

**Item 1 – Cover Page**

USI Advisors, Inc.

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(860) 633-5283

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

September 1<sup>st</sup>, 2017

This Brochure provides information about the qualifications and business practices of USI Advisors, Inc. (“USI Advisors,” “USIA,” or “the Firm”). If you have any questions about the contents of this Brochure, please contact us at (860) 633-5283 and/or [www.USIAdvisorsInc.com](http://www.USIAdvisorsInc.com). 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.

USI Advisors, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about USI Advisors, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 – Material Changes**

USI Advisors, Inc. has not made any material changes since our last update of this Brochure which was dated May 16<sup>th</sup>, 2017.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our Brochure may be requested by contacting Sarah Bruno, Chief Compliance Officer at (860) 368-2929 or [sarah.bruno@usi.com](mailto:sarah.bruno@usi.com). Our Brochure is also available on our web site [www.USIAdvisorsInc.com](http://www.USIAdvisorsInc.com), also free of charge.

**Additional information about USI Advisors is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with USI Advisors who are registered, or are required to be registered, as investment adviser representatives of USI Advisors.**

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## Item 4 – Advisory Business

### Our Advisory Business

USI Advisors is registered as an investment advisor with the United States Securities and Exchange Commission, and has been in business since 1994. The Firm is an employee benefits service provider, pension consultant, third-party administrator/record keeper and licensed insurance agency. As of December 31, 2016 the combined client assets under management for the Firm and K&P were as follows:

- Discretionary Assets Under Management = \$0
- Non-discretionary (Supervisory) Assets Under Management = \$13,632,894,753.03
- Non-discretionary (Consultation) Assets Under Management = \$1,386,401,085.81
- **Total Assets Under Advisement = \$15,019,295,838.84**

USIA offers the following investment advisory services to clients (Note - the term “client” typically represents an institutional investor or retirement plan):

#### I. INVESTMENT SUPERVISORY SERVICES

USIA provides Investment Supervisory Services to clients on a non-discretionary basis (i.e., the client will make the final decision regarding all transactions - USIA will assist in placing all requested securities transactions, but will not act unilaterally to make changes without the direction and consent of the client). USIA’s Investment Supervisory Services are provided on an on-going basis.

#### II. INVESTMENT ADVISORY CONSULTATION SERVICES

USIA will generally provide Investment Advisory Consultation Services to clients on a short-term or point-in-time project basis (although “Ongoing Performance Evaluation and Monitoring” may be done on a long-term basis). Any recommendation(s) made to the client, as to the advisability of purchasing/holding/selling an investment, are made on a non-discretionary basis (i.e., the client will make the final decision regarding all transactions). Additionally, the client will be responsible for implementing all transactions.

#### Investment Services

The Supervisory and Consultation services include some or all of the following, depending upon the needs of the client and the elections made by the client when executing an Investment Advisory Agreement:

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- a. Investment Policy Statement - USIA consults with the client in order to assist in the development of an Investment Policy Statement. This process involves the review of current assets, future funding levels, future cash needs, investment expectations, risk tolerance, financial goals, etc. This enables USIA to help outline the appropriate investment guidelines and assists in defining the criteria upon which USIA will base suitable account investment recommendations.
- b. Asset Allocation - USIA develops an investment profile for the client and recommends an asset allocation model based upon the profile. USIA periodically monitors the appropriateness of the asset allocation model relative to the client's current assets, investment expectations, risk tolerance, financial goals, and various environmental factors. Rebalancing of the client account, with the client's consent, will be performed from time to time when appropriate.
- c. Manager Search - USIA performs due diligence on multiple money managers prior to recommending a manager or managers to manage assets for the client. This process involves the use of both proprietary and third party databases and software, supplemented by data provided by various third parties, to perform qualitative as well as quantitative analysis of the prospective money managers. On-site visits and conference calls with money managers may also be conducted.
- d. Initial Investment and Management Selection - USIA typically uses mutual funds (both index and managed)/variable annuity products/managed accounts/subaccounts/GICs/collective trusts/cash equivalents to structure portfolios designed to meet client objectives and risk profiles. USIA performs due diligence on multiple money managers prior to recommending any investment(s). This process involves the use of both proprietary and third party databases and software, supplemented by data provided by various third parties, to perform qualitative as well as quantitative analysis of prospective money managers. On-site visits and conference calls with money managers may also be conducted.
- e. Ongoing Performance Evaluation and Monitoring - USIA will periodically monitor existing portfolios and/or money managers, evaluate them relative to the client's goals and various environmental factors, and make recommendations for changes when deemed necessary. USIA will also furnish quarterly, semi-annual, and/or annual performance reports to the client. These reports are intended to inform clients as to the performance of their investments for the selected period. This process involves the use of both proprietary and third party databases and software in order to obtain specific plan information such as transactional history, market values, and investment/benchmarking statistics.
- f. Investment Recommendations - USIA typically uses mutual funds, managed accounts, subaccounts, GICs, collective trusts, and cash equivalents to structure portfolios designed to meet client objectives and risk profiles. USIA performs due diligence on multiple money managers and investment vehicles prior to recommending any investment(s). This process involves the use of both proprietary and third party databases and software, supplemented by data provided by various third parties, to perform qualitative as well as quantitative analysis of

the prospective money managers and/or investments. On-site visits with money managers may also be conducted.

