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This brochure provides information about the qualification and business practices of Moody Aldrich Partners, LLC. Should you have any questions or comments concerning any of the information contained in this brochure, please call us at (781) 639-2750 or write to:

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The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Moody Aldrich Partners, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply a certain level of skill or training.

September 29, 2017

## Item 2: Material Changes

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### Material Changes since the Last Annual Update

Moody Aldrich Partners, LLC has updated Form ADV Part 2 (“Firm Brochure”). There have been no material changes to the Firm’s business since our last annual update on March 30, 2017; however, this brochure has been updated to reflect changes to the Firm’s advisory services. For any future material changes to this and subsequent Brochures, we will provide a summary of material changes within 120 days of the close of our fiscal year, or more often as necessary.

### Full Brochure Availability

This brochure for MAP is available by calling (781) 639-2750 or writing to:

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## Item 4: Advisory Business

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### Firm Description

Moody Aldrich Partners, LLC (MAP) is a privately held asset management company that creates strategic partnerships and business ventures with teams of experienced, successful investors. MAP is a multi-strategy asset management company that nurtures and develops investment strategies to meet the needs of institutional and individual investors. Formed in 1988, the firm leverages its long history of providing institutional investment advisory services in order to identify and develop quality businesses.

MAP has a flexible platform from which to acquire and support businesses around differentiated areas of investment expertise. The structure of MAP's entrepreneurial activities may take several forms, such as lift-outs, acquisitions, joint ventures or seeding/acceleration deals. While each opportunity has its own unique attributes, every endeavor pursued by MAP creates shared incentives and alignment of interests behind a common vision of building a premier investment organization.

Today, MAP has interests in the following affiliated managers:

- **Eastern Shore Capital Management (“ESCM”)** is an investment management boutique that specializes in managing traditional long-only small and mid-cap US-oriented portfolios on behalf of institutional and individual investors. Formed in 2012 as a division of MAP, ESCM resulted from the lift-out of a portfolio manager and strategy and their integration with existing investment and organizational capabilities of MAP.
- **Harvest Funds Management, LLC (“HFM”)** is a subsidiary of MAP whose mission is to carry out MAP's business activities within the alternative investment arena and with firms such as hedge funds. HFM serves as the General Partner to private funds and has made four strategic investments in independent investment boutiques in which it has acquired minority economic interests including revenue sharing and equity. HFM is registered separately with the SEC. Refer to its Form ADV for specific details on this business.
- **kWantix LLC (“kWantix”)** is a subsidiary of MAP that specializes in power trading. The kWantix business was established in 2014 and was acquired by MAP in 2016.

### Principal Owners

The firm is owned by active members, William Moody and Eli Kent and passive member, Eyk Van Otterloo. The Eastern Shore division is 72.5% owned by active partners including, Robert Barringer,

James O'Brien, Sarah Westwood, William Moody and Eli Kent. The remaining 27.5% is held by Eyk Van Otterloo, a passive owner of MAP.

## Types of Advisory Services

MAP, primarily through its ESCM division, provides discretionary and non-discretionary investment advisory services to high net worth individuals and institutional investors through separately managed accounts.

MAP, through its ESCM division, is also the investment adviser to a collective investment trust, the Eastern Shore U.S. Small Cap CIT (the "ESCM CIT"). The ESCM CIT is invested according to the Eastern Shore Capital Management Small Cap Equity strategy offered by MAP.

In addition, MAP, through its ESCM division, offers investment advisory services as a sub-adviser to a mutual fund.

MAP, through its ESCM division, also provides non-discretionary investment advisory service in the form of model portfolios. The model portfolios represent ESCM's recommendations for portfolio investment. ESCM only provides the recommended model and does not manage them directly. MAP does not enter into a direct relationship with the clients and does not provide administrative or account-specific performance reporting services to those clients.

Please see the [Type of Clients](#) section of this brochure for more information on the types of clients we service. MAP provides investment advisory services primarily through the purchase and sale of equity securities.

## Tailored Relationships

Eastern Shore will, at its discretion, accommodate client directed restrictions that could cause the client's portfolio to deviate from a model portfolio. Such portfolio restrictions may include:

- specific stock restrictions;
- tax generation restrictions (such as no Real Estate Investment Trusts);
- sector restrictions; or,
- country specific restrictions.

All restrictions must be submitted in writing and are subject to approval by MAP.

Institutional clients may additionally provide more comprehensive investment policy statements and portfolio structure guidelines. These guidelines may include cash and position minimum or

maximum weights, portfolio concentration, reporting or meeting requirements and proxy voting instructions.

## Client Assets

As of December 31, 2016, we manage or advise \$243.5 million for clients, with \$242.4 million in assets under management and \$1.2 million in advisory-only Unified Managed Account (“UMA”) business. Advisory-only UMA assets are those for which we provide a model portfolio to the program sponsor.

