

**J.M. Hartwell LP**  
**Investment Counsel since 1961**

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March 28, 2017

**Form ADV Part 2A**

**Brochure**

This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of J.M. Hartwell LP (“Hartwell” or the “Firm”). If you have questions about the contents of this Brochure, please contact us at (212) 308-3355 or email us at [marketing@jmhartwell.com](mailto:marketing@jmhartwell.com). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Hartwell is also available on the SEC’s website, available at: <http://www.adviserinfo.sec.gov>. The SEC’s web site also provides information about any persons affiliated with Hartwell who are registered, or are required to be registered, as investment adviser representatives of Hartwell.

Although Hartwell is registered as an investment adviser under the Investment Advisers Act of 1940, such registration does not imply that Hartwell or our personnel have a certain level of skill or training.

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**Item 2 – Material Changes**

This Item requires us to summarize any material changes to our Form ADV Part 2A since our last filing on March 28, 2016. While we made certain non-material changes throughout the Form, we do not believe that any of these changes were material. If you have questions about this Form, please contact us at (212) 308-355 or write us at:

J.M. Hartwell LP  
Attn: Chief Compliance Officer  
515 Madison Avenue  
New York, NY 10022

#### **Item 4 – Advisory Business**

J.M. Hartwell Limited Partnership (“Hartwell” or “Firm”) generally provides investment management and supervisory services on a discretionary basis. The Firm has been in business since 1961. Hartwell currently has 9 employees working in the Firm’s New York office. As of December 31, 2016, Hartwell had approximately \$446,929,919 in assets under management. Hartwell provides investment supervisory services to clientele which includes individuals, trusts, charitable institutions, endowment plans, pension and profit sharing plans, Taft-Hartley accounts and pooled investment vehicles. Hartwell also acts as sponsor and investment adviser for a privately offered limited partnership that is available only to investors who qualify for the fund. Please see “Item 7 – Types of Clients” of this Brochure for more information with respect to Hartwell’s clients.

#### **Principal Ownership**

Hartwell’s institutional partner, Affiliated Managers Group, Inc. (“AMG”), holds a majority equity interest in Hartwell, with Hartwell employees holding the remaining ownership interests. AMG, a publicly-traded asset management company (NYSE: AMG) also holds equity interests in other investment management firms (“AMG Affiliates”). Further information on both AMG and AMG’s Affiliates is provided in Item 10.

#### **Advisory Services**

Hartwell provides discretionary investment management services, taking into account individual client investment constraints, if any, set forth by the client in the Investment Advisory Agreement. Since its inception, the Firm has concentrated primarily on growth stock investments with the investment objective of capital appreciation. Securities are selected for investment in accounts under management on the basis of their long-term growth prospects. Selections are made on the basis of fundamental investment research. Investment in growth stocks through the Firm is not intended to constitute an individual's or entity's complete investment program, nor is it suitable for investors seeking income. The Firm's services are aimed at those accounts wishing to invest in growth stocks with the objective of capital appreciation over the long-term.

Balanced portfolio products, which combine growth stocks with income producing vehicles, are also available. In addition, as not all investors’ objectives are similar, Hartwell also offers customized portfolio management services to meet these more specialized goals.

As described in greater detail below, the Firm also serves as investment adviser to a private investment vehicle, the investment objective of which is to seek a total return that exceeds the S&P 500 index over time by investing in a concentrated portfolio of growth equity securities (see “Concentrated Growth” strategy described in “Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss” for additional details).

As an asset manager for its clients, Hartwell recognizes that all of our clients are unique and that, therefore, their investment needs may be different. As such, we may modify our primary investment strategies, as necessary, to meet the goals that our clients specify, in an effort to accommodate the particular investment objectives and accompanying restrictions requested by our clients. At the commencement of the client relationship, each of our clients executes an investment management agreement, which sets forth their investment objectives, investment strategy and any investment restrictions that will be applicable to our management of the assets in the client’s account. Prior to the execution of the agreement, we review requested objectives and restrictions and work with the

client as needed to refine these objectives and restrictions to both meet the client's needs and provide us with sufficient discretion to properly invest the client's assets.

### **Wrap Fee Programs**

"Wrap arrangements," "wrap fee programs," and/or "wrap fee accounts" involve individually-managed accounts for individual or institutional clients. The wrap fee accounts are offered as part of a larger program by a "sponsor," usually a brokerage, banking or investment advisory firm, and managed by one or more investment advisers. Pursuant to such arrangements, the customer generally pays the broker a single annual fee to cover all costs in connection with securities transactions that are effected by or through the broker, and advisory services rendered by the broker and/or by an investment adviser selected by the broker or by the customer from among several presented to the customer by the broker. In such cases, if Hartwell is selected, the Firm is compensated directly by the broker sponsoring the Wrap Fee Program. While Hartwell's compensation in such cases may be lower than the Firm's standard fee schedule, the overall costs of a Wrap Fee Program may be higher than the client otherwise would experience by paying the Firm's standard fees and negotiating transaction charges with a broker that are payable on a per transaction basis (either directly in directed brokerage arrangements or through Hartwell when the Firm is authorized to select a broker), depending on the extent to which securities transactions are or are not initiated for the client by Hartwell during the period covered by the arrangement. As described in Item 5, the sponsor typically pays a portion of its program fee to Hartwell for its services.

Generally, Hartwell's management of wrap fee accounts and other accounts under the same investment strategy is consistent. Although we cannot necessarily offer the same level of portfolio customization to wrap fee accounts that is offered to other accounts within an investment strategy, we do offer our wrap fee clients the opportunity to customize their portfolios by imposing reasonable investment restrictions on their account.

In addition, when trading for our wrap fee program accounts, Hartwell may trade with different broker/dealers than for our other accounts even when trading in the same security pursuant to the same strategy. When trading in our wrap fee accounts, and while Hartwell continues to seek best execution when selecting brokers, trades for wrap fee program accounts are typically directed to the wrap fee program sponsor (or its designated broker/dealer), since brokerage commissions are included in the wrap fee. In such situations, Hartwell may be required to trade a wrap fee program's accounts separately from other accounts being managed within the same strategy. While directed brokerage is designed to benefit the wrap fee program account through lower trading costs, there may be some circumstances where directed trades do not receive the best price, or where dividing the trade into separate components may inhibit Hartwell's ability to obtain the same level of or as timely execution it may otherwise have been able to obtain if it had been able to execute the entire trade with one broker/dealer. Wrap program accounts also generally do not participate in new issues. Operational limitations with these types of accounts make trading away from the Sponsor difficult. To the extent that Hartwell trades away from the sponsor by placing trades with a different brokerage firm, the client will typically incur the costs associated with this trading, in addition to the wrap fees normally payable. Subject to these limitations, these factors, Hartwell continues to employ methods, such as trade rotation, in an effort to reduce the impact of these

issues. Clients who enroll in these programs should satisfy themselves that the Sponsor is able to provide best price and execution of transactions. For additional information with respect to trading related to wrap account programs, please see the sub-sections entitled “Directed Brokerage” and “Aggregation of Trades” under “Item 12 – Brokerage Practices” of this brochure

### **Assets Under Management**

As noted above, as of December 31, 2016, Hartwell’s client assets under management (“AUM”) was approximately \$446,929,919.

Please see Hartwell’s Form ADV Part 1A – Item 5.F for more information.

### **Item 5 – Fees and Compensation**

#### **Standard Fee Schedule**

Hartwell is compensated for its investment advisory services through payments of fees made by our clients. Hartwell’s standard fee schedule is included below. This standard fee schedule may be modified from time to time.

The Firm’s standard fee schedule is 1% on an annual basis. Subject to applicable laws and regulations, Hartwell retains discretion over the fees that it charges to its clients, as well as any changes in its fee schedules. Fees may be negotiated or modified in Hartwell’s sole discretion in light of a client’s special circumstances, such as asset levels, service requirements or other factors. The Firm may agree to offer clients a fee schedule that is lower than that of any other comparable clients in the same investment style. Also, there may be historical fee schedules with longstanding clients that differ from those applicable to new client relationships. For comparable services, other investment firms may charge higher or lower fees than those charged by Hartwell. Advisory fees may be subject to a specified annual minimum; however, Hartwell reserves the right to waive all or a portion of its management fee and negotiate minimum annual fees.

The Firm’s fee is calculated based on market value typically at the close of the previous quarter, and normally billed for three months in advance. Several accounts pay fees based on three month billing in arrears. Hartwell will provide an invoice and related performance documents (listed in Item 13) to clients directly each quarter. Clients have the option to either pay management fees directly to Hartwell, or they can direct their custody bank to deduct the fees. Termination of the contract is by written notice. Upon account termination, any unearned fees paid in advance will be refunded promptly. Fees are also prorated at the inception of the investment advisory agreement to cover only the period of time the account assets were under management.

Investors in the Firm’s private fund are subject to the terms and conditions of the fund’s subscription agreement and organizing documents, as further described below.

