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## **HB Asset Management, L.C.**

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[www.hencorp.com](http://www.hencorp.com)

This Brochure provides information about the qualifications and business practices of HB Asset Management, L.C. If you have any questions about the contents of this brochure, please contact us at 305-373-9000 or [bgutierrez@hbassetmanagement.com](mailto:bgutierrez@hbassetmanagement.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Any reference to or use of the terms “registered investment adviser” or registered,” does not imply that HB Asset Management, L.C. or any person associated with H.B. Asset Management, L.C., has achieve a certain level of skill or training.

Additional information about HB Asset Management, L.C. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 2016**

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## ITEM 2 – MATERIAL CHANGES

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This Item 2 provides clients with a summary of material changes since the last annual update of the Brochure in June 2015. As such, please find outlined below changes related to the Adviser:

- **Other Financial Affiliations.** Global Investor Advisory Services, LLC (“GIAS”) (CRD No. 282589) was approved as a SEC Registered Investment Adviser on February 22, 2016. GIS maintains the same location and share supervised persons with HB Asset Management, L.C.

HB Asset Management, L.C. is required to inform its clients of material changes to its business that has occurred on a periodic basis no less than annually. Since the last Brochure update the Adviser has not had any material changes to its operations or business activities.

You continue to receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year, which is December 31st of each year. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

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## **ITEM 4 – ADVISORY SERVICES**

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### **Adviser's Advisory Business**

HB Asset Management, L.C. is a limited liability company in Florida ("HBAM" or the "Adviser") that offers wealth management services to high net worth clients. The Adviser was established in 1998. Adviser is substantially owned by Hencorp Becstone, L.C.

### **Types of Advisory Services Adviser Offers**

Adviser provides investment advisory services to Adviser's clients through various types of discretionary and non-discretionary accounts in accordance with each client's investment objectives. Investment activities focus on investments in various kinds of assets and securities in a variety of markets that is intended to fit within the client's objectives, strategies and risk profile as described by each client. In addition, Adviser offers several specialized programs that are described below:

### **Third-Party Managers**

Based upon the stated investment objectives of the client, the Adviser may recommend to certain clients that they authorize the active discretionary management of a portion of their assets by certain investment managers that are not affiliated with Adviser. Adviser shall continue to render services to the client and, in addition, monitor and review the performance of the third-party manager and the performance of the client's accounts that are being managed. From time to time, Adviser may also recommend affiliated investment managers to certain clients based on their investment objectives, guidelines and risk profiles.

### **Envestnet Platform**

Adviser offers a discretionary program that utilizes Envestnet Asset Management Inc.'s ("Envestnet's") Private Wealth Management Programs, including Separately Managed Accounts, Unified Managed Accounts and Mutual Fund Solutions (together, the "Program") as described in Envestnet's Form ADV Part 2A Brochure. Assets in the Program are managed on a discretionary basis by either third-party investment managers available on the Envestnet platform and selected by Adviser's Investment Adviser Representatives or by Adviser's representatives directly selecting mutual funds and ETFs. The overall strategy and asset allocation for Program portfolios are customized to each client. Clients who participate in the Program pay a fee, which is described in Item 5 below, to both Envestnet and to Adviser. Assets invested in the Program are custodied with Pershing Advisor Solutions, which also provides brokerage services to the Program. Brokerage fees for transactions in the Program are not separately charged to clients, and third-party investment managers in the Program do not receive additional fees from Adviser's clients.

## **Family Wealth Services**

As an investment adviser, Adviser provides portfolio management and administrative services to client accounts, including investigating, analyzing, structuring and negotiating potential investments, monitoring the performance of investments and advising the Accounts as to the disposition of investment opportunities.

Adviser provides investment advisory services to clients through the management of investment portfolios in accordance with the objectives, guidelines and risk profiles of individual clients. Clients provide such information to Adviser at or before the time they enter into an advisory agreement with Adviser. The Adviser may provide additional services to clients as negotiated with each client and Adviser may charge a fee that would be negotiated with the client.

Clients may impose reasonable restrictions on the management of their Accounts, by restricting particular securities or types of investments. Clients should be aware that performance of restricted accounts may differ from performance of accounts without such impediments, possibly producing lower overall results.

## **Assets under Management**

As of December 31, 2015, Adviser had assets under management of \$204,463,444 managed on a discretionary basis, and of \$402,478,159 managed on a non-discretionary basis, for total assets under management of \$606,941,603.<sup>1</sup>

## **ITEM 5 – FEES AND COMPENSATION**

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### **Adviser's Basic Management Fees**

The specific manner in which fees are charged by Adviser is established in each client's written agreement with Adviser. Generally and pursuant to contract, fees for the management of Accounts will be based upon a percentage of the total assets in the account (including margined assets). Adviser typically receives an annual management fee, between 0.10 to 2.50% of the gross asset value of the Account. All fees are negotiable. Adviser may enter into flat fee arrangements from time to time, typically for administrative services provided to clients or client Accounts.