- g. Investment Program Review - USIA provides a written analysis of existing investments, portfolios, and/or money managers as they relate to the needs of the client. The process includes the verification and evaluation of investment objectives and client expectations. It also includes an assessment of the number of investments and type of managers represented in each asset class, as well as identification of asset classes that are over or under represented within the existing program. The investment analysis addresses various issues; such as - risk vs. potential reward characteristics, style consistency, correlation of investments within the portfolio, management stability, relative performance with peers and benchmarks, and overall suitability in relation to the client's stated needs and goals. Recommendations for changes may be made when deemed necessary.
- h. Defined Benefit Plan Asset Liability Analysis - USIA will utilize an asset/liability study (incorporating such factors as cash flow, cost, investment risk vs. return, asset allocation strategy, etc.) to help the client arrive at an individualized strategy for the funding of and selection of investments for their defined benefit pension plan.
- i. Retirement Plan Services Analysis - USIA will conduct an analysis of a client's retirement plan to evaluate the services currently provided to the client by third parties. After identifying and confirming the project objectives and service standards, the areas of analysis may include asset management services, record keeping, administration, customer service, participant education, etc. These services may also include a cost/benefit analysis, recommendation of alternative vendors, facilitation of the RFP process for solicitation of a new vendor, and/or assistance in fee negotiations with proposed vendors.

### III. PLAN CONSULTING SERVICES

In certain instances the Defined Contribution Consulting Group ("DCCG") division of USI Consulting Group, Inc. ("USI Consulting Group") will offer a suite of pension related services that include non-investment services primarily related to plan administration (i.e., Plan Consulting Services). The fees and nature of the services to be provided are negotiated on a case-by-case basis. Although the business objective of the DCCG is to provide both Investment and Plan Consulting services, it is possible that the DCCG will only be engaged to provide Plan Consulting Services. All arrangements will be documented through an Investment Advisory Agreement and non-investment related consulting agreements, as applicable, and services may be provided on a one-time basis or ongoing.

Any investment recommendations made to the client will be in the form of a written report. These services include some or all of the following, depending upon the needs of the client and their elections made in writing when executing the Investment Advisory Agreement:

- a. Plan Management Services – DCCG will assign a dedicated account manager who will support the client and provide information and guidance on issues related to overall plan management

and administration of the plan. The account manager will review annually the priorities and goals of the plan and will serve as the liaison between the service provider and the client.

- b. Regulatory and Compliance Services - DCCG will provide information and guidance related to regulatory compliance with ERISA, the Internal Revenue Code, relevant regulations, and other guidance pertaining to industry trends.
- c. Fiduciary Training Consulting Services – DCCG will provide a fiduciary education training session with the Plan Fiduciaries to explain ERISA’s fiduciary responsibility provisions and discuss common misconceptions, industry trends and best practices. DCCG will also provide Fiduciary Process and Governance Training, which will include conducting a discovery session consisting of interviews with relevant personnel and a document request to learn about the current procedures in order to identify gaps and recommend action steps to address those gaps. DCCG will also work with the client to develop and implement a “fiduciary structure” with appropriate documentation and will also provide tools to help the client follow established processes and maintain consistency in carrying out fiduciary responsibilities.
- d. Plan Operations and Document Review Services – DCCG will review the plan document to determine whether it is in compliance with recent regulations and will also evaluate if the fiduciaries have been operating the plan according to the provisions stipulated in the plan document.
- e. Plan Design Consulting Services – DCCG will provide plan feasibility studies which will include information about the different plan design options and the calculation of projected contributions for different plan design options (i.e., employer matching or non elective contributions.)
- f. Employee Communication and Education Services - DCCG will review and assess the plan’s current communication and education program and review the service provider engaged to conduct the investment education and enrollment services. DCCG can also prepare a custom education strategy as well as customized material and conduct general investment education and enrollment seminars for employees of the client. If the client elects to have DCCG provide enrollment and educational services the content of the program will be generic in nature and will not contain participant level investment advice or recommendations to invest in a particular security.
- g. Retirement Plan Provider Search and Periodic Review - DCCG will initially undertake analysis of the current plan, develop criteria used in selecting a plan service provider, assist in the search and selection of a plan service provider and assist with the transition and conversion to the new plan service provider.
- h. Fee Benchmarking Services – DCCG will provide a benchmarking of the plan’s fees being paid by the plan sponsor and the participant by comparing it to other similar plans across the country and/or within DCCG’s client base in order to determine whether they are fair and competitive

### Pension Consultant Referral Service

When USI Advisors services are not appropriate for a client, or upon client request, USI Advisors may provide the client with a referral to another Pension Consultant, based on a client's individual circumstances and needs.

### Related Information

USIA, including its agents and employees, will provide investment advisory services only on a non-discretionary basis. The client will make all decisions regarding transactions or changes. USIA will not act to make changes or execute transactions without the written consent of the client. The client at all times shall elect unilaterally to follow or ignore completely or in part any information, recommendation, and/or counsel given by USIA.