To calculate advisory fees, Hartwell generally relies on prices provided by third-party pricing services for purposes of valuing portfolio securities held in client accounts. Hartwell may, on occasion, be required to “fair value price” a security when a market price for that security is not readily available or when the Firm has reason to believe that the market price is unreliable. When “fair value pricing” a security, Hartwell will use various sources of information at its disposal to

determine a fair price that the security would obtain in the marketplace if, in fact, a market for the security existed. For any fair value securities, the Firm maintains policies and procedures relating to the pricing process in an effort to mitigate any conflicts of interest with respect to valuation. A committee comprising the CCO and senior Portfolio Manager(s) will determine a fair value for any security in question.

Performance fees for certain products are also available, subject to applicable law, and are negotiable. See Item 6 for further information.

### **Fees for Specialized Accounts and Advisory Services**

A subsidiary of Hartwell is a General Partner to Hartwell Capital Partners LP, (“the Fund”), which is a private fund. The Fund is neither registered under the Securities Act of 1933, nor registered under the Investment Company Act of 1940. Accordingly, interests in the Fund are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in offshore transactions. No offer to sell this Fund is made by the descriptions in this Brochure, and as noted this Fund is available only to investors that are properly qualified.

The Fund has an annual management fee of 1.0% of assets and 20% of any net profits of the Partnership. Fees based in whole or in part on the performance of an account are structured in compliance with applicable laws and regulations, including Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Hartwell’s entitlement to a performance-based fee may create an incentive to take risks in managing assets that it would not otherwise take in the absence of such arrangements. Hartwell reserves the right to waive all or a portion of its management and performance-based fees and negotiate investment minimums. The Fund’s particular fee and expense arrangements, brokerage practices, redemption and termination arrangements, including fees, if any, are disclosed in the Fund’s offering memoranda. As noted, the Fund is only available to investors who qualify for the Fund, and no public offering of the Fund is being made by this disclosure or otherwise. Investors should review all documents relating to the Fund prior to investing. Please see Item 6 for further information.

### **Wrap Fee Programs**

For additional information with respect to wrap fee programs and how Hartwell’s fees are calculated in accordance with such programs, please see the sub-section entitled “Wrap Fee Programs” under “Item 4 - Advisory Business” of this Brochure.

With regard to wrap fee program accounts, the all-inclusive fee may exceed the aggregate cost of the services provided if such services were negotiated and purchased separately, depending on:

- the level of the all-inclusive fee;
- the amount of trading activity in a client’s account;
- the cost of brokerage commissions (which costs are typically negotiated between the client and the broker/dealer, rather than by the Firm, with transactions being effected either by the broker/dealer or a third party);
- the value of any other services rendered to the client; and
- other miscellaneous factors.

Clients in these programs generally pay the wrap program sponsor a single fee (called a “wrap fee”) for consulting, brokerage, custodial, portfolio monitoring, and investment management services, typically up to 3% of the assets under management. The fees paid by clients for investing in a wrap fee account are set by the sponsor, and are generally disclosed in the sponsor’s contract established with each client. The sponsoring firm then pays Hartwell a portion of this wrap fee. For detailed information on the wrap fees charged by each wrap fee program sponsor, please refer to the specific sponsor’s Form ADV Part 2A, Appendix 1.

### **Additional Fees and Expenses Payable by Clients**

Hartwell’s fees are exclusive of brokerage commissions, transaction fees, service provider fees, and other related costs and expenses which will be incurred by the client. Execution of client transactions typically requires payment of brokerage commissions by clients. “Item 12 – Brokerage Practices” further describes the factors that the Firm considers in selecting or recommending broker/dealers for the execution of transactions and determining the reasonableness of their compensation (*e.g.*, commissions). Investment activity may also involve other transaction fees payable by clients, such as sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, clients may incur certain charges imposed by custodians, broker/dealers, third-party investment consultants, and other third parties, such as custodial fees, consulting fees, administrative fees, and transfer agency fees.

### **Fees for Investment of Client Assets in Third Party Mutual Funds, Private Funds, and Other Pooled Investment Vehicles**

At times, Hartwell may invest client’s assets in mutual funds (including money market funds or similar short-term investment funds) or other pooled investment vehicles sponsored by third parties, such as Exchange Traded Funds (“ETFs”), private or venture funds. To the extent that a client’s assets are invested in these securities, these clients will also typically pay management and/or other fees (such as performance fees) to the mutual funds or other pooled vehicle that are in addition to the fees paid by the client to Hartwell. Those fees are described in each pooled vehicles’ offering documents (*e.g.*, prospectus or offering memorandum). Such charges, fees, and commissions are exclusive of, and in addition to, Hartwell’s fee. Hartwell may receive portions of these commissions, fees, and costs as described in the relevant offering documents. For Hartwell clients invested in a private fund advised by Hartwell, those clients will pay the fees and expenses charged by that fund, but not a separate advisory fee to Hartwell.

### **Fees for the Sale of Securities**

Hartwell does not receive any compensation from the purchase or sale of securities for its clients. Hartwell is compensated through the stated management fee agreed upon in the investment advisory agreement.

## **Item 6 – Performance-Based Fees and Side-by-Side Management**

### **Side-by-Side Management**

Our investment teams and individual portfolio managers manage multiple accounts including separate accounts and the Fund, according to the same or a similar investment strategy (*i.e.*, side-by-side management). The simultaneous management of these different investment products creates



certain conflicts of interest, as the fees for the management of certain types of products are higher than others and also raises the possibility of favorable or preferential treatment of a client or a group of clients. Additionally, as described in Item 11, the Firm and/or its principals may have investments in certain accounts or funds managed by Hartwell (e.g., private funds) that follow a similar investment strategy to other client portfolios. Nevertheless, when managing the assets of such accounts, Hartwell has an affirmative duty to treat all such accounts fairly and equitably over time.

Although the Firm has a duty to treat all portfolios within an investment strategy fairly and equitably over time, such portfolios will not necessarily be managed the same at all times. Specifically, there is no requirement that the Firm use the same investment practices consistently across all portfolios. In general, investment decisions for each client account will be made independently from those of other client accounts, and will be made with specific reference to the individual needs and objectives of each client account. In fact, different client guidelines and/or differences within particular investment strategies may lead to the use of different investment practices for portfolios within a similar investment strategy. In addition, Hartwell will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible portfolios, particularly if different portfolios have materially different amounts of capital under management by Hartwell or different amounts of available cash. For example, certain clients may request Hartwell to hold individual securities for longer periods of time due to tax considerations. As a result, Hartwell may not be able to sell enough securities to raise sufficient cash in such clients' accounts to enable participation in a new investment opportunity in a manner similar to other portfolios in the investment strategy. As a result, although Hartwell manages numerous portfolios with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may significantly differ from portfolio to portfolio.

### **Performance-Based Fees**

Hartwell receives performance-based fees for its investment management services of the Fund. A performance-based fee is a fee representing an asset manager's compensation for managing an account which is based upon a percentage of the net profits of the account being managed. When calculating net profits, performance-based fees may be based on absolute or benchmark relative returns. In certain other instances, we may negotiate performance-based fees with specific clients. In any event, we may have both performance-based fee accounts and asset-based fee accounts within a particular investment strategy.

Performance-based fees create certain inherent conflicts of interest with respect to Hartwell's management of assets. Specifically, our entitlement to a performance-based fee in managing one or more accounts may create an incentive for us to take risks in managing assets that we would not otherwise take in the absence of such arrangements. Additionally, since performance-based fees reward us for strong performance in accounts which are subject to such fees, we may have an incentive to favor these accounts over those that have only asset-based fees (i.e., fees based on the amount of assets under management in an account) with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities. Hartwell has adopted mitigating controls to address these conflicts, as described below and in Item 12.

## **Related Procedures and Controls**

To maintain fair and equitable treatment of all accounts over time, Hartwell has implemented a series of controls to further its efforts to treat all accounts fairly, regardless of their corresponding fee structure. For example, Hartwell has implemented trade allocation and aggregation procedures, as further described in Item 12. With respect to trade allocation, Hartwell has adopted a general policy of pro rata allocation per client account based upon order size as determined by the portfolio manager at the time of order entry. However, the policy does permit allocation on a basis other than pro rata, under certain circumstances, if it is believed that such allocation is fair and reasonable. As noted in Item 12, Hartwell's portfolio managers and compliance personnel review allocations to ensure that the allocations are fair and equitable over time. The overriding principle is to be fair and reasonable to all clients based upon client investment objectives and our policies.

## **Item 7 – Types of Clients**

### **Types of Clients**

As noted above in Item 4, Hartwell provides investment advisory services to individuals, trusts, charitable institutions, endowment plans, pension and profit sharing plans, Taft-Hartley accounts and pooled investment vehicles. The Firm has also entered into agreements with certain brokerage or investment consultant firms ("Wrap Fee Sponsors") where Hartwell agrees to manage accounts who select Hartwell as an investment manager.