A client may pay more or less fees than similar clients depending on the particular circumstances of the client, size, additional or differing levels of servicing or as otherwise agreed with specific clients. Clients that negotiate fees, including a flat fee, may end up paying a higher fee than that

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<sup>1</sup> Value of non-discretionary assets include \$180,602,583 million corresponding to assets managed pursuant to the terms of "Consulting Services Agreement." Such assets have not been considered in the Adviser's calculation of regulatory assets under management included in its Form ADV Part 1.

set forth above as a result of fluctuations in the client's assets under management and account performance.

### **Fee Schedule for Envestnet Platform**

Adviser generally charges a fee for the Program of between 0.50% and 2% based on assets under management. Fees are individually negotiated with each client. In addition to a client's agreement with Adviser, a client participating in the Program enters into an agreement with Envestnet. Envestnet's fees are individually negotiated, based on assets under management, vary by program type and are generally between 0.19% and 1.81%, as described in Envestnet's Form ADV.

Each client of Adviser is provided with a breakdown of the specific fees to be charged and the total fees for participation in the Program prior to the account opening.

### **Calculation and Deduction of Advisory Fees**

With respect to accounts that Adviser manages on a discretionary basis, including the specialized discretionary programs, clients are generally required to authorize Adviser to directly debit management fees from client accounts quarterly. Fees for Family Wealth Services and other non-discretionary programs are billed to clients, although frequently clients pre-authorize their custodians to automatically deduct the fees from the client's account and to make payment to Adviser. Management fees are deducted or billed, as applicable, quarterly.

### **Other Fees and Expenses**

Except for wrap programs, Adviser's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. The impact of mark-ups and mark-downs shall also be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. All such charges, fees and commissions are in addition to Adviser's fee, and Adviser shall not receive any portion of these commissions, fees, and costs. Adviser's related persons, including its affiliated broker-dealer, may receive a portion of these commissions, fees and costs. (See items 10 and 12 for further details on related parties).

Item 12 further describes the factors that Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

HBAM may receive a selling concession when purchasing new issues, or other underwritings, for accounts. The selling concession is a separate payment made directly from the issuer to an affiliated broker of HBAM and is not added or related to the maximum advisory fee schedule

paid by the client. The individual advisor, in his capacity as a registered representative of the affiliated broker-dealer, may receive a portion of this concession.

### **Payment of Fees**

Depending on the custodian's capacities to calculate advisory fees, fees for all programs might be paid in advance or in arrears. In the case of Family Wealth Services or pursuant to an individually negotiated arrangement between the Adviser and a specific client, advisory fees are billed in arrears. However, no prepaid fees are charged six months or more in advance. If an advisory contract is terminated before the end of the billing quarter, any pre-paid fees will be refunded on a pro rata basis based on the number of days in the quarter after termination. Fees are billed to clients quarterly in arrears for Family Wealth Services.

### **Compensation for the Sale of Securities**

Some of Adviser's supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, in their individual capacities as registered representatives of Adviser's affiliated broker-dealer Global Investor Services, L.C. ("GIS"). Supervised persons of Adviser who are solely registered/associated with HBAM do not receive such compensation with respect to accounts managed or advised by Adviser.

### **Rebates and/or Trailer Fees**

Adviser may invest account assets in open-end mutual funds (including money market funds), closed-end funds, exchange traded funds ("ETFs"), and other collective investment vehicles that have various internal fees and expenses, which are paid by such funds but which are ultimately borne by the client as an investor. HBAM and/or its affiliates may provide services to and receive compensation in connection with these mutual funds. For example, HBAM's investment adviser representatives may benefit indirectly from the sales charges imposed by mutual funds through their association with HBAM. The fee that the custodian pays HBAM or an affiliate might represent a significant amount of that custodian's mutual fund service fees. The fee is in recognition of certain shareholder servicing that registered representative affiliate(s) of HBAM perform in respect of those assets. Those shareholder servicing fees are often referred to as trailers, rebates, or revenue sharing arrangements and are received from various mutual fund companies with respect to its clients who assets are invested in those mutual funds, which typically range from 5 basis points to 50 basis points depending on the mutual fund purchased. Because the affiliate(s) of HBAM receive an economic benefit, HBAM has a potential conflict of interest in recommending to clients that they use a specific custodian and invest their assets in certain mutual funds. The possibility of this compensation creates an incentive for an Adviser to make decisions for the clients that would have the effect of increasing this compensation.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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Adviser charges a management fee and in some cases may charge a performance fee. Adviser structures performance fee arrangements subject to Section 205(a)(1) of the Adviser's Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Such performance fees would generally be between 5 and 15%. Performance fees are individually negotiated with each client and may be subject to a High Water Mark. Typically, the fee will be charged on a quarterly basis in arrears.

The term "High Water Mark" shall mean that no performance fee will be paid for recoupment of losses. Thus, if the net asset value of the Account (excluding the performance fee) at the end of a calculation period falls below the net asset value at the end of any previous calculation period, no performance fee will be owed to the Adviser for the calculation period then ended. The Adviser will only be entitled to a further performance fee once the net asset value of the Account exceeds the highest net asset value of the Account for all previous calculation periods. The High Water Mark is adjusted for contributions to and withdrawals from the Account. Each client is provided with additional information on the fees payable by their Account, including with respect to the High Water Mark, if any, in their advisory agreement.