USIA may provide the above services to plan sponsors, financial institutions and individuals with respect to various types of retirement plans. In this capacity, USIA acts as a pension consultant, as defined, pursuant to Rule 203A-2(b) of the Investment Advisers Act of 1940.

USIA, in its efforts to assist the client in areas applicable to the needs of the client, may suggest that a client review the services of particular trust companies (e.g., for the purpose of serving as a directed trustee and/or payment agent). USIA's suggestion to consider any party in this regard is merely to provide the client with a starting point in their selection process and does not represent any form of endorsement, recommendation, or advice. It is a fiduciary duty and responsibility of the client to properly investigate and interview qualified candidates prior to making any decision to appoint a party to serve as a directed trustee and/or paying agent for their employer sponsored retirement plan. Client expressly retains the responsibility and authority for both the selection and contracting of any party in this regard.

### Item 5 – Fees and Compensation

#### ***Compensation for Our Advisory Services***

Fees are generally subject to negotiation; however, the Firm reserves the right to refuse to engage certain prospects based on the type, size, and/or the nature of services requested by the proposed account. Additionally, some scenarios may involve the implementation of a minimum fee/charge, which will be specified in the Investment Advisory Agreement.

USI Advisors will provide an invoice at intervals specified in the Investment Advisory Agreement if compensated through a "hard-dollar" fee and/or deemed to be a fiduciary. These advisory fees may be charged either in **advance** or in **arrears** of when services are actually rendered. The client may terminate the Investment Advisory Agreement at any time upon 30 days' prior written notice, or as specified in the Investment Advisory Agreement. In the event of Investment Advisory Agreement termination, regardless of whether fees are charged in advance



or in arrears of when services are actually rendered, the advisory fees will be prorated for the number of days for which the accounts were provided advisory services. This finalized accounting of fees will be documented and provided to the client within sixty days of the termination of the relationship.

Clients may elect to compensate USI Advisors via the following methods:

- Via a “hard-dollar” fee: Under this method either a flat dollar fee or a percentage of assets-based fee is negotiated for the provision of advisory services. The client may choose to pay this obligation directly to USI Advisors or may choose to instruct a custodian to pay USI Advisors directly from assets held on their behalf.
- In certain situations where USIA may be deemed a plan fiduciary for purposes of ERISA and the client has agreed to pay fees via a “hard – dollar” arrangement, USIA, its supervised persons or affiliates may assist the plan in establishing a plan expense reimbursement account to be established through a custodian. USIA and its affiliates have distribution and services agreements with a variety of retirement plan product and service providers including Mutual Fund Complexes, Banks, Trust Companies, and Insurance Carriers. The services offered by these retirement plan product and service providers can be of a bundled or of an a la carte nature. These providers establish agreements with various distributors of underlying investment options that allow them to collect fees and remit payment of fees to authorized plan service providers.
- Generally, the plan expense reimbursements accounts are established by the custodian for benefit of the plan and are a plan asset subject to the control of appointed fiduciaries of the plan sponsor. Plan expense reimbursement accounts can be funded with all or a portion of compensation made available for distribution and/ or plan administration services from underlying investment options (dealer concessions, Finder’s fees, 12b-1s, Sub TA fees, and/or administrative services), asset based charges imposed by custodian or contract issuer, plan forfeitures, treasury contributions of the plan sponsor, or plan assets. Typically, the custodian upon the receipt of a billing invoice will pay expenses for plan services to authorized plan service providers or their agents. The types of compensation available from underlying investment options are dictated by the prospectus or comparable disclosure document. Please consult this documentation for additional information.
- For Defined Benefit Plans subject to ERISA, USIA will only enter into “hard-dollar” fee arrangements. If the ERISA Defined Benefit hires USIA to provide continuous and regular supervisory or management services, USIA will generally recommend that the plan use Charles Schwab Bank (“Schwab”) for custodial services and, if appropriate, Directed Trustee services. USIA and its parent, USI Consulting Group, have entered into a service agreement with Schwab for purposes of bundling plan services for such relationships. The client is not obligated to use Schwab for custodial or Directed Trustee Services. USIA and USI Consulting Group do not receive any additional revenue as a result of the client’s decision to engage Schwab.