### **Conditions for Managing Accounts**

As a general rule, Hartwell requires a minimum account size of \$1,000,000. However, the minimum account size may be waived or modified at the Firm's discretion. In those circumstances where Hartwell serves as an adviser within a wrap fee program or is an adviser or sub-adviser to other funds or accounts, the account minimums are generally determined by the Firm's agreement with the relevant wrap fee program sponsor, fund, or account. Generally, Hartwell requires each client to execute an investment management agreement that details the nature of the discretionary investment advisory authority given to Hartwell.

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

### **Strategy Overview and Related Risks**

As noted in Item 4, Hartwell is a discretionary investment management firm concentrating primarily on growth stock investments with the investment objective of capital appreciation. Our investment strategies include: Growth Equity; International Growth; Concentrated Growth; Conservative Growth and All Cap Growth. The following strategies are only offered from SMA and UMA platforms of brokerage firms: Small Cap Growth; Large Cap Growth; and All Cap Growth. Each of our investment strategies is managed by a portfolio manager or group of portfolio managers in a manner consistent with our approach to investing.

**Growth Equity.** The objective of the growth equity strategy is to maximize long-term total return over time by holding a portfolio of, in our view, industry leading medium and large capitalization companies which are believed to possess significant potential for growth. The strategy seeks a total return that exceeds the S&P 500 Composite index over time.

**International Growth.** The objective of the international growth strategy is to maximize long-term total return over time by generally holding a diversified portfolio of, in our view, industry leading, dividend paying, international medium and large capitalization companies which are believed to possess significant potential for growth. The portfolio holds both listed US and ADR securities.

The strategy seeks a total return that exceeds the MSCI EAFE (Morgan Stanley Capital International Europe, Australasia and Far East) index over time.

### **Concentrated Growth**

The objective of the concentrated growth strategy is to maximize long-term total return over time by holding a concentrated portfolio of, in our view, “best ideas” of small, medium and large capitalization companies which are believed to possess significant potential for growth. In addition, the strategy utilizes short positions in equities or ETF’s to either hedge against stock specific or market exposure. The strategy seeks a total return that exceeds the S&P 500 Composite index over time.

### **Conservative Growth**

The objective of the conservative growth strategy is to maximize long-term total return over time by holding a diversified portfolio of medium and large capitalization companies which are believed to possess significant potential for growth. The strategy aims to provide excess returns through investment cycles through a bottom up value added stock selection process together with a proactive asset allocation approach focused on managing risk.

### **Small Cap Growth**

The objective of the small cap growth strategy is to maximize long-term total return over time by holding a portfolio of, in our view, industry leading smaller capitalization companies which are believed to possess significant potential for growth. The strategy seeks a total return that exceeds the Russell 2000 Growth index over time.

### **Large Cap Growth**

The objective of the large cap growth strategy is to maximize long-term total return over time by holding a portfolio of, in our view, industry leading larger capitalization companies which are believed to possess significant potential for growth. The strategy seeks a total return that exceeds the Russell 1000 Growth and S&P 500 Composite indices over time.

### **All Cap Growth**

The objective of the all cap growth strategy is to maximize long-term total return over time by holding a portfolio of, in our view, rapidly growing, industry leading growth companies of all market capitalization sizes.

### **Investment Process**

Our investment approach is based on a disciplined, fundamentally based, bottom up analysis of growth companies. The portfolio management approach and research methodology has been followed for over four decades. We believe earnings growth is the key determinant of stock price performance and we focus on identifying future earnings potential of what we believe to be above-average growth companies. We invest in those few companies that we believe possess unique or proprietary advantages that offer the best prospects for above-average increases in revenues and earnings. The companies we select tend to be grouped in industries that, in our view, are less likely to be affected by the business cycle and have the strongest prospects for unit volume growth. We identify catalysts that we believe will spur additional investor and analytical interest aiding price

earnings multiple expansion. We monitor companies and their industries for consistency in retaining the investment and financial characteristics that led to their selection in the first place. As a Firm we strive to anticipate change and identify catalysts through fundamental research. We begin by identifying opportunities among growth companies that meet Hartwell's growth criteria of:

- **Above-average sales, cash flow and/or earnings growth** – this must reflect projected results over the next several years based on consistent economic reasons
- **Competitive strengths** – we look at a company's industry position, proprietary technology, differentiated products, and marketing skills
- **Pricing flexibility** – measures include what we believe to be favorable pre-tax margins and return on equity
- **Industry position** – look for industry leading companies
- **A catalyst for the stock to appreciate** – we seek to identify catalysts that will spur stock price appreciation
- **Other criteria** include what we believe to be a good balance sheet, good prospects for growth, conservative accounting practices, and a good reputation for management and product quality

Once companies have been identified, reviewed and purchased, we focus on balancing the expected return with a thorough understanding of the potential risks through a review process that includes:

- Additional bottom up research;
- Valuation parameters; and
- Investment rationale.

Hartwell's security analysis methods include both technical and fundamental analysis. Technical analysis is a method of evaluating securities by analyzing market statistics, such as past prices and volume. In performing technical analysis, the Firm uses charts and other tools to attempt to predict patterns relating to the future activity of a security. In contrast, fundamental analysis is a method of evaluating a security in which the Firm attempts to determine the intrinsic value of a security by examining certain economic, financial, and other qualitative and quantitative factors, including both macroeconomic factors, such as the overall economy and industry conditions, as well as company-specific factors, such as management.

In evaluating securities, the main sources of information used by Hartwell include, but are not limited to, conferences, meetings with management, company road shows, quantitative data provided by third-party vendors, financial newspapers and magazines, research materials prepared by third parties, dividends, and earnings, annual reports, prospectuses, filings with the SEC, and company press releases. Hartwell may also utilize quantitative analysis (including asset allocation indicators). The Firm may subscribe to other services (e.g., charting and timing), but does not rely on such services as a principal source of information.

**Risk of Loss**

Investments in securities and other financial instruments and products are subject to many types of risk that can cause the permanent loss of capital as a result of adverse market conditions. The investment strategies utilized by Hartwell carry different levels of risk, as more fully described below. In each strategy, all securities include a risk of loss of principal and any profits that have not been realized. The stock markets, bond markets, and derivatives markets fluctuate substantially over time and, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets the Firm manages on your behalf, and such a loss may be out of our control. We cannot guarantee any level of performance and cannot guarantee that you will not experience a loss in value of your account. As noted above, each of Hartwell's strategies has the potential for clients' assets to decline in value as a result of market conditions. Some of the specific risks to which client assets may be susceptible include investment and market risk, concentration and sector risk, geopolitical risk and correlation risk.

**Investment and Market Risk**

Market prices of securities held by the Firm may fall rapidly or unpredictably due to a variety of factors, including changing economic, political, or market conditions. An investment in common shares of any company is subject to investment risk, including the possible loss of principal. The value of a company's equity, like other market investments, may move up or down, sometimes rapidly and unpredictably. Shares at any point in time may be worth less than an investor's original investment, even after taking into account the reinvestment of a fund's dividends and distributions.

**Concentration and Sector Risk**

Investment strategies focused on or concentrated in a single sector may be affected by particular economic or market events and could be more volatile than a strategy with securities across industry sectors. Concentrated portfolios may have more risk because changes in the value of a single security or the impact of a single economic, political or regulatory occurrence may have a greater adverse impact on the strategy's performance.

The portfolios that Hartwell constructs are typically more concentrated than other portfolios managed in similar styles. We typically invest a substantial portion of client assets in securities within a few industries or sectors of the economy. As result, the portfolios may be subject to greater price volatility or adversely affected by the performance of securities in that particular sector or industry. Additionally, Hartwell may hold an individual security or group of securities for longer periods of time for particular clients due to tax considerations and other reasons specific to the clients' circumstances. If these securities appreciate considerably in value, these clients' accounts may become more concentrated and less diversified than other accounts managed within the same or similar investment strategy, subjecting the clients' accounts to greater concentration risk.

**Geopolitical risk**

The change in political status or political stability of any country can have profound effects on the value of investments exposed to that country.

**Foreign Securities Risk**

Investments in foreign securities, including foreign securities represented by ADRs, GDRs, and foreign securities trading on U.S. stock exchanges, involve risks relating to political, social, and economic developments abroad, as well as risks resulting from the different regulations between U.S. and foreign issuer markets. These risks include, without limitation: different accounting and reporting practices, less publicly available information, difficulty in enforcing obligations in foreign countries, lower trading volume, greater market volatility, delays in settling foreign securities transactions, higher costs for holding shares (custodial fees), higher transactions costs, vulnerability to seizure and taxes, and different market trading days. Investments in foreign securities may also be negatively impacted by a foreign country's monetary policy, growth rates, and inflation rates.