Discretionary Firm Assets as of 12/31/2016: \$242,355,279

Non-discretionary Firm Assets as of 12/31/2016: \$1,179,298

Total Firm Assets as of 12/31/2016: \$243,534,577

HFM manages additional assets not included in the figures above; please refer to HFM ADV for details.

## Item 5: Fees and Compensation

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MAP receives compensation for its investment advisory services by charging a fee on the percentage of assets under management.

### Institutional Accounts

#### Fee Calculation & Billing

Unless by prior arrangement, investment advisory fees for institutional clients are billed quarterly in arrears calculated based on the closing market value of the account on the last business day of the calendar quarter. Fees are prorated for the period if investment advisory services commence other than on the first day of such quarter or terminate other than on the last day of such quarter. If such services terminate other than on the last day of a quarter, the computation of such fees shall be based on the market value of the assets in the account at the close of business on the date of termination. Investment advisory services may be terminated by MAP or the client upon at least 30 days’ written notice in advance of such termination date.

Unless by prior special arrangement, MAP has the authority to calculate and deduct investment advisory fees directly from client accounts held at a qualified custodian. MAP has policies and procedures to prevent the deduction of fees to which MAP is not entitled under the terms of its Investment Management Agreements.

## Fee Schedules

### *Eastern Shore Capital Management Small Cap Equity Accounts*

- First \$25 Million 0.90% of assets per annum
- Next \$25 Million 0.80% of assets per annum
- All Additional Assets 0.70% of assets per annum

### *Eastern Shore Capital Management Mid Cap Equity Accounts*

- First \$25 Million 0.90% of assets per annum
- Next \$25 Million 0.80% of assets per annum
- All Additional Assets 0.70% of assets per annum

Fees are negotiable for certain client types and early investors in the strategies, and for accounts and distribution channels where client service and portfolio administration requirements are reduced and for certain other early investors in the strategy. MAP reserves the right to negotiate fees within these areas.

## Other Institutional Account Fees

If directed by the client, the cash portion of a client's portfolio is invested in a money market mutual fund or other cash equivalent. As such, fees paid to MAP are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid.

In connection with MAP's advisory services, clients may incur, and are responsible for, the fees and expenses charged by their custodians and imposed by broker-dealers. Such fees may include, but are not limited to, custodial fees, transaction costs, fees for duplicate statements and transaction confirmations, brokerage commissions, mutual fund expenses and fees for electronic data feeds and reports. See the [Brokerage Practices](#) section for more information.

## Item 6: Performance-Based Fees

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MAP's supervised persons have entered into performance-based fee arrangements for the investment advisory services provided by MAP's related person, HFM, which manages private equity funds on a discretionary basis. HFM may receive performance-based fees in the form of carried interest after each of its clients receives an annual preferred return. HFM fully discloses to its limited partners in the funds and the managed accounts about the potential for these

performance-based fees and all parties agree to such terms. Neither HFM nor the Harvest Funds provide investment advisory services that are competitive to MAP's current strategies. Neither HFM nor the Harvest Funds directly invest in the same securities that MAP strategies are invested in and, accordingly, MAP does not believe that there is any conflict between the advice provided by HFM and the advice provided by MAP.

MAP's other related person, kWantix, which manages a hedge fund with a quantitative and systematic power trading strategy, focused on short-term electricity markets, may receive performance-based fees in the form of carried interest after each of its clients receives an annual preferred return. kWantix fully discloses to its limited partners in the fund about the potential for these performance-based fees and all parties agree to such terms. Neither kWantix nor the kWantix Fund provide investment advisory services that are competitive to MAP's current strategies. Neither kWantix nor the kWantix Fund directly invest in the same securities that MAP strategies are invested in and, accordingly, MAP does not believe that there is any conflict between the advice provided by kWantix and the advice provided by MAP.

Because MAP, HFM, and kWantix share supervised persons, such persons manage accounts that charge performance-based fees at the same time as accounts that do not charge performance-based fees. There is a potential conflict in managing these accounts at the same time, in that there is an incentive to favor accounts for which performance-based fees are earned. In order to address this potential conflict, MAP has developed policies and procedures for treating all clients in a fair and equitable manner.

MAP, including ESCM, does not currently charge performance-based fees.

## Item 7: Types of Clients

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### Description

MAP provides discretionary and non-discretionary investment advisory services to high net worth individuals, foundations/charities, endowments, corporate and public pensions, other institutions, registered mutual funds, and collective investment trusts. Please see the [Types of Advisory Services](#) sub-section of the *Advisory Business* section for more details.

### Institutional Account Minimums

MAP reserves the right to negotiate minimums for large clients, earlier investors or when service requirements or other special consideration warrant.