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- Via indirect payment through the use of certain investment/insurance products: This method of payment is available to clients seeking only advisory services from USI Advisors, as well as to clients seeking a bundled package of services from a combination of USI Advisors and one or more affiliates (who may provide various services, such as: brokerage services, recordkeeping, administration, actuarial services, regulatory and compliance consulting, etc.). An indirect payment is the recognition of revenue paid by third-parties to affiliates of USI Advisors as payment of USI Advisors' advisory fee. Please see Item #10 for information regarding the types of compensation that may be involved in these scenarios, as well as for information regarding the potential for conflicts of interest.
  - Where USI Advisors is NOT providing services as an ERISA Fiduciary: The client may choose to select from a universe of investments that will pay commissions (e.g., dealer concessions, finder's fees, 12(b)-1 fees, etc.) to an affiliated broker-dealer (i.e., USI Securities, Inc.). The commissions earned by the broker-dealer will be the same as those paid to any other broker-dealer under the terms of a particular investment's prospectus. These commissions or a portion thereof, may, in some cases, be recognized and applied toward payment of USI Advisors' advisory fee. In situations where the commissions received are insufficient to pay the full advisory fee, the Client will be invoiced for the shortfall. This payment option may be utilized by a client to leverage the affiliated relationship of USI Securities, Inc. and USI Advisors in order to have a portion, or all, of its advisory services paid for with commissions.
  - Investment Advisory Services for Direct Solutions Product: No revenue will be earned by the Advisor. Service costs are covered in the USI Consulting Group Direct Solutions Service Agreement; please refer to agreement for further details.
  - Where USI Advisors accepts a role as an ERISA Fiduciary: In some cases, USIA will agree, in writing, to serve as a "fiduciary" as defined under ERISA (i.e., the Employee Retirement Income Security Act of 1974) solely with respect to the investment services provided to a plan which is subject to ERISA. In such cases, the client's advisory fee provided under the Investment Advisory Agreement will be specified in dollars or as a percentage of plan assets at the start of the client engagement. Any indirect compensation received by affiliates of USI Advisors will be used to offset the specified advisory fee on a dollar-for-dollar basis. In the event the indirect compensation actually received exceeds the specified advisory fee, the overage will be returned to the plan or, at the direction of the client, used to pay for additional services which are determined by the client to be reasonable and necessary expenses of administering the plan. USI Advisors will not retain such overage for periods equal to or exceeding six months and in amounts exceeding \$1,200. This indirect compensation may take several forms, depending upon the services used by the client (e.g., brokerage commissions; sub-transfer agent fees received by a recordkeeper; administrative service fees received by USICG to pay for services provided to the plan, commissions received by an insurance agency for annuity placement services, etc.). To the extent that the allocated indirect

compensation is less than the advisory fee, the client will be invoiced on a quarterly basis for the shortfall. Each quarter USI Advisors provides an invoice which includes a reconciliation to itemize the indirect compensation received.

The client may terminate the Investment Advisory Agreement at any time. In the event of Investment Advisory Agreement termination, the advisory fees will be prorated for the number of days in which the accounts were open.

***Pension Consultant Referral Service:***

When USI Advisors services are not appropriate for a client, or upon client request, USI Advisors may provide the client with a referral to another Pension Consultant, based on a client's individual circumstances and needs. USI Advisors will not directly charge any fees to the client for this service.

***Additional Fees, Expenses, and Costs***

USI Advisors is affiliated with USI Securities, Inc. (a FINRA member broker-dealer, federally registered investment adviser and licensed insurance agency). Supervised persons of USI Advisors may be registered representatives, investment advisory representatives, and/or insurance agents of USI Securities, Inc. Therefore, they may be registered and/or licensed to sell both insurance and/or securities and to offer investment advisory services through USI Securities, Inc. The services of USI Securities, Inc. will typically be recommended to clients in order to implement the investment recommendations provided by USI Advisors (i.e., to buy and/or sell securities). This relationship presents a conflict of interest in that USI Advisors receives material support and economic benefit from USI Securities, Inc. (e.g., operations support, compliance consulting, computer trading systems access, etc.) at a discounted rate. Clients are under no obligation to purchase or sell securities through USI Securities, Inc.; however, if they choose to do so, the client should know that the price paid for mutual fund share purchases and sales will be no less favorable than that of any other broker-dealer. The commissions/compensation earned by USI Securities, Inc., from the distributing broker-dealer of the mutual fund shares, will be the same as that which is paid to any other broker-dealer under the terms of the prospectus. Please note that a small transactional charge associated with clearing and settling the trade may be higher or lower than other broker-dealers. This charge is currently waived for USI Advisors' clients who use USI Securities, Inc. to purchase and sell mutual fund shares.

Supervised persons of USI Advisors may also be registered representatives of M Holdings Securities, Inc. (a FINRA member broker-dealer). Recommendations by such persons may include products or services offered by M Holdings Securities. These individuals will be able to receive separate, yet customary commission compensation resulting from implementing securities transactions on behalf of advisory clients. These brokerage commissions and/or 12b-1 trail fees are separate and distinct from advisory fees charged by USIA. In some instances, depending on the size of the transaction, advisory fees may be discounted, at USIA's discretion, for commissions and/or 12b-1 trail fees earned.

Additionally, clients and potential clients should be aware that assets invested in mutual fund portfolio shares are subject to various other fees and expenses that are paid by those portfolios, but ultimately

borne by clients as shareholders. These expenses, which are described in the portfolio's prospectuses, may include investment advisory, administration, distribution, transfer agent, custodial, legal, audit, and other customary fees/expenses related to investments in mutual funds. Other investments have comparable types of fees and expenses which are described in their disclosure documents and marketing materials.