Performance based fee arrangements may create an incentive for Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Performance fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Adviser has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

The Adviser may have clients with similar investment objectives. The Adviser is permitted to make an investment decision on behalf of clients that differs from decisions made for, or advice given to, such other accounts and clients even though the investment objectives may be the same or similar, provided that the Adviser acts in good faith and follows a policy of allocating, over a period of time, investment opportunities on a basis intended to be fair and equitable, taking into consideration the investment policies and investment restrictions to which such accounts and clients are subject.

HBAM has entered in performance base compensation agreements with limited number of existing clients which will maintain such structure until it is indicated otherwise. HBAM will not offer performance base arrangements to any additional client.

## **ITEM 7 – TYPES OF CLIENTS**

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Adviser provides portfolio management services to individuals, corporations, trusts and/or other entities. The minimum dollar value for establishing an Account is generally \$100,000.



Initial investments of a lesser amount may be accepted at Adviser's discretion.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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### **General Investment Strategies and Methods of Analysis**

Adviser has arrangements with third party service providers through which Adviser receives general macroeconomic analyses of economies, currencies, markets and market sectors. Such third parties also provide due diligence on other investment advisers which Adviser may recommend to its clients, research reports on specific securities, sample asset allocations and administrative services. Adviser uses such information and services as a tool and Adviser also performs its own research and due diligence on advisers and investment opportunities. Adviser makes investment allocation decisions based on each client's investment objectives and risk tolerance, among other factors. Adviser identifies, structures, monitors, invests and liquidates investments in discretionary accounts. The design and day-to-day management of client portfolios is determined by each adviser representative. Such third party service providers do not have access to or knowledge of information concerning the specific investment decisions and recommendations made to Adviser's clients.

Through Adviser's global strategy Adviser seeks asset preservation and capital appreciation of clients' portfolios by customizing asset allocations and selecting investment vehicles that it believes will align clients' risk / return expectations with long term and short term investment needs and goals. The asset class allocations forecasts and expectations are analyzed and invested in various financial instruments, typically include equity, fixed income, commodities, real estate investment trusts ("REITs") and master limited partnerships ("MLPs") (publicly traded partnerships), and alternative investments. Adviser will select and monitor the investment vehicles for each asset class in the portfolios based on their history and prospective risk and return characteristics, and determine suitability for each client's needs, as well as, estimated fees and expense.

### **Material Risks for Significant Investment Strategies**

While it is the intention of Adviser to implement strategies which are designed to minimize potential losses suffered by its client, there can be no assurance that such strategies will be successful. It is possible that a client may lose a substantial proportion or all of its assets in connection with investment decisions made by Adviser. The following is a discussion of typical risks for Adviser's clients, but it does not purport to be a complete explanation of the risks involved with Adviser's investment strategies.

There is no guarantee that in any time period, particularly in the short term, a client's portfolio will achieve appreciation in terms of capital growth or that a client's investment objective will be met by Adviser.

The value of the securities in which Adviser invests on behalf of its clients may be volatile. Price

movements may result from factors affecting individual companies, sectors or industries that may influence certain strategies or the securities market as a whole. Furthermore, a client will be subject to the risk that inflation, economic recession, changes in the general level of interest rates or other market conditions over which Adviser will have no control may adversely affect investment results.

Adviser notes that while Adviser's management of accounts may not involve direct leveraging, short selling or other risk factors discussed below, the underlying funds and other investments that comprise client accounts may engage in practices that can materially impact the performance of such fund or investment, which in turn may materially impact the value of Adviser's clients' portfolios.

### **Hedging transactions may increase risks of capital losses**

Adviser does not typically hedge client accounts directly, which can create more risk as well as opportunities for greater returns. Funds and other investment products in which Adviser invests clients' accounts may utilize a variety of financial instruments, such as options, for risk management purposes. While hedging transactions may seek to reduce risk, such transactions may result in a worse overall performance. Certain risks cannot be hedged, such as credit risk, relating both to particular securities and counterparties. Adviser will not always invest in funds or other investment vehicles that utilize hedging strategies.

### **Leverage**

The funds and other investment products in which client portfolios are invested may engage in investment strategies that constitute leverage. Such strategies may include the borrowing and short selling of securities, bonds, foreign exchange and the acquisition and disposal of certain types of derivative securities and instruments, such as swaps, futures and options. While leveraging creates an opportunity for greater total returns it also exposes a client to a greater risk of loss arising from adverse price changes. Where leverage is indirect (*e.g.*, used by a fund manager for a fund in which Adviser's client is invested) a sharp decrease in the value of the investment can have a significant impact on a client's portfolio.

### **Liquidity of investment portfolio**

The market for some securities in which Adviser invests indirectly on behalf of its clients may be relatively illiquid. Liquidity relates to the ability to sell an investment in a timely manner. The market for relatively illiquid securities tends to be more volatile than the market for more liquid securities. Investments in relatively illiquid securities may restrict the ability of a fund or portfolio manager to dispose of investments at a price and time that it wishes to do so. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market in such contracts and the bid and offer prices will be established solely by dealers in these contracts. Client accounts that are invested in funds or other instruments that contain illiquid investments may be subject to these risks.