## Eastern Shore Capital Management Small Cap Equity Accounts

- \$2.5 million

## Eastern Shore Capital Management Smid Cap Equity Accounts

- \$2.5 million

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

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## Methods of Analysis

The ESCM strategies are made up of two types of holdings, established quality and improving quality. The defining characteristics and idea generation approach for each category are outlined below:

- *Established quality companies* have already achieved more quantifiable quality metrics such as strong profitability and balance sheets, which are often indicators of sustainable competitive advantage and management capital allocation skill.

The team identifies these companies through the multi-factor screening process that Bob Barringer developed prior to the inception date of the strategy in 2007. The pool of names that meet the criteria in the screen is relatively small and tends to change little over time; therefore, the team has developed a deep familiarity with most of the top-ranking companies in its investable universe. Nonetheless, the team will conduct a thorough review of each company's fundamentals – with particular emphasis on valuation – before introducing a new established quality holding to the portfolio.

- *Improving quality companies* have not yet attained the high levels of profitability and balance sheet strength that the team looks for among established quality companies, but they have typically reached inflection points in these metrics and are showing steady improvement. The emphasis within this segment of the portfolio is on positive change in these companies that does not appear to be reflected in the pricing of the stock. In working for Peter Lynch early in his career, Bob Barringer gained an appreciation for the importance of change as a catalyst for future stock price appreciation, and this awareness led to the inclusion of this type of holding in the Small Cap and Smid Cap Equity strategies.

The team identifies these stocks by looking for inflection points among key quality metrics to include margins and ROE, and by relying on its network of sell side and industry contacts who can direct us to companies that have the qualitative characteristics the team emphasizes across the portfolio, competitive advantage and capital allocation skill.

Each prospective holding undergoes a rigorous analysis consisting of the following three components:

- *Financial analysis:* in order to evaluate the sustainability of each company's financial strength, the team reviews its financial statements in detail, with particular attention paid to margins, return on equity (ROE), and cash flow. The team also examines each company's balance sheet and compares its leverage to that of its peers.
- *Qualitative analysis:* key areas of focus from a more subjective perspective include competitive advantage and management capital allocation skill. In order to get a deeper understanding of each, the team examines regulatory filings, company communications, industry data, and third party research. In addition, portfolio managers will often interview management and establish an ongoing dialogue with the management team.
- *Valuation:* the team's goal is to purchase established and improving quality companies at attractive valuations. The portfolio managers set a valuation range for each prospective holding using a range of inputs, to include scenario analysis, discounted cash flow analysis, and a comparison of metrics (to include EV/EBITDA, P/E, P/S, and cash flow yield) to both peers and the company's own history. The team re-evaluates this range based on new information, and will only hold a company if it continues to trade at a discount to its valuation range.

These investment strategies are "long only." Strategies are invested in common stocks except for a small amount of cash & equivalents. None of the strategies employ hedging, derivatives, or leverage to amplify return or mitigate risk.

## Risk of Loss

Although MAP makes every effort to preserve each client's capital and achieve real growth of wealth, investing in common stocks involves risk of loss that each client should be prepared to bear. Investing in common stocks involves risks, including political and economic risks. Investing in foreign stocks may involve additional risks, including currency risks and differences in accounting methods.

Some of the methods of analysis described earlier can help to manage the portfolio risk but none of these analyses eliminate risk. Most of the factors used in making our investment decisions involve human judgment with the inherent risk involved.

Stocks generally fluctuate more in value than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which a strategy invests may decline due to general weakness in the stock market or because of factors that affect a particular company or industry.

The investment return and principal value of a client's account, when redeemed, may be worth more or less than their original cost.

## Investment Strategies

### **Eastern Shore Capital Management Small Cap Equity**

The Small Cap Equity strategy seeks to preserve and grow capital while outperforming the Russell 2000 Index over a complete market cycle. The strategy typically holds 70 to 100 stocks with market capitalizations within the range of the Russell 2000 Index at purchase. For comparison purposes, the Small Cap Equity strategy performance is measured against Russell 2000 Index. This strategy employs bottom-up, fundamental research to identify quality companies with strong or improving financial positioning, that have competitive advantages, managed by skilled capital allocators when they can be purchased at reasonable prices. The strategy does not mimic any index but provides reasonable diversification across sectors.

This investment strategy invests in smaller capitalization companies which tend to have less liquidity and greater price volatility than larger capitalization companies.

### **Eastern Shore Capital Management Smid Cap Equity**

The Smid Cap Equity strategy seeks to preserve and grow capital while outperforming the Russell 2500 Index over a complete market cycle. The strategy typically holds 60 to 90 stocks with market capitalizations within the range of the Russell 2500 Index at purchase. For comparison purposes the Smid Cap Equity strategy is measured against the Russell 2500 Index. This strategy employs bottom-up, fundamental research to identify quality companies with strong or improving financial positioning, that have competitive advantages, managed by skilled capital allocators when they can be purchased at reasonable prices. The strategy does not mimic any index but provides reasonable diversification across sectors.

This investment strategy invests in small and mid-capitalization companies which tend to have less liquidity and greater price volatility than larger capitalization companies.