**Currency Risk**

Exchange rates between a client's base currency and that of a foreign company's local market currency may fluctuate over short periods of time due to factors such as changes in interest rates, government intervention (e.g., devaluation of a currency by a country's government or central banking authority) and other geopolitical issues. Such changes can have a negative impact on clients' investments in foreign companies. For example, for ADRs, the issuing bank of an ADR must convert dividends received from a foreign company into U.S. dollars prior to sending to investors. If the value of the foreign currency declines relative to the U.S. dollar, U.S. investors may experience lower returns.

**Correlation Risk**

Hartwell's growth philosophy typically results in higher correlated portfolios. Correlation is a statistical measurement of the relationship between two variables. Correlations range from +1 to -1. A zero correlation indicates that there is no relationship between the variables. A correlation of -1 indicates a perfect negative correlation, meaning that as one variable goes up, the other goes down. A correlation of +1 indicates a perfect positive correlation, meaning that both variables move in the same direction together. Correlation Risk is a risk associated with having several positions in similar markets. True diversification generally requires having positions in markets that don't move in tandem. Markets that are part of the same sector or group are usually correlated or move together. For example, while the individual fundamentals of the companies in oil drilling, oil exploration, oil gathering, oil pipelines, and oil refineries may all be different, the underlying equities would constitute a form of correlated positions. There is an increased probability that these markets will move up and down together.

**Counterparty Risk**

Hartwell may enter into transactions with counterparties (including prime brokers) on the behalf of client accounts. A client account is subject to the risk that a counterparty may be unable to fulfill its contractual obligations, whether due to insolvency, bankruptcy or other causes.

**Short Sale Risk**

Hartwell enters into short sale transactions for the Fund. Short sale transactions may lose more money than the actual cost of the investment. Additionally, the third party to the short sale may fail to adhere to the contractual terms of transaction, resulting in a loss to the portfolio.

## **Cybersecurity**

With the increased use of technologies to conduct business, Hartwell is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber incidents impacting Hartwell have the ability to cause disruptions and impact business operations, potentially resulting in the inability to transact business, financial losses, violations of applicable privacy and other laws, regulatory fines, penalties or reputational damage. While Hartwell has established a business continuity plan and risk management systems intended to identify and mitigate cyber attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, Hartwell cannot control the cybersecurity plans and systems put in place by third party service providers and issuers in which client portfolios invest. Clients could be negatively impacted as a result.

## **Item 9 – Disciplinary Information**

There are no applicable legal or disciplinary events relating to Hartwell.

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

### **Affiliations**

As noted in “Item 4 – Advisory Business” of this brochure, AMG holds an equity interest in Hartwell. AMG also holds equity interests in certain other investment advisers (“AMG Affiliates”). AMG does not have any role in the day-to-day management of Hartwell. Each of the AMG Affiliates, including Hartwell, operates autonomously and independently of AMG and of each other. Except as described in this Form ADV, Hartwell does not have any business dealings with these AMG Affiliates and does not conduct any joint operations with them. Hartwell carries out its asset management activity, including the exercise of investment discretion and voting rights independent of the AMG Affiliates. The AMG Affiliates do not formulate advice for Hartwell’s clients and do not, in Hartwell’s view, present any potential conflict of interest with Hartwell’s clients. More information regarding AMG, including its public filings and a list of all AMG Affiliates, is available at [www.amg.com](http://www.amg.com).

Hartwell has a servicing agreement with AMG Funds LLC (“AMG Funds”), an AMG Affiliate, under which AMG Funds provides administrative assistance and marketing services to support Hartwell’s provision of advisory services to or through various unaffiliated third-party investment programs, including wrap programs and dual contract programs sponsored by unaffiliated broker/dealers, banks, and other financial intermediaries. Hartwell pays AMG Funds a fee for the services provided by AMG Funds under these servicing arrangements.

Hartwell has a marketing agreement(s) with AMG Funds under which AMG Funds markets Hartwell’s investment management services to unaffiliated third party intermediaries that sponsor subadvised mutual funds and/or other platforms, such as defined contribution retirement plan platforms. Hartwell pays AMG Funds a fee for these services.

### **Other Financial Activities**

Neither Hartwell nor any of its management persons are registered, or have an application pending to register, as a broker/dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of one of the foregoing types of entities.

As noted in Item 14, Hartwell may receive a portion of advisory fees paid by clients to an unaffiliated fund if Hartwell has referred the client to that fund.

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

Hartwell has established a variety of restrictions, procedures and disclosures designed to address conflicts of interest arising between and among client accounts as well as between client accounts and the Firm and its personnel. All Hartwell personnel must act in accordance with the fiduciary standard.

#### **Code of Ethics**

Hartwell has a fiduciary duty to its clients, and accordingly has adopted a Code of Ethics (the “Code”) that applies to all employees. The Code describes the standard of conduct Hartwell requires of its employees and sets forth restrictions on certain activities, including personal trading in accounts owned, managed or beneficially owned by the employee. The Code’s provisions also include requirements relating to areas such as gifts and business entertainment, confidentiality of information, and the provision and solicitation of certain contributions. By setting forth the regulatory and ethical standards to which Hartwell’s employees must adhere, the Code supports our efforts to promote a high level of professional ethical conduct in furtherance of our fiduciary duty to our clients.

#### **Personal Trading**

Among other things, the Code limits and monitors the personal trading activity of our employees, including members of our employees’ households. These limitations seek to further Hartwell’s efforts to prevent employees from personally benefiting from Hartwell’s investment decisions for its clients and/or any short-term market effects of Hartwell’s recommendations to clients. Specifically, the Code requires employees and certain members of their households to “pre-clear” their personal securities transactions with our firm’s Compliance Department prior to execution, with some limited exceptions. The Code also prohibits such persons from trading in securities when considered for purchase or sale by the firm for our clients’ accounts. Limitations also exist for such persons on the participation in initial public offerings. All Employees must provide Hartwell with a listing of their securities holdings, as well as duplicate copies of statements and trade confirmations with respect to their brokerage accounts. These restrictions and requirements of the Code apply to all accounts over which employees have investment discretion, or in which they have a direct or indirect beneficial ownership interest.

#### **Participation or Interest in Client Transactions**

Hartwell or its related persons may recommend to their prospective clients that they buy or sell interests in the same investment products in which Hartwell or its related persons may have some financial interest, including ownership, and Hartwell or its related persons may own, buy or sell for



themselves the same securities that they may have recommended to clients. For example, from time to time Hartwell's principals, which may be portfolio managers, provide seed capital in connection with the launching of a new strategy or pooled product. Through this ownership, Hartwell's principals have a financial interest in the securities recommended to the strategy or pooled product. Vehicles containing seed capital will be managed along with other client accounts, and orders for these vehicles may be aggregated with orders for other client accounts for purposes of trade execution.

Hartwell has implemented controls to maintain fair and equitable treatment for all accounts. Hartwell may appear to have an incentive to favor accounts in which our employees invest with respect to trading opportunities, trade allocation and allocation of investment opportunities. Certain principals of the Firm and certain employees may invest their own or the Firm's assets in accounts managed by Hartwell (including the Fund, as previously noted). These accounts may hold, purchase, or sell the same securities in which clients have interests. Hartwell's policies and procedures require orders for the Fund to be treated the same as any other client account and orders processed at the same time as other client transactions. Hartwell does not engage in principal trades with our clients.

In addition, due to the nature of our clientele, Hartwell may, in rare circumstances, trade in securities issued by our clients. For example, one of our clients could be an employee of a company that recently completed an initial public offering, or is an employee of an existing public company. In addition, it is possible that, without our previous or current knowledge, a client is on the board of, or consults for, a publicly traded company that we own for other clients. We would only purchase shares of that company for our clients if the company passed our investment process and we believe that owning the shares would benefit our clients. In all such instances, Hartwell will do so in the best interests of its clients who are trading in such securities. Hartwell will not consider a security issuer's status as a client of the Firm when determining to trade in that issuer's security on behalf of other client accounts.

### **Insider Trading/Material Non-Public Information**

All employees of Hartwell are subject to the Affiliated Managers Group, Inc. Insider Trading Policy and Procedures (the "AMG Insider Trading Policy"). The AMG Insider Trading Policy broadly prohibits the use of material, non-public information, and also imposes restrictions on the trading of AMG's stock. In addition, Hartwell's Code of Ethics and Insider Trading Policy also includes policies and procedures prohibiting the use of material non-public information that are designed to prevent insider trading by an officer or employee of Hartwell.

In accordance with these policies, to prevent trading of public securities based on material, non-public information, Hartwell may maintain a "restricted list" that identifies any securities that cannot be purchased for employee, client, or firm-owned accounts because material, non-public information may have been received by an employee of the firm. The issuers named on this restricted list are monitored by the Trading Department and may not be purchased without the consent of Hartwell's Chief Compliance Officer.

### **Gifts and Business Entertainment**

Hartwell's Code includes policies and procedures regarding giving or receiving gifts and business entertainment between the firm's employees and certain third parties (e.g., vendors, broker/dealers, consultants, etc.) to help mitigate the potential for conflicts of interest surrounding these practices. In general, the Firm limits the amount of gifts and business entertainment that may be provided by employees to these parties. Hartwell monitors for any potential conflicts of interest with respect to individual instances of gifts or entertainment, as well as patterns of the same over time, to prevent the interests of the Firm and its employees from being placed ahead of the interests of our clients.