### **Foreign currency markets**

Adviser's investment strategies may cause a client to be exposed to fluctuations in currency exchange rates where it invests directly or indirectly in securities denominated in currencies other than U.S. dollars. Adviser does not engage in direct foreign currency trading. However, the underlying funds and other investment vehicles may engage in direct foreign currency trading. The markets in which foreign exchange transactions are effected are highly volatile, highly specialized and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency.

### **Derivatives**

Adviser's investment strategy may cause a client to be exposed to derivatives including instruments and contracts the value of which is linked to one or more underlying securities, financial benchmarks or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, index, currency or interest rate at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can result not only in the loss of the entire investment, but may also expose a client to the possibility of a loss exceeding the original amount invested.

### **Settlement risks**

Adviser's investment strategy may expose a client to the credit risk of parties with whom Adviser, on behalf of the client or the underlying funds, trades and to the risk of settlement default. Market practices in the emerging markets in relation to the settlement of securities transactions and custody of assets will provide increased risk. Although the emerging markets have grown rapidly over the last few years, the clearing, settlement and registration systems available to affect trades on such markets are significantly less developed than those in more mature world markets which can result in delays and other material difficulties in settling trades and in registering transfers of securities. Problems of settlement in these markets may affect the net asset value and liquidity of a client's portfolio or investments in such portfolios.

### **Short selling**

Adviser typically will not directly engage in short selling in client accounts. However, Adviser may invest in funds and other securities on behalf of its clients that may sell securities of an issuer short. Short selling by a fund manager can significantly impact the value and volatility of a fund held in a client's account.

Generally, if the price of the issuer's securities declines the short position may be covered with securities purchased in the market. The profit realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale. The possible losses from selling short securities differ from losses that could be incurred from a cash investment in the security; the former may be unlimited, whereas the latter can only equal the total amount of the cash investment. Short selling activities are also subject to restrictions imposed by the various national and regional securities exchanges, which restrictions could limit investment activities.

An investment through the Macro Directional Trading Strategy will incur a loss as a result of a short sale (via inverse ETFs) if the price of the Inverse ETF sold short decreases in value between the day and time of the "short sale" and the day and time on which the strategy sells the security.

### **Emerging Markets**

Adviser's investment strategies include direct and indirect investments in securities in emerging markets and such investments involve special considerations and risks. These include a possibility of nationalization, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of such countries or the value of a client's investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, price volatility, restrictions on foreign investment and repatriation of capital, and the risks associated with emerging economies, including high inflation and interest rates and political and social uncertainties. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging country. The economies of many emerging market countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases, governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. Investments in products of emerging market may also become illiquid which may constrain Adviser's ability to realize some or all of a client's portfolio holdings. Accounting standards in emerging market countries may not be as stringent as accounting standards in developed countries.

### **Investment Concentration**

Some client accounts may have a high concentration in one sector, industry, issuer or security that may subject such accounts to greater risk of loss in the event such investments take an economic downturn.

### **Material Risks for Particular Types of Securities**

The Adviser does not invest primarily in a specific security or type of security. The material risks involved with investing are described above.

## **ITEM 9 – DISCIPLINARY INFORMATION**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an adviser or the integrity of the adviser's management. Adviser has no information applicable to this Item.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Several of Adviser's management and/or associated persons are dually registered and associated with its affiliate broker-dealer, Global Investor Services ("GIS") (CRD No. 29249) as registered representatives. These individuals may accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, in their individual capacities as registered representatives of GIS. Supervised persons of Adviser not registered with GIS do not receive additional compensation in connection with accounts managed or advised by the Adviser. Several investment adviser representatives of HBAM may also conduct these activities under a team name (a "DBA") that is part of the Adviser. In connection with providing investment advisory services to its clients, investment adviser representatives of HBAM will utilize and recommend products and services solely those offered by the Adviser.

### **Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

None of Adviser's associated persons or its management persons is registered with the Commodity Futures Trading Commission ("CFTC") as a futures commission merchant ("FCM"), a commodity pool operator ("CPO") or a commodity trading advisor ("CTA") or an associated person of the foregoing entities.

### **Other Material Relationships**

The Adviser may direct execution of client securities through GIS. Under certain circumstances, GIS' commission rates are negotiable although the affiliations between the Adviser and GIS which may limit the ability of these rates to be negotiated on an arms' length basis. Clients may be able to obtain less expensive execution of securities transactions if a broker-dealer other than GIS is used but Adviser considers other factors in addition to price in selecting broker-dealers (see Item 12 for additional information on selection of brokers). Transactions directed by the Adviser to GIS are generally executed on an agency basis but may be executed on a riskless principal basis following notice to, and consent from, the clients.

HBAM maintains a fee sharing arrangement with SEC Register Investment Adviser, Biscayne Americas Advisers, LLC ("BA") (IARD No. 112019) where separately managed accounts may be referred to BA by the Adviser. BA is under indirect common ownership with the Adviser through one of HBAM's senior management person, Victor Henriquez.