## **Item 9: Disciplinary Information**

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MAP and our management persons have no material legal or disciplinary events to disclose.

## Item 10: Other Financial Industry Activities and Affiliations

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### Affiliations

MAP, and its management team, own substantially all of Harvest Funds Management, LLC (HFM) a related advisor that serves as the general partner of Harvest Fund I, L.P., a Delaware limited partnership, and Harvest Fund International SPC, a Cayman Islands segregated portfolio company (collectively, the “Harvest Funds”). HFM identifies emerging hedge fund manager talent, makes strategic investments in their funds and businesses, and acquires rights to shares of management and performance fees from the firms. HFM partners with these hedge fund managers and provides ongoing support to help develop and grow these firms. MAP provides HFM with administrative support and services. Please see the [Participation or Interest in Client Transactions](#) sub-section of the *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* section below for additional details.

MAP owns substantially all of kWantix LLC (“kWantix”), a related entity that serves as general partner to kWantix Trading Fund I, LP, a Delaware limited partnership. kWantix focuses on trading in the short-term electricity markets. MAP provides kWantix with administrative support and services.

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

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### Code of Ethics

As required pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the “Advisers Act”), MAP has adopted a Code of Ethics which outlines MAP’s Standards of Conduct for its employees. MAP’s Chief Compliance Officer is primarily responsible for implementing, educating, administering and monitoring the Code of Ethics. A complete copy of the Code of Ethics is available to clients or prospective clients by contacting Amanda Velluto at [avelluto@moodyaldrich.com](mailto:avelluto@moodyaldrich.com).

Below is a summary of the areas covered by MAP’s Code of Ethics.

### Standards of Conduct and Compliance with Laws

All employees of MAP:

- Will conduct themselves to the highest level of honesty and integrity;

- Will act with integrity and honesty in dealings with clients;
- Must not take unfair advantage of any client;
- Must avoid conflicts of interest or the appearance of conflicts of interest with clients;
- Will always place the interests of our clients above their own personal interests;
- Will approach all relationships in the highest ethical manner; and,
- Will always act within the letter and the spirit of all applicable state and federal securities laws, rules and regulations as well as MAP's Compliance Policies & Procedures and Code of Ethics.

### **CFA Institute Code of Ethics & Standards of Professional Conduct**

All employees of MAP are expected to be familiar with and to adhere to the CFA Institute's Code of Ethics and Standards of Professional Conduct in its entirety. The full document is available on the CFA Institute's website at: <http://www.cfainstitute.org>.

### **Employee Personal Securities Transactions**

Our policy details the requirement for access persons to receive pre-clearance for personal securities trading to ensure that there are no conflicts of interest with client accounts and that investment opportunities are offered first to clients before employees may act on them. It additionally details the securities specifically included and specifically exempt from the pre-clearance requirement.

### **Initial and Annual Holdings Reports and Quarterly Transaction Reports**

Our policy details the requirement for access persons to provide an initial holdings report upon employment and annual holdings reports thereafter. MAP also requires its access persons to provide quarterly personal transactions reports.

### **Contributions to Elected Officials or Labor Unions**

Our policy details the requirement for covered associates to provide an initial attestation that their contribution activities regarding elected officials or labor unions are in adherence with the letter and the spirit of all applicable state or federal securities laws, rules and regulations. MAP also requires its covered associates to provide quarterly re-attest adherence with applicable state or federal securities laws, rules and regulations.

MAP and its covered associates are prohibited from soliciting or coordinating campaign contributions from others for an elected official who is in a position to influence the selection of MAP as adviser. MAP also prohibits solicitation and coordination of payments to political parties in a state or locality where MAP is seeking business.

MAP and its covered associates are prohibited from paying a third party, such as a solicitor or placement agent, to solicit a government client on behalf of MAP, unless that third party is an SEC-registered investment adviser or broker-dealer subject to similar pay to play restrictions.

MAP and its covered associates are prohibited against circumventing the rule by doing something indirectly that would be prohibited if done directly. Attempts to route prohibited contributions through other parties would result in application of the two year ban on paid advisory services for compensation to the applicable government entities.

## Participation or Interest in Client Transactions

HFM allows qualified clients of MAP the opportunity to invest in the Harvest Funds. HFM is the investment adviser to the Harvest Funds and as Directors of HFM, William Moody and Eli Kent, provide investment advice to the investors of the Harvest Funds. MAP is not an advisor or sub advisor to the Harvest Funds or HFM. HFM receives compensation from its clients for providing advisory services and it also receives a portion of management and performance fees from its related private funds. MAP receives compensation through its ownership interest in HFM and is not separately compensated by any HFM client, however a small number of MAP's fee paying clients whom are accredited investors, are invested in the funds of investment firms that are affiliated with HFM. Neither HFM nor the Harvest Funds provide investment advisory services that are competitive to MAP's current strategies. Neither HFM nor the Harvest Funds directly invest in the same securities in which MAP strategies are invested. See the [Affiliations](#) sub-section of the *Other Financial Industry Activities and Affiliations* section above for additional details about these affiliations.