### **Charitable Contributions**

From time to time, Hartwell may donate to charitable enterprises that are clients, are supported by clients, and/or are supported by an individual employed by one of our clients. In general, those donations are made in response to requests from clients and/or their personnel. While we typically do not make charitable contributions as a firm, the CCO would approve any charitable contributions to be made on behalf of the Firm.

### **Political Contributions**

Hartwell prohibits its employees from making political contributions on behalf of the Firm or to be reimbursed for personal political contributions, or from making political contributions for the purpose of securing or retaining business. Hartwell maintains policies and procedures that set forth specific limitations as to whom employees may make contributions and the amounts of such contributions, as well as preclearance requirements for certain political contributions. Hartwell monitors all such contributions in furtherance of its efforts to comply with federal law and to inhibit the potential for any such contributions to affect the awarding of public business related to the management of assets.

### **Distribution of Code**

We are firmly committed to making our employees and clients (both current and prospective) aware of the requirements within our Code. All of our employees are provided with a copy of our Code at the time of hire and typically annually thereafter, and each employee must affirm that they have received a copy of the Code, and that they have read and understand its provisions. Additionally, we conduct periodic compliance training that addresses the requirements of the Code and the other policies described in this Item. A copy of Hartwell's Code is also available to clients or prospective clients upon request, and may be obtained by contacting us using the contact information noted on the cover page of this Brochure.

### **Item 12 – Brokerage Practices**

Generally, Hartwell is retained on a discretionary basis and is authorized to determine and direct execution of portfolio transactions within the client's specified investment objectives. Some clients limit the Firm's authority in terms of the selection of broker-dealers in favor of their own brokerage arrangements. Hartwell has a fiduciary duty to seek best execution, and to ensure that trades are allocated fairly and equitably among clients over time.

### **Brokerage Relationships**

Hartwell's relationships with broker/dealers, particularly those affiliated with large financial services organizations, are complex. Hartwell uses various broker/dealers to execute trades on behalf of clients, but Hartwell may also have many other relationships with such firms. For example:

- Hartwell may invest client assets in securities issued by broker/dealers or their affiliates;
- Hartwell may provide investment management services to certain broker/dealers or their affiliates;
- Certain broker/dealers may provide both internally-generated and third-party research to Hartwell, as part of a bundled service; and
- Certain brokers/dealers may refer clients to Hartwell.

Hartwell may have certain accounts that were referred to the Firm through the recommendation of third parties, including consultants that may also be broker/dealers, or may have certain pre-existing financial arrangements or relationships with a particular broker/dealer. In addition, Hartwell may, from time to time, buy from such third parties certain services or products used in Hartwell's investment advisory business (such as software or research publications) or pay registration or other fees toward or otherwise assist in sponsoring such third parties' industry forums, seminars or conferences. Clients referred by these third parties may instructs Hartwell to direct some or all of their brokerage transactions to the third parties or a related broker/dealer, or Hartwell may otherwise allocate brokerage to these or related broker/dealers.

Notwithstanding such relationships or business dealings with these broker/dealers, Hartwell has a fiduciary duty to its clients to seek best execution when trading with these firms, and has implemented policies and procedures to monitor its efforts in this regard.

### **Best Execution – Selection Factors for Broker/Dealers**

As noted above, Hartwell has a duty to seek best execution of transactions for client accounts. "Best execution" is generally understood to mean the most favorable cost or net proceeds reasonably obtainable under the circumstances. In seeking best execution, Hartwell looks for the best combination of transaction price, quality of execution (e.g., the speed of execution, the likelihood the trade will be executed, etc.), and other valuable services that an executing broker/dealer may provide.

Clients often grant Hartwell the authority to select the broker/dealer to be used for the purchase or sale of securities. Hartwell, in seeking best execution, will make this selection based on a number of factors, which may include, but are not limited to, the following: the broker/dealer's financial soundness; the broker/dealer's ability to effectively and efficiently execute, report, clear, and settle the order; the broker/dealer's ability to commit capital; the broker/dealer's ability to timely and accurately communicate with the Firm's trading desk and operations team; the broker/dealer's research services provided in connection with soft dollar arrangements (explained in more detail in the "Soft Dollars" sub-section of this Item 12 below); the broker/dealer's commission rates; and similar factors. Hartwell does not consider any client referrals from a broker/dealer when determining best execution, or when placing client trades.

Recognizing the value of these factors, Hartwell may select a broker/dealer that charges a commission in excess of that which another broker/dealer might have charged for effecting the same transaction. Hartwell is not obligated to choose the broker/dealer offering the lowest available

commission rate if, in Hartwell's reasonable judgment, the total cost or proceeds from the transaction may be less favorable than what may be obtained elsewhere or if a higher commission is justified by the service and/or research provided by another broker/dealer.

Hartwell has implemented a series of internal controls and procedures to address the conflicts of interest associated with its brokerage practices. To determine that it is receiving best execution for its transactions over time, Hartwell will obtain information as to the general level of commission rates being charged by the brokerage community, from time to time, and will periodically evaluate the overall reasonableness of brokerage commissions paid on client transactions by reference to such data. To the extent Hartwell has been paying higher commission rates for its transactions, Hartwell will determine if the quality of execution and the services provided by the broker/dealer justify these higher commissions. Hartwell periodically reviews the past performance of the exchange members, brokers or dealers with whom it has been placing orders to execute portfolio transactions in light of the factors discussed above. Hartwell may cease to do business with certain exchange members, brokers or dealers whose performance may not have been competitive or may demand that such persons improve their performance before receiving any further orders.

### **Directed Brokerage**

Hartwell generally does not direct or require its clients to use a specified broker/dealer for portfolio transactions in their accounts. The Firm generally accepts client directions to utilize a specific broker or dealer to execute transactions in the respective client's account. In such a case, Hartwell is not obligated to, and will generally not, solicit competitive bids for each transaction or seek the lowest commission rates for the client, as the commission rates have typically been pre-negotiated between the client and the designated broker/dealer ("directed broker"). Since Hartwell has not negotiated the commission rate and may not be able to obtain volume discounts, the commission rate charged by the directed broker may be higher than what Hartwell could receive from another broker/dealer. In addition, the client may be unable to obtain the most favorable price on transactions executed by Hartwell as a result of Hartwell's inability to aggregate/bunch the trades from this account with other client trades. Furthermore, the client may not be able to participate in the allocation of a security of limited availability (such as an initial public offering). In addition, Hartwell will generally not execute a client's securities transactions with its directed broker until non-directed brokerage orders are completed. Due to the timing of order placement, Hartwell may also not be able to fill the entire order with a particular directed broker. Moreover, when the time for placement of the order with the directed broker arises, we may determine that it is no longer advantageous for the client which has directed brokerage (such as wrap fee program clients) to participate in the security transaction due to price movements or liquidity constraints. In such a case, we would not execute the transaction on the client's behalf, thus precluding the client from an investment opportunity that other clients in the same strategy, whose orders were placed earlier, were able to partake. Accordingly, clients who direct commissions to specified broker/dealers may not generate returns equal to clients that do not direct commissions. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker/dealers at lower costs and possibly with more favorable execution. Hartwell reserves the right to reject or limit client requests for directed brokerage.

## **Wrap Fee Programs**

When trading for our wrap fee program accounts, Hartwell may trade with different broker/dealers than for our other accounts even when trading in the same security pursuant to the same strategy. When trading in our wrap fee accounts, and while Hartwell continues to seek best execution when selecting brokers, trades for wrap fee program accounts are typically directed to the wrap fee program sponsor (or its designated broker/dealer), since brokerage commissions are included in the wrap fee. In such situations, Hartwell may be required to trade a wrap fee program's accounts separately from other accounts being managed within the same strategy. While directed brokerage is designed to benefit the wrap fee program account through lower trading costs, there may be some circumstances where directed trades do not receive the best price, or where dividing the trade into separate components may inhibit Hartwell's ability to obtain the same level of or as timely execution it may otherwise have been able to obtain if it had been able to execute the entire trade with one broker/dealer. Wrap program accounts also generally do not participate in new issues. Operational limitations with these types of accounts make trading away from the sponsor difficult. To the extent that Hartwell trades away from the sponsor by placing trades with a different brokerage firm, the client will typically incur the costs associated with this trading, in addition to the wrap fees normally payable. Subject to these limitations, these factors, Hartwell continues to employ methods, such as trade rotation among non-directed brokerage accounts, in an effort to reduce the impact of these issues. Clients who enroll in these programs should satisfy themselves that the sponsor is able to provide best price and execution of transactions.