One (1) of HBAM's Investment Adviser Representative, Vicente Ferrara ("Ferrera") is also a principal owner of an unaffiliated Register Investment Adviser, Advisory Investor Services, LLC ("AIS") (IARD No. 173134). HBAM has developed policies and procedures as outlined in its Compliance Manual to ensure that Ferrara's activities with AIS do not conflict with client transactions and/or interests of the Adviser.

HBAM is under common ownership, maintains the same location and shares supervised persons with SEC RIA, Global Investor Advisory Services, LLC ("GIAS") (CRD No. 282589). GIAS was approved as a SEC RIA on February 22, 2016. Please see the Adviser's Form ADV Part 1 for further details related to its affiliated entities.

### **Other Financial Industry Activities or Affiliations**

Adviser acts as sponsor of a program (described below) which recommends or selects other investment advisers for its clients from time to time but Adviser is not compensated by such other advisers.

Adviser may introduce the clients of third-party advisers to Envestnet Asset Management, Inc. ("Envestnet") and facilitate such adviser's use of Envestnet's Private Wealth Management Programs, including Managed Account Solutions and Mutual Fund Solution (together, the 16 "Program") as described in Envestnet's Form ADV Part 2. Clients in the Program have their assets managed by third-party investment managers or are invested in mutual funds or ETFs.

Clients in the Program pay a quarterly fee to Envestnet from which Envestnet pays a portion of the fee to Adviser. Adviser pays a substantial portion of the fee it receives from Envestnet to the third-party advisers. Generally and pursuant to contract, clients' fees for the Program will be based upon a percentage of the total assets in a client's Program account. The maximum fee that will be paid by a client for this program is as follows: (all percentages are annualized). However, fees may be negotiable:

#### **Mutual Fund Platform**

3.25%	\$50,000 - \$250,000
2.75%	\$250,001 – and higher

#### **Multi-Manager Account Platform**

3.25%	\$250,000 - \$1,000,000
2.75%	\$1,000,000 - \$3,000,000
2.50%	\$3,000,000

Adviser does not receive direct compensation from clients of third-party adviser who are introduced to the Program and Adviser does not enter into advisory agreements with such introduced clients.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics and Personal Trading Policies**

Adviser has adopted the Code of Ethics pursuant to Rule 204A-1 of the Advisers Act in an effort to prevent violations of federal securities laws. Adviser expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. All officers, directors, partners and employees of the Adviser and any other person who provides advice on behalf of Adviser and is subject to Adviser's control and supervision (collectively referred to as "Supervised Persons") are required to adhere to the Code.

### **Prevention of Insider Trading**

Adviser has adopted policies designed to prevent insider trading that is more fully described in the Code. Adviser's policy on insider trading applies to securities trading and information handling by all Supervised Persons of Adviser (including spouses, minor children and adult members of their households and any other relative of a Supervised Person on whose behalf Supervised Person is acting) for their own account or the account of any client of Adviser.

Adviser takes its obligation to detect and prevent insider trading with the utmost seriousness. Adviser may impose penalties for breaches of the policies and procedures contained in this manual, even in the absence of any indication of insider trading. Depending on the nature of the breach, penalties may include a letter of censure, profit "give ups," fines, referrals to regulatory and self-regulatory bodies and dismissal.

### **Personal Securities Transactions**

#### *Periodic Reports*

As more fully described in the Code, "access persons" are required to submit reports detailing their personal securities holdings to the Chief Compliance Officer on an initial basis, a quarterly basis, and an annual basis.

As an alternative to submitting quarterly transaction reports, Adviser requires persons who are "access persons" to submit brokerage statements or trade confirmations as long as such documents contain the information required under Rule 204A-1(b)(2)(i)(A)-(E) under the Advisers Act.

### **Initial Public Offerings and Limited Public Offerings**

Access Persons must obtain prior written approval from the Chief Compliance Officer before investing in initial public offerings ("IPOs") or limited offerings (i.e., private placements). In the event the Chief Compliance Officer wishes to purchase IPOs or the securities of a private placement for his/her own employee account, the Chief Compliance Officer must obtain prior written approval from Adviser's CEO.



### **Review of Personal Securities Reports**

The Chief Compliance Officer (or its designee) is responsible for reviewing the Access Person's Quarterly Transaction Reports as well as the Initial Holdings Report and the Annual Holdings Report as part of Adviser's duty to maintain and enforce its Code. In instances when the Chief Compliance Officer has engaged in personal securities transaction, the Chief Executive Officer shall review the Chief Compliance Officer's brokerage statements and trade confirmations.

### **Outside Business Activities and Private Investment of Employees**

Unless otherwise approved by the Chief Compliance Officer, all employees are required to devote their full time and efforts Adviser's business. As such, no person may make use of either his or her position as an employee or information acquired during employment, or make personal investments in a manner that may create a conflict, or the appearance of a conflict, between the employee's personal interests and Adviser's interests. Accordingly, every employee is required to complete a disclosure form and have the form approved by Adviser's Chief Compliance Officer prior to serving in any of the capacities or making any of the investments more fully described in the Code.

### **Reporting Violations**

All Supervised Persons (any officer, director, partner and employee of Adviser) are required to report actual or known violations or suspected violations of Adviser's Code promptly to the Chief Compliance Officer or his designee.