## Employee Accounts

Employees and MAP partners are allowed to establish accounts that are managed by MAP. Employee accounts are treated with the same fairness as any client account with respect to allocation of investment opportunities. Employee accounts are included in the established trade order rotation and, when possible, included in block trading with other client accounts. For more information on our trade order rotation, please see the [Order Execution of Directed and Non-Directed Blocks](#) sub-section of the *Brokerage Practices* section of this Brochure. Pre-clearance of personal securities trading is not required for a managed employee account. With pre-clearance, employees are allowed to transact in the same securities as our clients.

## Item 12: Brokerage Practices

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### Selecting Brokerage Firms

Our primary criterion for the selection of a broker is our experience with that firm/trader and, in particular, our judgment of their integrity. This includes their past ability to execute trades in a timely manner with little, if any, market impact. Often, a firm is selected based on its experience in trading the particular stock or industry (e.g. banks). We also avoid brokers who have a history of

being error prone or have not been cooperative in correcting errors. Execution services including trade settlement and other administrative tasks that may be associated with trade execution are also factored into broker selection.

## Best Execution

### Importance of Trading

MAP seeks to obtain best execution for our clients in such a manner that the client's total cost for or income from each transaction is the most favorable under the circumstances. The SEC has stated that the determining factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution. In seeking to achieve best execution, MAP considers the full range and quality of a broker's services including commission rate, financial responsibility, execution capabilities, and responsiveness. MAP is committed to achieving best execution with respect to clients' securities transactions. Since each investment professional is involved in the trading process, each professional realizes the expense of trying to buy a stock that does not have adequate liquidity or attempting to execute the trade too quickly for the underlying trading volume. Thus, each portfolio manager realizes the importance and the limitations of the trading process in generating quality returns for our clients.

### Periodic Reviews

The quality of our client account executions is tested by the Chief Compliance Officer or a designee and reviewed by the portfolio managers at least annually. Testing items include:

- Broker quality: including commission rate, financial responsibility, execution capabilities and responsiveness.
- Distribution of portfolio returns: a quarterly review of the distribution of each strategy's gross portfolio returns, including an explanation of any extreme outliers. This review includes a closer examination of employee account returns. See the [\*Participation or Interest in Client Transactions\*](#) sub-section of the *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* section for more information on employee account practices.
- Trade order rotation: this testing is designed to ensure that the trade order rotation is being adhered to and that no one execution block is being unfairly or systematically advantaged or disadvantaged.
- Changes in any stated policy (such as soft dollar arrangements).
- Review portfolio commissions of directed brokerage accounts for reasonableness.

Immediate corrective action will be taken in the event that MAP's brokerage practices are not being followed or are inadequate. Corrective action could include reinforcement of current policy or revision of stated policy.

## Soft Dollars

MAP does not have a soft-dollar budget, nor do we enter into any formal soft-dollar arrangements with broker-dealers

### Research Services Provided by Brokers

From time to time, we may affect transactions for clients with broker-dealers who incidentally provide us with research or other related products and services, thus providing lawful and appropriate assistance to us in the performance of our investment decision-making responsibilities. Notably, we don't "pay up" for any of these services. Rather, we pay competitive commission rates to all of the broker-dealers with whom we trade and regularly evaluate the quality of executions being received.

### Commissions

For non-directed accounts, we negotiate commissions. MAP may occasionally pay a higher rate than available by other brokers, if we believe the value we receive in research and execution services is commensurate with the commissions paid. Because clients are responsible for brokerage commissions, the cost of external research is borne by the clients rather than the adviser regardless of the means of payment. Our use of external research could be deemed to create a conflict of interest to the extent it creates an incentive for the adviser to choose brokers-dealers based on an interest in receiving research and other services rather than the investors' interest in receiving most favorable execution.

## Order Aggregation

### Allocation of Orders

As noted above, MAP seeks to obtain best execution on each portfolio transaction for a client. As part of our effort to obtain best execution, when possible, MAP aggregates trades in an individual security by as many accounts as practicable, except where subject to client trade direction constraints. Each client account participating in a specific block will receive the average price for that execution. In the rare case where a partial block is executed, each participant will buy or sell a proportionate number of shares. Pro-rata allocations will be rounded to the nearest 5 or 10 shares where possible. In the case where a very small number of the shares are executed, the block may be allocated, pro-rata, to the largest clients (by market value) in the block so as to minimize the number of allocations of one or two shares per portfolio. Another possible exception to the allocation policy is the case where a small account in a directed block may have a relatively large commission cost. In this case, we try to allocate all the shares to that account in one transaction.

## **Exceptions to Pre-Determined Allocation of Orders**

In the event that we need to deviate from the pre-established allocation procedure, a written explanation will be provided to the portfolio manager or Chief Compliance Officer for approval. The explanation and approval will be filed with the trade order memoranda or in the order management system.