## **Step-Outs**

Hartwell may use "step-out trades" when we determine that it may facilitate better execution for certain client trades. Step-out trades are transactions which are placed at one broker/dealer and then "given up" or "stepped out" by that broker/dealer to another broker/dealer for credit. Step-out trades may benefit the client by finding a natural buyer or seller of a particular security so that Hartwell can trade a larger block of shares more efficiently. Unless directed otherwise by the client, Hartwell may use step-out trades for any client account.

Hartwell may use step-out trades to accommodate a client's directed brokerage mandate. In the case of directed brokerage accounts, trades are often executed through a particular broker/dealer and then "stepped-out" to the directed brokerage firm for credit. In circumstances where Hartwell has followed the client's instructions to direct brokerage, there can be no assurance that Hartwell will be able to step-out the trades, or, if it is able to step-out the trades, that it will be able to obtain more favorable execution than if it had not stepped-out the trades.

## **Cross Trades**

Hartwell does not typically engage in cross transactions between advisory clients. However, from time to time, in accordance with applicable law, Hartwell may execute a cross trade between advisory clients when it believes such trade to be in the best interest of both (or all, as applicable) clients. Because Hartwell has a duty to both parties in a cross trading transaction, there is a potential conflict of interest relating to a division of loyalty and responsibility that Hartwell may face in advising both the buyer and seller. However, to ensure that no client is disfavored by the cross trading, an independent pricing source will be contacted whenever possible. Hartwell will also endeavor to ensure that any cross trades achieve "best execution" for any clients involved. Hartwell will not receive any compensation in connection with such a trade. Hartwell will not execute a cross

trade involving an account subject to the Employee Retirement Income Security Act of 1974, as amended.

### **Soft Dollars**

Hartwell may direct certain transactions for execution to certain broker/dealers in recognition of brokerage and research services provided by those broker/dealers and/or other third-party providers. The practice of obtaining research in this manner is referred to as using “soft dollars.” Soft dollar transactions generally cause clients to pay a commission rate higher than would be charged for execution only. The products and services received through soft dollar transactions include investment advice (either directly or through publications or writings) as to the value of securities, the advisability of investing in, purchasing, or selling securities, the availability of securities or purchasers or sellers of securities, and analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts. To the extent that Hartwell is able to obtain such products and services through the use of clients’ commission dollars, it reduces the need to produce the same research internally or through outside providers for hard dollars and thus provides an economic benefit to Hartwell and its clients. Depending on the Firm’s trading volume over the course of the year, the Firm generally allocates a significant percentage of client commissions to soft dollars to obtain the research, products and services described above. Hartwell believes these products and services are reasonable and beneficial to its investment management of its contracts. On an ongoing basis, Hartwell monitors the research received to ensure that the services received are reasonable in relation to the brokerage allocated. Hartwell may have an incentive to select a broker/dealer in order to receive such products and services whether or not the client receives best execution. However, Hartwell may give trading preference to those broker/dealers that provide research products and services, either directly or indirectly, only so long as the Firm believes that the selection of a particular broker/dealer is consistent with Firm’s duty to seek best execution.

Hartwell also receives research services which, based on their use, are only partially paid for through soft dollars. Any such service is considered “mixed-use” because it is used by Hartwell for both research or brokerage and non-research, non-brokerage purposes. In each such case, Hartwell makes a good faith determination of which portion of the service should be paid for with soft dollars and which portion should be paid for with hard dollars.

The research products/services provided by broker/dealers through soft dollar arrangements benefit Hartwell’s investment process for client accounts and may be used in formulating investment advice for any and all clients of Hartwell, including accounts other than those that paid commissions to the broker/dealers on a particular transaction. Nonetheless, not all research generated by a particular client’s trade will benefit that particular client’s account. In some instances, the other accounts benefited may include accounts for which the accounts’ owners have directed their portion of brokerage commissions to go to particular broker/dealers other than those that provided the research products/services. For example, transactions on behalf of Wrap accounts do not generate soft dollars but clients receive the benefit of any research obtained from other clients’ commissions. Research services obtained through soft dollar transactions may be used in advising all accounts, and not all such services would necessarily be used by Hartwell in connection with the specific account that paid commissions to the broker/dealer providing such services. Hartwell does not attempt to allocate

the relative costs or benefits of research among client accounts because it believes that, in the aggregate, the research benefits clients and assists Hartwell in fulfilling its overall duty to its clients.

Hartwell periodically reviews the past performance of broker/dealers with whom it has been placing orders in light of the factors discussed above. Notwithstanding any research provided, Hartwell may cease to do business with certain broker/dealers whose performance may not have been competitive, or we may demand that such broker/dealers improve their performance before receiving any further orders. The overall reasonableness of commissions paid is evaluated by reviewing what competing broker/dealers were willing to charge for similar types of services. The evaluation would also consider the timeliness and accuracy of the research received. Reasonableness is evaluated on an ongoing basis.

As noted previously, Hartwell maintains a series of internal controls and procedures relating to its brokerage practices, including its use of soft dollars. These controls and procedures are designed to mitigate the potential conflicts of interest described in this Item. For example, Hartwell will not enter into agreements, express or implied, for selecting a broker or dealer as a means of remuneration for recommending us as an investment adviser for prospective or present clients. However, portfolio transactions may be placed with firms who have made such recommendations if otherwise consistent with price and most favorable execution. No employee of Hartwell may enter into a soft dollar arrangement except as approved by the CCO and/or the Management Committee.

### **Trade Aggregation**

When two or more portfolios are simultaneously engaged in the purchase or sale of the same security, Hartwell may, but is not obligated to, combine and aggregate the transactions to form a “bunched trade” or “block trade.” In such cases, these accounts will receive the average price of the transactions in that security for the day. Trades in the same security for different accounts will be accumulated for a reasonable period of time to allow for aggregation, unless a particular account’s interest would be unduly prejudiced. Hartwell may, but is not required to, aggregate orders into block trades where Hartwell believes this is to be appropriate, in the best interests of the client accounts, and consistent with applicable legal requirements. Transactions executed in a block will typically be allocated to the participating client accounts before the close of the business day.

Since more than one account’s orders are included in a block trade, Hartwell has adopted a policy of using a “pro rata allocation” to allocate the trade among each account whose order makes up part of the block. Under a pro rata allocation, as securities are being purchased or sold as part of the block trade, the securities are being allocated to (or away from, in the case of a sale) accounts in the proportion by which each account’s order size (as determined by the portfolio manager at the time of order entry) makes up a percentage of the entire block. In cases where Hartwell is unable to fulfill a block trade the same day (i.e., purchase or sell all securities within the block trade), those securities that have been purchased or sold by the end of the day will generally be allocated pursuant to Hartwell’s pro rata allocation methodology.

Hartwell believes that, in most instances, a pro rata allocation of block trades will assure fairness. However, we also recognize that no rigid formula will necessarily lead to a fair and reasonable result, and that a degree of flexibility to adjust the formula to accommodate specific circumstances is

necessary when determining how to allocate block trades. Therefore, under certain circumstances, allocation of block trades on a basis other than strictly pro rata may occur if we believe that such allocation is fair and reasonable. Nevertheless, all securities purchased or sold through a block trade, including expenses incurred in the transaction, will be allocated on a fair and equitable basis over time, to the extent practicable, without favoring any account or type of account or client (including any proprietary or affiliated account). On a periodic basis, our portfolio managers and compliance personnel monitor the proportional amounts allocated to all portfolios to determine whether such allocations are fair and equitable over time.

The ability of a client account to participate with other accounts in bunched/block transactions may produce better execution for the individual client account. However, in some instances, a client may have designated a specific broker/dealer to whom the client's trades must be directed. (see the "Directed Brokerage" sub-section above.) This designated broker/dealer may not (or, in some cases, will not) execute bunched or block trades, and even if it does, Hartwell may not be able to direct the entire block trade to this designated broker/dealer because it would conflict with Hartwell's duty to obtain best execution. In such cases, since Hartwell will place the client's trade with the designated broker/dealer as instructed rather than include the client's order in the block trade, the client may not necessarily get the better price and/or level of execution that those clients who participate in the block may receive.

### **Initial Public Offerings**

An initial public offering is a company's first offer of stock for sale to the public. Depending on the interest in this initial offering, Hartwell's access to these newly offered shares may be limited in amount at the time of the initial offering.

In the event that Hartwell participates in any initial public offerings and other securities with limited availability (collectively, "IPOs"), Hartwell allocates IPOs among accounts in a fair and equitable manner over time, taking into consideration factors such as account type, client account objectives and preference, investment restrictions, account sizes, cash availability, and current specific needs. Hartwell has certain clients where potential conflicts may arise with respect to allocating IPOs. One or more clients may pay a performance fee, which might provide an incentive to allocate IPOs to that particular client. In addition, some clients have family relationships or personal friendships with the principals of Hartwell or members of its staff. As discussed below, Hartwell has internal controls in place to ensure that IPOs are allocated on a fair and equitable basis.