Any report of a violation or suspected violation of the Code will be treated as confidential to the extent permitted by law.

As part of Adviser's obligations to conduct an annual review of all of its policies and procedures pursuant to Rule 206(4)-7 of the Advisers Act, the Chief Compliance Officer shall review on an annual basis the adequacy of the Code and the effectiveness of its implementation.

### ***Recordkeeping***

Adviser maintains the following:

- Copies of the Code of Ethics; Records of violations of the Code of Ethics and actions taken as a result of the violations;
- Copies of Adviser's supervised persons' written acknowledgement of receipt of the Code;
- Records of Access Persons' personal trading such as:
  - Initial Holdings Reports,
  - Annual Holdings Reports,
  - Quarterly Transactions Reports, including any information provided under Rule 204A-1(b)(3)(iii) in lieu of such reports (i.e. brokerage confirmations and transactions reports)
- A record of the names of Adviser's "Access Persons";



- Records of decisions and the reasons supporting the decision to approve and Access Person's acquisition of securities in initial public offering or limited offerings; and
- Records of decisions and the reasons supporting the decision to approve the Chief Compliance Officer's acquisition of securities in initial public offerings or limited offerings.

### **Acknowledgement of the Code**

Each employee will execute a written statement certifying that the employee has (i) received a copy of Adviser's Code; (ii) read and understands the importance of strict adherence to such policies and procedures; and (iii) agreed to comply with the Code.

### **Training and Education**

All Supervised Persons, i.e., all employees, are to receive training on complying with the Code on an annual basis as part of Adviser's annual employee compliance review meeting to ensure that all employees fully understand their duties and obligations and how to comply with the Policy's procedures.

### **Copies of Adviser's Code**

A copy of Adviser's Code of Ethics is available upon request. For a copy, please contact Adviser at (305) 373-9000.

### **Participation or Interest in Client Transactions and Associated Conflicts of Interest**

When GIS is acting as a broker with respect to a transaction executed for a client of Adviser, it will generally act on a riskless principal basis rather than on an agency basis. A riskless principal transaction refers to a transaction where GIS, after receiving an order to buy (or sell) a security for a client, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the client. GIS will not engage in riskless principal transactions with Adviser's clients without first disclosing to the client, in writing, before the settlement of the transaction, the capacity in which GIS is acting and obtaining the client's consent to the transaction before its settlement. (See Item 12 for more information on Broker-Dealer Selection and GIS). GIS will charge a mark-up or mark-down on riskless principal transactions in fixed income securities in the range of 0.125% to 0.75% depending on the size of the transaction and liquidity of the securities. Equity transactions are generally executed on an agency basis, but may be executed on a riskless principal basis using the same procedures and equivalent pricing as for fixed income securities. Liquid securities and large transaction sizes will generally result in lower fees. GIS will notify the client of any deviation in its mark-up and mark-down policies before executing a transaction.

Adviser may recommend or invest in securities, including funds, issued or managed by its affiliates (or where the affiliate acts as general partner) in which its affiliates have a material financial interest. Adviser has policies that require personnel who develop advice and recommendations for clients to render only disinterested and impartial advice to clients and to comply with other fiduciary obligations, including having an adequate basis in fact for all recommendations and an obligation to recommend only investments that are suitable for the particular client.

The potential conflicts of interest involved in any such transactions are generally governed by Adviser's Code. Pursuant to the stipulations of the Code, Adviser or a related person may buy or sell for itself securities that it also recommends to clients. The potential conflicts of interest involved in such transactions are governed by the Code, which establishes sanctions if its requirements are violated and requires that Adviser and employees place the interests of Adviser's clients above their own.

### **Investments in Securities by Adviser and its Personnel**

Adviser's personnel or a related person of Adviser may invest in the same or similar securities and investments as those recommended to or entered into on behalf of Adviser's clients. The results of the investment activities of Adviser's personnel or related persons for their accounts may differ from the results achieved by or for client accounts managed by Adviser. The conflicts raised by these circumstances are discussed below.

Adviser may recommend or affect the purchase or sale of securities in which it's related persons or an affiliate, directly or indirectly, has a position or interest, or of which related or affiliated person buys or sells for itself. Such transactions may also include trading in securities in a manner inconsistent with the advice given to Adviser's clients.

Activities and transactions for client accounts may be impaired or effected at prices or terms that may be less favorable than would otherwise have been the case had Adviser or related persons not pursued a particular course of action with respect to the issuer of the securities. In addition, in certain instances Adviser's personnel may obtain information about the issuer that could limit the ability of such personnel to buy or sell securities of the issuer on behalf of client accounts.

Transactions undertaken by Adviser's clients may also adversely impact one or more client accounts. Other clients of the Adviser may have, as a result of receiving client reports or otherwise, access to information regarding Adviser's transactions or views that may affect their transactions outside of accounts controlled by Adviser, and such transactions may negatively impact other clients' accounts. A client's account may also be adversely affected by cash flows and market movements arising from purchase and sale transactions by, as well as increases of capital in and withdrawals of capital from, other clients' accounts. These effects can be more pronounced in less liquid markets.

The results of the investment activities of a client's account may differ significantly from the results achieved by Advisers related persons and from the results achieved by Adviser for other client accounts.