## **Order Execution of Directed and Non-Directed Blocks**

MAP typically has complete discretion over the selection and amount of securities to be bought or sold without obtaining additional, transaction specific client consent. Our trading software is used to determine the number of shares to be purchased at each directed broker as well as the non-directed block. We treat each of these blocks with fairness as to the order of execution. Trade order rotation is determined by a pre-scheduled trade calendar (pre-determined one month in advance). If block A is the starting point in the rotation for week 1, it will be first in a trade rotation for the entire calendar week. Block B will be the starting point for week 2 and block A will be executed last during week 2. Accounts for which we do not have full trading discretion, such as directed brokerage or model-based UMA programs, may go last in the rotation.

## **Executing Difficult Trades**

If we are executing a large order (e.g. where the number of shares is larger than the average daily volume), we work strictly with a short list of brokers that we know and trust. We discuss what portion of the block that will be shown and continue the discussion until the trade is completed. A mitigating factor in this process is the fact that a meaningful proportion of our clients' directed trades disperse the trade to several brokerage houses.

## **Directed Trades by Clients**

Where a client directs the use of a particular broker-dealer, or broker-dealers, MAP may not be in a position where it can negotiate commission rates or spreads or obtain volume discounts and best net price may not be achieved. In addition, transactions for a client that directs brokerage may not be aggregated with orders for the same securities for other accounts managed by MAP. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for a block order. Under these circumstances, the direction by a client of a particular broker or dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices, including minimum ticket charges, than might be the case if MAP could negotiate commission rates or spreads freely, or select brokers or dealers based on best execution. Client directed brokerage arrangements must be made in writing.

## Trade Error Correction Policy

Where possible, all trade errors will be corrected through an error account and not the client account. If the error negatively affects the client, the client is made whole. If the error positively affects the client, the client retains the benefit. If the error were to hit the client account causing a loss or gain, the client is notified immediately. All conflicts and trade errors will be corrected in a timely manner at no cost to the client. Broker-dealers are not compensated through brokerage commissions for cancelling or correcting trades.

## Item 13: Review of Accounts

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### Periodic Reviews

Cash, holdings and market values for all client accounts are reconciled to the custodial records by the operations staff daily and reviewed by the Chief Compliance Officer at least quarterly. Client guidelines are reviewed by the portfolio managers and Chief Compliance Officer at least quarterly.

It is the responsibility of the Eastern Shore portfolio managers to ensure that each client's account adheres to the discipline of the appropriate strategy and to the client's investment guidelines (if provided). The Chief Compliance Officer runs a drift report weekly and gives it to the portfolio manager and trader for their review and commentary on any outliers. The report summarizes the following:

- Cash: Ensure that each client's account has a percentage in cash & equivalents that is within 5% of the model or principal composite for that strategy;
- Restrictions: Ensure that each client's restrictions, if any, are honored; and,
- Equity positions/Model drift: Ensure that each addition/deletion from the respective strategies has been bought/sold in each client's account. Ensure that there have not been any securities deposited to client accounts which remain to be sold.

In the event that ESCM is found to be in conflict with stated guidelines, the conflict is reported to the Chief Compliance Officer (CCO) and portfolio management upon discovery and corrective action will be taken. Proceeding with corrective action will vary by client according to their stated guidelines. In all cases, if the conflict or any corrective actions negatively affects the client, the client is made whole. If the error or any corrective actions positively affects the client, the client retains the benefit. Clients will be notified promptly of any violations to their investment guidelines. All conflicts and trade errors will be corrected in a timely manner at no cost to the client. Refer to the [Trade Error Correction Policy](#) sub-section of the *Brokerage Practices* section for additional information.

A review of the events and circumstances leading to the conflict will be immediately reviewed and internal procedures will be adjusted accordingly so that we may ensure that conflicts aren't systematically repeated.

## Review Triggers

Factors that may trigger an additional account review may include:

- Finding a misclassified or misidentified security which may have resulted in a violation of the strategies' guidelines;
- Finding a misclassified or misidentified security which may have resulted in a violation of the clients' guidelines; or,
- Finding a guideline violation in an account with similar client guidelines.

## Regular Reports

Clients may receive periodic reports regarding their accounts. Such reports may include a summary of the holdings and transactions in their accounts, and a statistical review of the performance of the account, together with a letter discussing the results for the period just ended. Customized reporting requirements can be accommodated by special arrangement.

Clients are urged to compare the account statements received from their qualified custodian with those received from MAP.

## Item 14: Client Referrals and Other Compensation

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MAP's related person HFM has entered into placement agency agreement with RaceRock Capital LLC (the "Placement Agent"). HFM has agreed to pay the Placement Agent a certain percentage of the fees received by HFM from investors in the Funds or from managed account clients who are referred to HFM by the Placement Agent.