Hartwell may purchase stocks at the time of their IPO for certain clients. Based on a procedural review, certain clients may or may not be deemed to be eligible for certain IPOs. General criteria for eligibility may include: investment guidelines and risk profile of the account, directions made by a particular client, tax considerations, including the effect of short-term capital gains, directed brokerage arrangements or wrap accounts (which typically limit the account's ability to participate), or grouped accounts where an allocation to a selected account (e.g., a non-taxable account) within the group may be appropriate. Further considerations may include: distinction between different types of IPOs (e.g., a spin-off from an existing company vs. a start-up company), client-imposed restrictions on a particular type of business, (e.g., tobacco, gambling), client-imposed minimum allotment amounts, Hartwell imposed minimum allotment amounts (e.g., typically 100 shares), allotments deemed insignificant based on the account size, or availability of cash in the account.



Once a pool of eligible accounts is ascertained, the portfolio managers prepare a written list of accounts wishing to participate, taking into account aggregate assets under management at Hartwell, and identifying related party accounts. If Hartwell receives less than the total number of shares desired, the shares offered to the Firm shall be allocated to all eligible clients on a consistently applied alphabetically selected rotating basis, with typically not less than 100 shares allocated. The size of the allocation to each account will generally be pro rata based on the assets under management at the time of the allocation.

Hartwell's Chief Compliance Officer conducts a periodic review of all IPO trade allocations to determine that no account has been favored over another account in the IPO allocation. A record of all allocations is maintained and reviewed on a periodic basis. Within the Fund, IPO shares are allocated only to outside investors. Partners of Hartwell do not benefit from or participate in the IPO allocation.

### **Prime Brokers**

The Fund has a prime broker through which its trade clearance and financing is coordinated. Prime brokers may also provide Hartwell with research, reporting and analysis tools as part of their services. In addition, a prime broker may host conferences and events through which the Fund may identify potential investors (please refer to Item 12 – Brokerage Practices for additional details regarding prime brokers).

### **Trade Errors and Trade Error Accounts**

Hartwell has established Error Correction procedures which provide that the resolution of all errors be made in light of the Firm's fiduciary duties. It is Hartwell's policy to resolve any error identified in a client account in a manner which ensures that the account is made whole.

Hartwell may maintain a trade error account with certain broker-dealers. These accounts allow for the netting of gains and losses relating to trade errors occurring with respect to the Firm's clients. Any net losses residing in these accounts require reimbursement from Hartwell. Any net gains will accumulate to be used to offset future trade error losses (unless the brokerage program specifies the trading gains are required to be allocated to the client's account). In no instances will Hartwell use net error gains for anything other than the offsetting of trade error losses.

### **Opposing Orders in the Same Security**

From time to time, Hartwell may execute orders for the same security on opposite sides of the market for accounts in a manner designed to provide adequate market exposure to both orders. This may occur when Hartwell is buying securities for one account following a client contribution, while selling securities for another client account following a client withdrawal. Hartwell generally places such orders with different broker/dealers, but may also use alternative trading systems such as electronic communications networks ("ECN") if Hartwell determines that such venues offer adequate market exposure. Hartwell may also purchase securities from a broker-dealer to whom it has recently sold the same securities when Hartwell believes that doing so is consistent with seeking best execution, particularly where that broker-dealer is one of a limited number of broker-dealers who hold or deal in those securities and/or where inventory is limited. Hartwell does not consider these types of opposing orders to be cross trades so long as they are separate and independent transactions.

## **Foreign Currency Transactions**

Adviser may engage in currency transactions purely for settlement and repatriation purposes. These foreign currency exchange transactions do not involve active investment decisions. In accordance with our client agreements, such transactions are generally executed pursuant to standing instructions through the client's custodian in accordance with the custodian's procedures. Procedures tend to vary among custodians, particularly with respect to execution price, fees and timing and clients should ensure that their custodian's currency settlement and repatriation programs are appropriate for them.

## **Item 13 – Review of Accounts**

Hartwell's portfolio managers review all investment advisory accounts for which they have responsibility for all portfolio decisions. Portfolio holdings and performance appraisals of each account are reviewed regularly. Individual securities are reviewed on an ongoing basis. Security transaction reports are generally reviewed daily. In addition, the portfolio managers conduct surveys of overall industry trends and maintain technical indices of selected stocks, which are applicable to all portfolios. In addition, certain events may trigger a particular additional review. For example, in the past, an environmental disaster and political unrest in a particular region triggered Hartwell's review across all its accounts to determine whether there was any portfolio exposure as a result of these events.

In addition, Hartwell typically holds regular investment meetings to discuss the securities that Hartwell is monitoring for potential purchase or sale. Portfolio Managers also generally review client holdings on a regular basis to ensure consistency with investment strategies, and Compliance reviews holdings periodically for adherence to client's investment restrictions.

Hartwell also performs reconciliations of its records of the securities and cash within its clients' accounts against the records of the custodians who actually hold the securities and cash. These reconciliations are performed by Hartwell's operations personnel. Positions and cash are typically reconciled on a monthly basis. To the extent any discrepancies are identified through the performance of these reconciliations, our operations personnel will work with both our internal team and the custodian to resolve any such discrepancies. As the custodian for the assets in the account, the statements and records of the custodian are the official books and records for the account.

## **Reporting**

Clients generally receive monthly account reports from independent qualified custodians, unless they request these reports more frequently. The reports typically include:

1. Listing of individual holdings, including number of shares and current market value;
2. Quarterly, year-to-date, and/or since-inception time-weighted rates of return;
3. Historical statement of changes describing clients' original capital and additions of capital, together with income earned and a combination of realized and unrealized appreciation or depreciation; and
4. Purchase and sale transactions occurring during the quarter.

In addition, each client also receives reports at least quarterly from Hartwell. These reports normally include the following:

- Billing appraisal;
- Performance report (quarter only with average capital base);
- Performance report (year-to-date vs. indices);
- Contributions and withdrawals;
- Portfolio holdings with number of shares, date of purchase, current market value, cost per share, tax cost, portfolio weight, and annual yield.

These reports are supplemented by trade confirmations and the other reports on clients' portfolio holdings and transactions provided to clients from their respective custodians and/or broker/dealers, as described above. As noted, the custodian statements reflect the official books and records for the accounts we manage, rather than Hartwell's statements.

#### **Item 14 – Client Referrals and other Compensation**

##### **Relationships with Consultants**

From time to time Hartwell's clients and prospective clients retain investment consultants to advise them on the selection and review of investment managers. Hartwell has dealings with investment consultants both in the consultants' role as advisor for their clients and in independent business relationships. These consultants or their affiliates may, in the ordinary course of their investment consulting business, recommend Hartwell's investment advisory services, or otherwise place Hartwell into searches or other selection processes for a particular client. Specifically, we provide consultants with information on portfolios we manage for our mutual clients, pursuant to our clients' directions. Hartwell also provides information on our investment styles to consultants, who use that information in connection with searches they conduct for their clients. Hartwell may also respond to "Requests for Proposals" from prospective clients in connection with those searches.

Clients obtained from these consultants may instruct Hartwell to direct some or all of their brokerage transactions to these consultants, which may also be a broker/dealer, or to the particular broker/dealers with whom they have relationships. In the alternative, Hartwell may simply choose to allocate brokerage to such consultants or broker/dealers.

Other interactions that Hartwell may have with consultants include, but are not limited to, the following:

- Hartwell may invite consultants to events or other entertainment hosted by Hartwell;
- Hartwell may, from time to time, purchase software applications, access to databases, and other products or services from some consultants;
- Hartwell may pay registration or other fees for the opportunity to participate, along with other investment managers, in consultant-sponsored industry forums or conferences; These conferences or forums provide Hartwell with the opportunity to discuss a broad variety of business topics with consultants, clients, and prospective clients; and

- In some cases, Hartwell may serve as investment adviser for the proprietary accounts of consultants or their affiliates, or as adviser or sub-adviser for funds offered by consultants and/or their affiliates.

In general, Hartwell relies on each consultant to make appropriate disclosure to its clients of any conflict that the consultant may believe to exist due to its relationship with our firm. In addition, these consultants may also be broker-dealers, or may have certain pre-existing financial arrangements or relationships with a particular broker-dealer. Clients referred by these consultants may instruct us to direct some or all of their brokerage transactions to the consultant's or a related broker-dealer, or Hartwell may otherwise allocate brokerage to these or related broker-dealers.

### **Consulting Databases**

From time to time, Hartwell may pay consultants or other third parties to include information about Hartwell's investment approaches in databases that they maintain to describe the services provided by investment managers to prospective clients.

### **Relationships with Solicitors**

As noted above in Item 10, Hartwell is a party to agreements with AMG Funds, an AMG Affiliate, pursuant to which Hartwell pays AMG Funds a fee for services rendered to Hartwell to support Hartwell's retention of and provision of investment advisory services to certain clients.

From time to time, Hartwell may enter into additional third party solicitation arrangements.

### **Compensation from Third Parties**

Hartwell does not receive any monetary compensation or any other economic benefit from a non-client for Hartwell's provision of investment advisory services to a client.