As more fully described above, Adviser has adopted a Code of Ethics. Such Code of Ethics together with Advisers policies and procedures restrict the ability of certain officers and employees of Adviser from engaging in securities transactions in any securities that its clients have purchased, sold or considered for purchase or sale, for an appropriate "black out" period. Other restrictions and reporting requirements are included in Advisers procedures and Code of

Ethics minimizes or eliminates conflicts of interest.  
**Trading Alongside by Adviser and its Personnel**

Client accounts managed by Adviser may trade in the same or similar securities at or about the same time as accounts managed or advised by affiliates of the Adviser. Investments by Adviser's affiliates and their clients may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of a client's account, particularly in small capitalization, emerging market or less liquid strategies. This may occur when portfolio decisions regarding a client's account are based on research or other information that is also used to support portfolio decisions for Adviser's affiliates. If a portfolio decision or strategy for Adviser's affiliates' accounts or the accounts of clients of affiliates is implemented ahead of, or contemporaneously with, similar portfolio decisions or strategies for Adviser's client's account, market impact, liquidity constraints, or other factors could result in the account receiving less favorable trading results and the costs of implementing such portfolio decisions or strategies could be increased.

Advisory personnel who are registered representatives of Adviser's affiliated brokerage firms may receive commission and fees for recommending transactions to brokerage customers that are higher than the fees earned for recommending or directing such transactions for clients of Adviser. In addition to the disclosure in this brochure, personnel who are responsible for determining the recommendations and investments for Adviser's client accounts will disclose their status as registered representatives of Adviser's affiliates, in Adviser's Brochure Supplement provided to clients, where applicable. Adviser's policies require personnel who develop advice and recommendations for clients to render only disinterested and impartial advice to clients and to comply with other fiduciary obligations. Adviser's personnel who are also registered representatives do not earn commissions in accounts of advisory clients.

### **Errors**

Errors may occur from time to time in transactions for client accounts. The Adviser will generally correct any such errors that are the fault of the Adviser or an affiliate at no cost to the client, other than costs that the Adviser deems immaterial. In correcting any errors that are the fault of the Adviser or an affiliate, the Adviser or an affiliate may repurchase the securities from the client. To the extent that the subsequent sale of such securities generates a profit to the Adviser or an affiliate, the Adviser or the affiliate may retain such profits, and may, but is not required to, use such profits to offset errors in the future or pay other client-related expenses. The Adviser will not be responsible for any errors that occur that are not the fault of the Adviser or any affiliate.

### **Privacy Policy**

Adviser considers your privacy our utmost concern. Adviser does not share any information of clients with nonaffiliated third parties, except such information may be disclosed as necessary to process a transaction an investor has marketers who agree to limit their use of such information, and to the extent required or specifically permitted by law or reasonably necessary

to prevent fraud, unauthorized transactions or liability.

When Adviser discloses non-public personal information of clients to a non-affiliated third party that provides services to Adviser or engages in joint marketing, Adviser shall:

- Notify investors of the possibility of such disclosure; and
- Enter into a contractual agreement with the third party that prohibits the third party from disclosing or using the investors' information other than to carry out the purposes for which the information was disclosed to the third party.

In particular, Adviser may enter, in compliance with the above conditions, into an agreement with a non-affiliated third party to store the records of Adviser clients and investors including electronic and e-mail records. For more information about Adviser's privacy policies or to request a brochure describing Adviser's privacy policies contact Adviser at (305) 373-9000.

## **ITEM 12 – BROKERAGE PRACTICES**

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### **Broker-Dealer Selection**

Generally, Adviser will execute securities transactions through GIS and other broker dealers/custodians. In selecting custodians /broker dealers, the Adviser will consider commission rates, special execution and block positioning capabilities, clearance, settlement and custodial services, financial stability and reputation and the extension of credit to customers. As described in Item 8 above, the particular securities and the amounts of such securities, to be purchased and sold are determined by Adviser consistent with the client's investment objective, policies and restrictions.

In arranging for the purchase and sale of the portfolio securities of Adviser's clients, HBAM takes numerous factors into consideration. There include any legal restrictions, such as those imposed under the securities laws, and any client imposed restrictions, such as those imposed under the securities laws, and any imposed restrictions. Within these constraints HBAM employs or deals with members of the securities exchanges and other brokers and dealers as may in its judgement implement the policy of obtaining best execution (i.e. prompt and reliable execution at the most favorable process obtainable under the prevailing market conditions) of portfolio transactions.

### **Research and Other Soft Dollar Benefits**

At present, the Adviser does not have any soft dollar agreements. Consistent with obtaining best execution, brokerage commissions on client portfolio transactions may be directed to brokers in recognition of research services furnished by them, as well as for services rendered in the execution of orders by such brokers. As a general matter, such research services are used to service all of Adviser's clients. However, each and every research service may not be used to service each and every client managed by Adviser, and brokerage commissions paid by one account may apply towards payment for research services that may not be used in the service of that account.

Adviser may consider receipt of research, together with other factors, in selecting a broker for a transaction. See discussion above in Item 12 for a discussion of broker-dealer selection.