## Item 15: Custody

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MAP prohibits any employee from having custody of client funds or securities including:

- Possession of client funds or securities (excluding checks drawn by clients and made payable to third parties) unless received inadvertently and returned to the sender promptly but in any case within three business days of receipt

Each client of MAP must obtain a qualified custodian to open an account for management by MAP. The qualified custodian must send at least quarterly account statements directly to its clients. Clients should carefully review custodian statements. Clients and advisers who receive account statements from MAP are urged to compare the account statements received from their qualified custodian with those received from MAP.

MAP's related person HFM is deemed to have "custody" of client funds and securities since it is the general partner of Harvest Fund I, L.P., and its related persons are directors of Harvest Fund International SPC. The funds for which HFM act as the General Partner receive an annual audit from an independent accounting firm registered with, and subject to, regular inspection by the Public Company Accounting Oversight Board. Audited financial statements are provided to the limited partners of the funds within 180 days after their respective fiscal year end. Consequently, such investors therein may not receive reports directly from HFM's "qualified custodian."

While the nature of its investments and trading activities do not require state or SEC registration, kWantix is considered to be a related person of MAP (see Item 4 for further detail on kWantix). The fund for which kWantix acts as the General Partner receives an annual audit from an independent accounting firm registered with, and subject to, regular inspection by the Public Company Accounting Oversight Board. Audited financial statements are provided to the limited partners of the funds within 120 days after its respective fiscal year end.

## **Item 16: Investment Discretion**

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As part of our Investment Management Agreement, clients authorize MAP to:

- Direct the qualified custodian of the client account regarding the investment, reinvestment, sale, receipt, delivery or retention of any property in the account;
- Place orders with brokers or dealers or others for the purchase, sale, exchange or liquidation of any property in the client account, and to establish accounts with one or more securities brokers or dealers as MAP may select as shall be consistent with the discretionary authority granted to MAP. MAP shall not be responsible for any acts or omissions by any such brokers or dealers, or any third party not owned by MAP, provided that MAP is not negligent in the selection of such broker or dealers or third parties. MAP is hereby authorized to combine orders on behalf of the client account with orders on behalf of other clients of MAP; and,
- Give such instructions to the custodian from time to time as MAP believes to be necessary for the proper implementation of the foregoing.

## Item 17: Voting Client Securities

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### Proxy Voting Policy

Pursuant to Rule 206(4)-6 under the Advisers Act, MAP has in place written policies and procedures for proxy voting which outlines our philosophy and practices for voting proxies of securities in fully discretionary accounts.

MAP's Investment Management Agreement expressly authorizes us to vote proxies on behalf of our clients unless notified in writing by the client that such services shall be their responsibility. If the client wishes another party to vote proxies, MAP will have no liability or responsibility whatsoever in connection with the voting of such proxies. Those clients will receive their proxies or other solicitations directly from their custodian or transfer agent. These clients may contact MAP with questions about a particular solicitation by calling the phone number listed on the cover page. For accounts for which we vote proxies, clients may direct our vote for their securities upon request to the contact at the beginning of this document at least 5 business days prior to the voting deadline for the security. MAP reserves the right to refrain from voting a proxy if we believe it is in the client's best interest.

MAP has retained the services of a Proxy Administrator, Broadridge/Proxy Edge, which collects electronic ballots and facilitates the overall proxy voting process.

The proposals on each ballot are reviewed by the portfolio managers as ballots are received. Records of each vote cast are kept by the Proxy Administrator or, where electronic records are not received, manually tracked at MAP.

### Conflicts of Interest

It is difficult to predict what conflicts may arise in the proxy voting process due to the numerous scenarios which could arise. For material conflicts of interest that arise within the proxy voting process, MAP will seek the affected client's consent of its voting decision in writing including a disclosure of all material conflicts before voting. When seeking client consent, MAP will provide the client with sufficient information regarding the shareholder vote and the adviser's conflict so that the client can make an informed decision whether or not to consent. If MAP is unable to obtain client consent, MAP will take other steps designed to ensure, and must be able to demonstrate that these steps resulted in, a voting decision that was based on the client's best interest. MAP reserves the right to vote the shares of our other clients with no conflict according to our policy herein.

MAP votes proxies as a convenience to our clients. Due to the nature of our typical investments, it is anticipated that material conflicts of interest will rarely occur.

MAP's portfolio managers and/or the Chief Compliance Officer are responsible for documenting all issues relating to any particular conflict in accordance with the firm's [Books and Records Policy](#).

### **Poison Pills (Shareholder Rights Plans)**

MAP believes that poison pills can reduce management accountability by limiting opportunities for corporate takeovers and are not generally in the shareholders' best interest. We will typically vote against poison pill plans but always consider each issue on its own merits.

### **Stock Options**

We urge companies to be responsible in issuing options but always consider each issue on its own merits.