#### *Compensation for the Sale of Securities or Other Investment Products*

Supervised persons of USI Advisors, in their capacity as Registered Representatives of USI Securities, Inc., may recommend USI Securities, Inc.'s Broker-Dealer services to clients who have utilized or are utilizing USI Advisors' advisory services. Clients are under no obligation to purchase or sell securities through USI Securities, Inc.

Supervised persons of USI Advisors, in their capacity as insurance agents may recommend various insurance products to clients who have utilized or are utilizing USI Advisors' advisory services. Clients are under no obligation to purchase insurance products through these supervised persons. In certain instances (e.g., the sale of Group Fixed Annuities), the recommendation and sale of these insurance products is a separate and distinct service not related to the contracted advisory services of USI Advisors.

Certain Supervised Persons (who are also deemed to be sales persons), who solicit advisory clients and sell securities and/or insurance products, either through USI Securities, Inc. or another affiliate of USI Advisors, may (in-part) be 1) directly compensated by the level of fees and/or commission revenue; and/or 2) indirectly compensated through other forms of compensation (e.g., sales related bonuses). This represents a conflict of interest, as this compensation may or may not be offset (depending upon the nature of the advisory relationship) against USI Advisors' advisory fees.

Depending upon the client's preferences with respect to the payment of advisory services (i.e., hard-dollar fee vs. indirect payment), the client may direct USI Advisors to include or exclude the use of no-load mutual funds.

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

USI Advisors does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

USI Advisors provides investment advisory services primarily to employer-sponsored retirement plans, corporate pension and profit-sharing plans, endowments, charitable organizations, trust programs, corporations, municipalities, and various types of institutional investors.

The Firm does not provide investment advice, of any type, directly to retirement plan participants. The Firm reserves the right to refuse to engage certain prospects based on the type and/or size of the

proposed account. Additionally, some scenarios may involve the implementation of a minimum fee/charge, which will be specified in the Investment Advisory Agreement.

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

### Methodologies

USI Advisors defines **Methods of Analysis** as the procedure to assess (a) the economic and market environment as well as (b) factors that determine a suitable investment strategy.

#### (a) Assessment of economic and market environment

The assessment of the economic and market environment is researched and evaluated by the following measures and indicators: (1) Economic Growth in form of GDP (2) Consumer behavior in form of consumer spending and consumer confidence (3) Labor market in form of unemployment and underemployment rates (4) Housing market in form of prices, sales numbers as well as inventories (5) Corporate profitability in form of earnings and earnings estimates (6) Inflationary environment in form of headline and core inflation (7) Interest rates in form of Yield curve analysis and (8) International market including the analysis of currencies and geopolitical risks.

#### (b) Assessment of factors that determine a suitable investment strategy

Client-specific factors that determine a suitable investment strategy are defined in the Investment Policy Statement as the client's objectives (Return, Risk) and constraints (Liquidity, Legal/Regulatory, Time Horizon, Tax, Unique circumstances). In cases where the client has the authority to determine the portfolio holdings (e.g., Defined Benefit Plan), the most important factor of a suitable investment strategy is the strategic asset allocation and the allowable ranges around the target portfolio.

In cases where the client does not have authority to determine portfolio holdings (e.g., participant based plans; 401(k) plan), the most important factor of a suitable investment strategy is the choice of the underlying investment options. Since USI Advisors does not manage assets in-house, USI Advisor's method of analysis is defined by a rigorous due diligence process of asset managers. The due diligence process designed to identify, analyze, evaluate and monitor investment managers.

- Identify

Utilizing third party databases and software packages including Morningstar Direct, USI Advisors applies a rigorous proprietary screening methodology to identify qualified asset managers.

- Analyze

Principals of Modern Portfolio Theory are applied. Investment analysts employ qualitative and quantitative research techniques to ensure appropriate investment recommendations.

Factors that can determine suitability of the investment option include stability of firm/investment management team, intuitive investment philosophy and connection with the investment process and firm culture, consistent and repeatable investment process validated by absolute and relative performance and risk measures, and product level considerations.

- Evaluate

Investment Committee challenges investment analysts' research to determine quality and consistency of investment recommendations. Investments are categorized into: preferred investment list, hold, watch, or no action. Recommendations will typically come from preferred investment list depending on platform availability

- Monitor

Maintain and update database of all clients' investments. Communicate changes of material nature to clients, including Research Updates on changes that impact our rating of investment managers. Ensure preferred investment list reflects USI Advisor's best investment ideas.

### Investment Strategies

USI Advisors believes **Investment Strategies** must be clearly defined for each client and accompanied by repeatable filtering processes designed to guide the client's selection of investment portfolios. USI Advisors acts in the capacity of a consultant and as such develops Investment Strategies that are consistent with the client's individual objectives (Return, Risk) and constraints (Liquidity, Legal/Regulatory, Time Horizon, Tax, Unique circumstances).

Due to the heterogeneous nature of client's objectives and constraints, USI Advisors utilizes various investment strategies. The implementation of these investment strategies is achieved through utilization of outside asset managers, primarily, by recommending the use of mutual funds and, under appropriate circumstances, managed accounts, subaccounts of variable products, guaranteed insurance contracts (GICS), collective trusts and other cash type alternatives.