### **Item 15 – Custody**

Hartwell does not act as a custodian over the assets in the accounts we manage for our clients (except as deemed a "custodian" by applicable law, as discussed below). Clients must make their own arrangements for custody of securities in their accounts. Such custodians may be broker/dealers, banks, trust companies, or other qualified institutions. The qualified custodian will typically provide the client with at least quarterly account statements relating to the assets held within the account managed by Hartwell. Each client should carefully review the qualified custodian's statement upon receipt to determine that it completely and accurately states all holdings in the client's account and all account activity over the relevant period. Any discrepancies identified by a client should be immediately reported to Hartwell and the qualified custodian.

In addition to the account statements provided by qualified custodians to our clients, Hartwell also provides account statements to clients on a quarterly basis. As such, we encourage clients to compare the statements provided to them by Hartwell against those provided to them by the qualified custodians who hold the assets of their accounts, and to report any questions, concerns, or discrepancies to both Hartwell and the qualified custodian promptly. Such questions, concerns, or discrepancies may be communicated to Hartwell by writing, e-mailing, or telephoning us using the contact information noted on the cover page of this brochure.

Our statements may vary from custodial statements based on accounting procedures, reporting dates, and/or valuation methodologies of certain securities. However, please note that custodian statements reflect the official books and records for the accounts we manage.

Hartwell is also deemed, under the federal securities laws, to have custody of client assets by virtue of its role as sponsor and investment adviser of the Hartwell Capital Partners LP, as noted in “Item 4 – Advisory Services” of this Brochure. Hartwell does not have actual physical custody of any client assets or securities invested in the Fund; rather, all such assets are held in the name of the Fund by an independent qualified custodian. The Fund is audited annually, and Fund investors receive annual financial statements, as required by applicable law.

#### **Item 16 – Investment Discretion**

Hartwell is typically granted discretionary authority by a client at the outset of an advisory relationship to determine 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 of securities for purchase or sale, Hartwell observes the investment policies, limitations, and restrictions that are applicable to our clients’ accounts, as set forth by our clients. Any investment guidelines and restrictions, including amendments, must be provided to Hartwell by our clients in writing. A client will grant Hartwell discretionary authority by executing an investment management agreement and/or a separate power of attorney, which includes, among other items, a statement giving Hartwell full authority to invest the assets identified by the client in manner consistent with the investment objectives and limitations delineated by the client, and to engage in transactions on a discretionary basis in the client account.

Hartwell is not obligated to, and typically does not take any legal action with regard to class action suits relating to securities purchased by Hartwell for its clients. Hartwell provides instructions to custodians and brokers regarding tender offers and rights offerings for securities in client accounts. However, Hartwell does not provide legal advice to clients and, accordingly, does not determine whether a client should join, opt out of or otherwise submit a claim with respect to any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the client. Should a client, however, wish to retain legal counsel and/or take action regarding any class action suit proceeding, Hartwell will provide the client or the client’s legal counsel with information that may be needed upon the client’s reasonable request.

#### **Item 17 – Voting Client Securities**

Since client accounts may hold stocks or other securities with voting rights, our clients often have the right to cast votes at the corporate issuers’ shareholder meetings. However, since shareholders often do not attend shareholder meetings, they have the right to cast their votes by “proxy.” In such cases, Hartwell’s clients will either retain proxy voting authority or delegate it to Hartwell. If a client has delegated such authority to Hartwell (whether in the client’s investment management agreement with Hartwell or otherwise), Hartwell will vote proxies for that client. If a particular client for whom Hartwell has investment discretion has not explicitly delegated proxy voting authority to Hartwell, Hartwell will not vote such client’s proxies, and the client will retain the voting authority for its account. In such a case, the client will receive proxy solicitations from the custodian, and the client may contact Hartwell with any questions about a particular solicitation.

Where clients have delegated proxy voting authority to Hartwell, as an investment adviser and fiduciary of client assets, Hartwell has implemented proxy voting policies and procedures intended to protect the value of shareholder investments and designed to reasonably ensure that Hartwell votes proxies in the best interest of clients. In voting proxies, we seek to both maximize the long-term value of our clients' assets and to cast votes that we believe to be fair and in the best interest of the affected client(s). If a client has delegated proxy voting authority to Hartwell, but would nevertheless like to direct our vote on a particular proxy solicitation, the client may contact Hartwell with any questions. (Please see Hartwell's contact information below.)

### **Voting Agent**

Hartwell has contracted with an independent third-party provider of proxy voting and corporate governance services ("proxy agent") which specializes in providing a variety of services related to proxy voting. Specifically, this proxy agent has been retained to conduct proxy research, execute proxy votes, and keep various records necessary for tracking proxy voting materials and proxy voting actions taken for the appropriate client account.

Hartwell has adopted the proxy agent's proxy voting policy guidelines as its own and, as such, votes Hartwell's clients' proxies (for those client accounts over which it has proxy voting authority) according to those policy guidelines.

### **Conflicts of Interest**

As noted, Hartwell has an agreement with an independent proxy agent and has adopted the proxy agent's proxy voting policy guidelines (the "Policies"). The adoption of the Policies, which provide pre-determined guidelines for voting proxies, was designed to remove any potential conflicts of interest Hartwell may have that could affect the outcome of a vote. By adopting the Policies, Hartwell has essentially removed discretion that Hartwell would have otherwise had to determine how to vote proxies in cases where Hartwell has a material conflict of interest.

Notwithstanding the appointment of the proxy agent, there may be rare instances where Hartwell votes proxies. Specifically, Hartwell may determine that it does not believe that a proxy agent's recommendation is in the best interest of its clients. In this situation, Hartwell's Chief Compliance Officer must approve any decision made on such vote prior to the vote being cast. Hartwell will work to ensure that prior to a vote being made, conflicts of interest are identified and material conflicts are properly addressed such that the proxy may be voted in the best interest of clients.

If you would like a copy of Hartwell's Proxy Policy, if you would like to review how Hartwell voted on a particular security in your account, or if you would like further information on the proxy agent's proxy voting policy guidelines, please contact:

J.M. Hartwell LP  
515 Madison Avenue  
New York, NY 10022  
(212) 308-3355  
pchu@jmhartwell.com  
Attention: Operations, Proxy Voting

### **Item 18 – Financial Information**

Hartwell has no financial condition that impairs our ability to meet our contractual and fiduciary commitments to our clients, and Hartwell has not been the subject of a bankruptcy proceeding.

### **Privacy Policy Notice**

We are committed to maintaining the privacy of our clients. We appreciate the trust that our clients place in us and we recognize the importance of protecting the confidentiality of non-public personal information we may obtain about our clients. We are pleased to share with you our Privacy Policy.

### **Collection and Use of Client Information**

Hartwell collects only relevant information about our clients that the law allows or requires us to have in order to conduct our business and properly service our accounts. We collect financial and other personal information about our clients from the following sources:

- Information we receive from you to open an account or provide investment advice to you (e.g., name, addresses, financial information, and phone numbers);
- Information provided to us by authorized parties acting on behalf of our clients such as accountants, attorneys and investment consultants;
- Information that we generate to service your account (e.g., client trading activity and performance information); and
- Other information required for transacting business on behalf of the client.

### **Keeping Information Secure**

We maintain physical, electronic and procedural safeguards and procedures to protect your financial and other personal information, and we continuously strive to improve these safeguards and procedures.

### **Limiting Access to Information**

All of our employees are aware of the importance of maintaining and respecting customer privacy and to recognize the importance of confidentiality. Those who violate our privacy policies are subject to disciplinary action.

### **Use of Personal and Financial Information by Us and Third Parties**

Information about our clients that is in our possession is shared with non-affiliated third parties only to the extent necessary for us to provide the services for which our clients have hired us, and then only to the extent permitted by law.

Hartwell typically does not share nonpublic client information with unaffiliated third parties other than as necessary to carry out the actual performance of the investment management services it has been hired to provide. Thus, for example, Hartwell will share nonpublic client information with brokers and custodian banks in order to buy and sell securities and record those purchases and sales

accurately. Hartwell may also use such information in the account intake process including to conduct anti-money laundering screening. As a general rule, Hartwell does not engage in joint marketing arrangements with unaffiliated third parties that involve the sharing of nonpublic information regarding Hartwell clients. Nor does it sell client information to unaffiliated third parties for their own marketing purposes. Any exceptions to these practices are made only with the permission of the particular client for the sharing of information with identified third parties or as otherwise required by law.

As an affiliate of Affiliated Managers Group (“AMG”), we may share information with AMG about our experiences or transactions with customers or their accounts. AMG abides by a “No Share” policy whereby this information is not shared with other affiliates or with non-affiliated third parties.

### **Maintaining Customer Privacy in Business Relationships**

We do not share client information with anyone who does not agree to keep such information confidential. If you believe we have shared your information inappropriately, please contact us immediately at 212-308-3355 and corrective steps will be taken.