### **Election of Directors**

MAP prefers that a majority of the board of directors be independent. An independent director has no significant financial or familial relationship with the company other than serving on the board and being compensated for that service. Accordingly, we may on occasion vote against one or more competent individuals simply because a majority of the board members is not independent.

### **Staggered Boards**

By design, staggered boards have the effect of limiting control of a representative body by the body being represented. Generally, MAP will support the annual election of directors and will vote against staggered boards which we believe to be less accountable to shareholders.

### **Majority Vote for the Election of Directors**

Today, most companies elect directors by the so called "plurality" vote standard. If a nominee receives as few as one vote, the nominee "wins" the election and assumes a seat on the board. In contrast, the "majority" vote standard must receive a majority of the shares voted in order to take a seat on the board. Under the plurality standard, if a shareholder does not want to vote for a nominee for director, one can withhold votes for that person. However, if one shareholder votes for the director in question, the nominee wins. Using the majority standard, this somewhat absurd situation cannot occur. Clearly, shareholders have more influence on board elections with the majority standard and MAP will vote in favor of majority vote standard when presented with the opportunity.

### **Advisory Vote on Executive Compensation (Say-on-Pay)**

In cases where MAP finds deficiencies in a company's compensation program's design, implementation or management, we will vote against the Say-on-Pay proposal. Generally such instances include evidence of a pattern of poor pay-for-performance practices, unclear or

questionable disclosure regarding the overall compensation structure, limited rationale for bonus performance targets or any other compensation scheme which are judged unfair to shareholders.

### **Frequency of Say-on-Pay**

Perhaps for the first time, shareholders are seeing a multiple choice question on proxy statements. The Dodd-Frank Act requires companies to allow shareholders a non-binding vote on the frequency of Say-on-Pay votes, i.e. every one, two or three years. Further, Dodd-Frank requires companies to hold such votes on the frequency of Say-on-Pay votes at least once every six years. Barring some extraordinary circumstance, MAP prefers the annual submission of Say-on-Pay to shareholders. Management policies and management itself can change significantly in two or three years.

### **162(m) Plans**

Section 162(m) of the Internal Revenue Code allows companies to deduct compensation in excess of \$1 million for the CEO and the next three most highly compensated executive officers, excluding the CFO, upon shareholder approval of the excess compensation. MAP typically votes to allow the company the ability to take these tax deductions.

### **Auditor Ratification**

The auditor's role is crucial in ensuring the integrity and transparency of the financial information necessary for protecting shareholder value. Shareholders rely on the auditor to perform a thorough analysis of a company's books to ensure that the information provided to the marketplace is complete, accurate, fair, and that it is a reasonable basis for establishing a valuation of a company's financial position. MAP generally supports management's choice of auditor.

### **Disclosure of Proxy Voting**

We are able to provide a quarterly report to clients (at their request) that summarizes the proxies received and voted on their behalf. This report includes a brief description of each item and how it was voted. Further, the report indicates items where we voted against management.

Additional information about our Proxy Voting Policy is available, free of charge, upon request to the contact at the beginning of this document.

## **Item 18: Financial Information**

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MAP has never been the subject of a bankruptcy petition and we are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.

## Item 19: Privacy Notice

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### Protecting the Privacy of Client Records and Information

Moody Aldrich Partners, LLC (“MAP”) is committed to upholding the interests of our clients. For this reason, we keep your personal information as confidential as possible for your general welfare. MAP will not disclose personal information to anyone unless it is:

- required by law
- at your direction
- necessary for providing you with our best service

We have not and will not sell your personal information to anyone for any reason.

### Information We Will Collect

In order to properly manage your account, MAP collects and maintains the following types of information concerning you:

- information we receive from you or your financial advisor upon opening your account
- information we generate to service your account (such as trade tickets and account statements)
- information we receive from third parties with respect to your account (such as trade confirmations from brokerage firms)

### Who Receives Information and Why

In order to properly manage your account, MAP may also disclose the personal information collected above to the following:

- the Securities and Exchange Commission (all of our records are subject to review during SEC examinations)
- brokers (for trading purposes)
- our auditor (in checking billings & receivables, etc.)
- consultants upon your direction

### How We Protect Your Information

MAP maintains certain safeguards to ensure that your personal information is protected now as well as in all future matters, including closed accounts. These safeguards include enforcing policies that physically and electronically keep your information safe, and allowing only those employees needing your personal information for their job completion to have access to it with the understanding that it is to be regarded in strictest confidence.

## Where to Find Out More

We are pleased to inform you of the policies we maintain to ensure that your personal information is kept secure. Should you have any questions or comments concerning our privacy practices please call (781) 639-2750 or write to:

Amanda Velluto  
Chief Compliance Officer  
Moody Aldrich Partners, LLC  
18 Sewall Street  
Marblehead, MA 01945

A copy of this privacy statement is provided to each client upon entering into an advisory agreement with MAP and will be provided to each client annually thereafter.