(1) Passive strategies:

(a) Passive asset allocation strategy: Also known as buy and hold strategy. Occasionally utilized for clients in the asset accumulation phase and for clients that do not believe in active asset allocation.

(b) Passive investment implementation strategy: Generally utilized for clients that desire market exposure through style-pure investments with the objective to minimize costs (index funds)

(2) Active strategies:

(a) Active asset allocation strategy: A target asset allocation including allowable ranges are defined in the client's Investment Policy Statement. USI Advisors takes market conditions into consideration to recommend tactical asset allocation moves around the long-term target portfolio.

(b) Active investment implementation strategy: Generally utilized for clients with the goal to outperform an investment benchmark.

(3) Liability-driven strategies: Generally utilized for pension clients. The two main approaches are cash-flow matching and duration matching.

**Risks**

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

USI Advisors does not guarantee the results of any advice or recommendations, nor can it guarantee that the investment objectives of clients will be realized. All investments bear different types and degrees of risk.

Investing in mutual funds, which are intended as long-term investments, involves risk, including the possible loss of principal. Investments in foreign securities and sector funds, including technology or real estate stocks, are subject to substantial volatility due to adverse political, economic, or other developments and may carry additional risk resulting from lack of industry diversification. Funds that invest in small or mid-capitalization companies may experience a greater degree of market volatility than those of large-capitalization stocks and are riskier investments. Bond funds have the same interest rate, inflation, and credit risks associated with the underlying bonds owned by the fund. Generally, the value of bond funds rises when prevailing interest rates fall and falls when interest rates rise. Investing in lower-grade debt securities may be subject to greater market fluctuations and risk of loss of income and principal than securities in higher rated categories. Bear in mind that higher return potential is accompanied by higher risk.

Insurance product guarantees are based upon the claims paying ability of the issuing insurance company.

*You should consider the investment objectives, risks, and charges and expenses of the investment options carefully before investing. The prospectuses and other comparable documents contain this and other information about the investment options. They may be obtained by contacting USI Advisors at (860) 633-5283. You should read the prospectuses and/or other comparable documents carefully before investing.*

While the Firm's investment strategies are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. And while diversification and asset allocation are effective strategies to help you manage risk, they do not guarantee against loss. Clients should always be cognizant of the fact that obtaining higher rates of return on investments entails accepting higher levels of risk. The Firm's investment strategies are designed to seek a balance between risks and rewards to achieve the stated investment objectives. Clients need to ask questions about investment risks they do not understand. USI Advisors would be pleased to discuss any questions you may have in this regard.

**Past performance should never be viewed as a guarantee of future performance.**

#### **Item 9 – Disciplinary Information**

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

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

As discussed in Item 2 ("Material Changes") USI Advisors is now a wholly-owned subsidiary of USIC Investment Group, Inc. ("USIC IG"). USIC IG is controlled, through ownership of all voting shares, by USIR Management LLC, an entity owned and controlled by certain executive officers of USI, Inc. USI, Inc. is a Delaware corporation primarily engaged, through multiple subsidiaries, in a range of insurance and annuity brokerage, group benefits, and consulting businesses, focusing on small and mid-size business in the United States.

The non-voting shares of USIC IG are held by USI Consulting Group, Inc. ("USI Consulting Group") (an employee benefits service provider, pension consultant, third-party administrator/record keeper and licensed insurance agency), which is also indirectly owned by USI, Inc. USI Inc. is an indirect subsidiary of USI Advantage Corp., which is controlled by entities affiliated with Kohlberg Kravis Roberts & Co. L.P. ("KKR"), and Caisse de dépôt et placement du Québec ("CDPQ"). KKR is an investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. CDPQ is a Canadian long-term institutional investor that manages funds primarily for public and parapublic pension and insurance plans. However, none of KKR, CDPQ, or their affiliated entities will directly or indirectly control USIA or otherwise have the authority to direct the management or policies of USIA.

All of USI Advisors' supervised persons are employees of USI Consulting Group, Inc. or affiliated firms under the common control of USI Inc.

USI Advisors is affiliated with USI Securities, Inc. (a FINRA member broker-dealer, federally registered investment adviser and licensed insurance agency), which is also a wholly owned subsidiary of USIC IG. Management and supervised persons of USI Advisors may be registered representatives, investment advisory representatives, and/or insurance agents of USI Securities, Inc. Therefore, they may be



registered and/or licensed to sell both insurance and/or securities and to offer investment advisory services through USI Securities, Inc. The services of USI Securities, Inc. will typically be recommended to clients in order to implement the investment recommendations provided by USI Advisors (i.e., to buy and/or sell securities). This relationship presents a conflict of interest in that USI Advisors receives material support and economic benefit from USI Securities, Inc. (e.g., operations support, compliance consulting, computer trading systems access, etc.) at a discounted rate. Clients are under no obligation to purchase or sell securities through USI Securities, Inc.; however, if they choose to do so, the client should know that the price paid for mutual fund share purchases and sales will be no less favorable than that of any other broker-dealer. The commissions/compensation earned by USI Securities, Inc. from the distributing broker-dealer of the mutual fund shares, will be the same as that which is paid to any other broker-dealer under the terms of the prospectus. Please note that a small transactional charge associated with clearing and settling the trade may be higher or lower than other broker-dealers. This charge is currently waived for USI Advisors' clients who use USI Securities, Inc. to purchase and sell mutual fund shares.