### **Brokerage for Client Referrals**

Adviser does not direct brokerage to particular brokers in consideration for client referrals.

### **Directed Brokerage**

Adviser generally has the discretionary authority to determine and direct execution of portfolio transactions within the client's specified investment objectives without prior consultation with the client on a transaction-by-transaction basis. See above in this Item 12 under "Broker-Dealer Section" regarding Adviser's execution through its affiliated broker-dealer.

Some clients, however, may limit Adviser's discretionary authority in terms of the selection of broker-dealers or other terms of brokerage arrangements and may direct Adviser to place transactions for their accounts with a particular broker-dealer, to, among other things, defray consulting fees or other fees. Where a client directs the use of a particular broker-dealer, Adviser may be unable to achieve most favorable execution of client transactions and the client may pay more in execution fees than if Adviser was permitted to choose the executing broker. In such cases, Adviser may not have as much discretion in determining the terms of how an order will be handled with such broker-dealer and may not be able to freely negotiate commission rates. In addition, Adviser may not be able to aggregate the client's orders with other client orders to reduce transaction costs. As a result, designating use of a particular broker-dealer may cause a client to pay higher commissions or receive less favorable net prices than would be the case if Adviser were authorized to choose the broker-dealer through which to execute the transaction for the client's account. Lastly, in an effort to achieve orderly execution of transactions, execution of orders for clients that have designated particular brokers may, in certain circumstances, be delayed until after Adviser completes the execution of non-designated orders.

Adviser has the fiduciary duty to execute orders for its clients fairly and equitably. Adviser follows written procedures pursuant to which it may, for clients who permit it, and to the extent consistent with best execution, combine purchase or sale orders for the same security for multiple clients (sometimes called "bunching") so that they can be executed at the same time. The participating accounts that may be bunched in an order may include both client accounts as well as Adviser's own accounts. The procedures followed by Adviser may differ depending on the particular strategy or type of investment. Adviser is not required to bunch or aggregate orders if: (1) portfolio management decisions for different accounts are made separately; or (2) Adviser determines that bunching or aggregating is not practicable. Adviser may be able to negotiate a better price and lower commission rate on aggregated trades than on trades for accounts that are not aggregated. Where transactions for a client's account are not aggregated with other orders, it may not benefit from the better price and lower commission rate.

Because of prevailing trading activity, it may not be possible to receive the same price or execution on the entire volume of securities purchased or sold. When this occurs, the various prices may, in the Adviser's discretion, be averaged and accounts will be charged or credited with the average

price. The effect of such aggregation may operate on some occasions to an account's disadvantage.

## **ITEM 13 – REVIEW OF ACCOUNTS**

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Accounts are typically reviewed by a Designated Investment Officer of the Adviser or his/her designee on a quarterly basis or as needed due to market conditions or transactional activity. The Investment Officer or designee typically reviews daily transactions entered into for investment advisory clients to determine that correct entries have been made for all client records.

### *Factors Triggering a Review*

There are no specific triggering factors leading to a review.

### *Client Reports*

Clients of the Adviser with discretionary accounts receive account statements no less than on a quarterly basis from their qualified Custodian. The Adviser will also provide consolidated reports on a periodic basis or as agreed upon between the Adviser and the client.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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### *Other Compensation*

Adviser does not receive compensation from third parties for providing advice to clients and The Adviser has entered into an agreement whereby a party unaffiliated with the Adviser is entitled to compensation in the event that such party solicits prospective clients who become Adviser's clients. Such solicitor entered into written agreements with Adviser pursuant to which the solicitor will provide each prospective client with a copy of Adviser's Form ADV Parts 2A and 2B and a disclosure document setting forth the terms of the solicitation agreement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act.

## **ITEM 15 – CUSTODY**

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Clients receive monthly or quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets.

## **ITEM 16 – INVESTMENT DISCRETION**

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Adviser receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the

particular client account. When selecting securities and determining amounts, Adviser observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Adviser in writing.

## **ITEM 17 – VOTING CLIENT SECURITIES**

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### ***Proxy Voting Policies***

The Portfolios generally do not invest in securities that would require Adviser to vote investment proxies on behalf of the Accounts or their investors. To the extent Adviser does vote investment proxies, Adviser has adopted proxy voting policies and procedures (the “Policies”). The Policies generally require the Adviser to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests (collectively, “proxies”) in a manner that serves the best interests of client accounts, as determined by the Adviser in its discretion, taking into account the following factors: (i) the impact on the value of the securities; (ii) the costs and benefits associated with the proposal; (iii) the effect on liquidity; and (iv) the customary industry and business practices. The Policies also address how the Adviser will vote proxies with regard to specific matters, such as voting rights, mergers or acquisitions, the election of Board members and other issues and how to address material conflicts of interests. Clients may request a copy of the Policies and the proxy voting record relating to the Portfolios by contacting the Adviser.

## **ITEM 18 – FINANCIAL INFORMATION**

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Registered investment advisers are required in this Item 18 to provide you with certain financial information or disclosures about their financial condition. Adviser does not require prepayment of fees six months or more in advance, 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. Accordingly, no financial statements are required to be provided by Adviser to its clients and prospective clients.