WIA accepts discretionary authority, via the Investment Management Agreement or other Power of Attorney, to manage the assets in the client's account. WIA may at its option under certain circumstances permit clients to place restrictions or additional guidelines on investments.

#### **Affiliated Funds**

WIA has discretionary authority as general partner for Brenton as well as investment advisor to the Funds. Investors are not permitted to place investment restrictions on the investment activity of Brenton or the Funds.

### **Item 17 - Voting Client Securities**

As a matter of firm policy, WIA does not vote proxies on behalf of clients, with the exception of the Funds and certain clients as required by agreement or law. As such, clients are generally responsible for voting their own proxies. However, WIA may provide clients with consulting assistance regarding proxy issues.

Rule 206(4)-6 of the Advisers Act requires advisers to create and maintain written proxy voting policies and procedures. Clients may obtain a copy of WIA's complete proxy voting policies and procedures and may request, in writing, information on how proxies for his/her shares were voted.

### **Item 18 - Financial Information**

Not applicable.