Some supervised persons of USI Advisors are also registered representatives of M Holdings Securities, Inc. (a FINRA registered broker-dealer). These individuals in their separate capacities as registered representatives of M Holdings Securities, Inc. will be able to effect securities transactions and will receive separate, yet customary compensation for effecting any securities transactions.

Certain supervised persons may be licensed insurance agents who are sub-agents of USI Consulting Group's general insurance agency. USI Consulting Group is also an employee benefits provider, pension consultant, and third-party administrator/record keeper and licensed insurance agency. USI Consulting Group will typically receive commissions/compensation from an insurance carrier in relation to sales of a particular insurance product. Supervised persons of USIA may also be licensed insurance agents of other insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing insurance product transactions on behalf of advisory clients.

Companies affiliated with USI Advisors may receive various forms of compensation from providers of services that USI Advisors recommends. This compensation is not directly received by USI Advisors, but contributes to the revenue of the overall organization. This compensation may come in the form of commissions paid to an affiliated broker-dealer by a mutual fund company, insurance company, or other organization for the sale of an investment product; 12b-1 fees paid by a mutual fund company to a broker-dealer for distribution and servicing of mutual funds; commissions/fees paid to a broker/dealer by a trust company; sub-Transfer Agent fees paid to an affiliated retirement plan administrator or recordkeeper by a mutual fund company, insurance company, or other organization for servicing and administering various investment options; fees paid for non-advisory third-party administrative services by clients; fees paid by an employee benefits provider to an affiliated company for sales of various products or services; and/or commissions paid to an affiliated company or individual by an insurance carrier for sales of a particular insurance product. THE EXISTENCE OF THESE PAYMENTS MAY OR MAY NOT AFFECT USI ADVISORS' RECOMMENDATIONS. The existence of this additional compensation will be taken into consideration in the negotiation of investment advisory fees for the services offered by USI

Advisors (i.e., a client who receives additional services that results in additional revenue to the overall organization may pay less in investment advisory fees to USI Advisors for similar services than a client who does not have another relationship with the overall organization).

Commissions/compensation received by affiliated companies in relation to securities and/or insurance products recommended by advisory personnel of USI Advisors may represent a material conflict of interest. In many (but not all) cases, this conflict of interest is mitigated through the “off-setting” of investment advisory fees by any such commission/compensation received by the affiliate. For example, if USI Advisors charges a \$20,000 annual fee for investment advisory services and USI Securities, Inc. receives \$18,000 in securities commissions related to the implementation of that investment advice, then the Client would be billed for only the \$2,000 difference.

### **Item 11 – Code of Ethics**

USI Advisors has adopted a Code of Ethics for all supervised persons of the Firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. USI Advisors and its associates are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this Code involves more than acting with honesty and good faith alone. It means that USI Advisors has an affirmative duty of utmost good faith to act solely in the best interest of its clients. All supervised persons at USI Advisors, must acknowledge the terms of the Code of Ethics annually, or as amended.

USI Advisors clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting Sarah Bruno (Chief Compliance Officer, 860-368-2929).

### *Participation or Interest in Client Transactions*

USIA or individuals associated with USIA may buy or sell securities identical to, or different than, those recommended to customers. In addition, any related person(s) may have an interest of position in a certain security(ies) that may also be recommended to a client. As these situations represent a conflict of interest, USIA has established the following restrictions, among others:

1. No person employed by USIA may purchase or sell any security prior to a transaction(s) being implemented for an advisory account.
2. A director, officer or employee of USIA shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of USIA shall prefer his or her own interest to that of the advisory client.

3. USIA maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a periodic basis by the Chief Compliance Officer and/or one or more of the other executive officers/directors.
4. All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
5. USIA emphasizes the unrestricted right of the client to decline to implement any advice rendered.
6. USIA requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
7. Any individual not in observance of the above may be subject to termination.

#### **Item 12 – Brokerage Practices**

Supervised persons of USI Advisors may be Registered Representatives of USI Securities, Inc. or M Holdings Securities, Inc., both FINRA Registered Broker-Dealers. Advisory recommendations of USI Advisors may include products or services offered by these companies.

The services of USI Securities, Inc. (a securities broker-dealer affiliated with USI Advisors) will typically be recommended to clients in order to implement the investment advice provided by USI Advisors (i.e., to buy and/or sell securities). This relationship presents a conflict of interest in that USI Advisors receives material support and economic benefit from USI Securities, Inc. (e.g., operations support, compliance consulting, computer trading systems access, etc.) at a discounted rate. Clients are under no obligation to purchase or sell securities through USI Securities, Inc.; however, if they choose to do so, the Client should know that the price paid for mutual fund share purchases and sales will be no less favorable than that of any other broker-dealer. The commissions/compensation earned by USI Securities, Inc. from the distributing broker-dealer of the mutual fund shares, will be the same as that paid to any other broker-dealer under the terms of the applicable fund's prospectus. Please note that a small transactional charge associated with clearing and settling the trade may be higher or lower than other broker-dealers. This charge is currently waived for USI Advisors' clients who use USI Securities, Inc. to purchase and sell mutual fund shares.

Retirement Plan Consulting clients will be required to select their own broker-dealers and insurance companies for the implementation of Retirement Plan Consulting recommendations. USIA may recommend any one of several brokers, provided that such recommendation is consistent with USIA's obligations as a registered investment adviser. USIA clients must independently evaluate these brokers. The factors USIA considers when making this recommendation are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, quality of execution services, and costs of services, among other factors.

M Holdings Securities Inc. brokerage commissions and/or 12b-1 trails are separate and distinct from advisory fees charged by USI Advisors. In some instances, depending on the size of the transaction, advisory fees may be discounted or waived, at USI Advisors discretion, for commissions and/or 12b-1 trails earned. Commissions and/or 12b-1 trails will not be credited towards future advisory fees.

In addition, insurance product transactions placed through our affiliated individuals, as licensed insurance agents, may generate insurance commissions and/or incentive awards. These insurance commissions and/or incentive awards are separate and distinct from USIA's advisory fees. In some instances, depending on the size of the transaction, advisory fees may be discounted or waived, at USIA's discretion, for insurance commissions and/or incentive awards.

### **Item 13 – Review of Accounts**

The following describes USIA's practices with respect to the review of accounts and reporting to clients. Practices may differ if USIA and the client have contractually agreed to employ other review and reporting practices.

#### Performance

Portfolio reviews will occur on a quarterly, semi-annual and/or annual basis depending on the particular service provided by USIA to the client. If market volatility is above average, a more frequent review may occur. Portfolio reviews are completed by an Investment Consultant of USIA. During the review process the Investment Consultant reviews the clients Investment Policy Statement, Asset Allocation, Asset Class Diversification, Management Selection, and Performance. The findings from the review are then delivered to the client. There is a minimum of 10 accounts assigned for the reviewer. USIA uses Modern Portfolio Theory (MPT) which deals with the rationale for and methods of diversifying portfolios.

All Clients will receive quarterly, semi-annual, and/or annual reports in addition to the custodial statements provided by the clients' broker/dealer and/or custodian. These reports include performance data over various periods.

#### Supervisory Controls and Testing

Specific tests may be conducted by Investment Administrators of USI Advisors on a periodic or ad hoc basis. Client files selected for review may be targeted or random or a combination of both at the discretion of the President and/or CCO. In the event that testing results show deficiencies, they will immediately be escalated to the Chief Compliance Officer of USI Advisors, Inc. All other testing results will be reported to the CCO during the next USI Advisors' compliance meeting, which is conducted quarterly. In general, as part of the Firm's ongoing testing, a sample selection of client files will be reviewed and measured against the requirements outlined in the Firm's written policies and procedures to verify that each client file is properly documented. Depending on the changes in the Firm's business model, standard operating practices and the regulatory environment, the types of testing and sample sizes are subject to change. The testing of clients files will include the review of (where applicable) properly documented and approved Investment Advisory Agreement which includes acknowledgement

of ADV Part II receipt, the receipt of an executed Investment Policy Statement, incoming and outgoing correspondence, the maintenance of completed and approved brokerage account paperwork, the receipt of trust company paperwork, the receipt of properly completed wire transfer instructions, for each trade execution properly completed trade tickets (e.g., written client authorization), the production and accuracy of investment reviews (delivered during that quarter), the completeness and accuracy of client contact information, and the documenting of minutes of clients meetings.

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

USIA may compensate other investment advisors or consultants for referrals. Payment may be a flat fee or a percentage of revenue depending upon the particulars of the situation. Such agreements will comply with the requirements set out in Rule 206(4)-3 of the Investment Advisers Act of 1940, including the requirement that the relationships between USIA and the other investment advisors or consultants are disclosed to the client at the time of the solicitation or referral.

USI Advisors receives material support and economic benefit from USI Securities, Inc. (e.g., operations support, compliance consulting, computer trading systems access, etc.) at a discounted rate. USI Securities, Inc. is a registered broker-dealer that is affiliated with USI Advisors.

USI Advisors may receive additional compensation from product sponsors in the form of the following:

- assorted gifts of nominal value (e.g., logo emblazoned umbrellas, golf balls, hats, t-shirts or other apparel, etc.);
- business-related entertainment, wherein a representative of a product sponsor is present (e.g., meals, attendance at sporting or theatrical events, etc.);
- business-related marketing/advertising support (e.g., payment of media placement fees, development of hardcopy materials at reduced or no charge, client appreciation event support, etc.); and/or
- business-related conferences, due diligence events and/or training/educational sessions (which may or may not involve transportation, lodging, entertainment, meals, etc.).

The Firm documents and assesses all gifts and additional cash and non-cash compensation received from third-parties in order to determine the appropriateness of the compensation. The policies and procedures of the Firm are designed to preclude the acceptance of any compensation that would create an environment in which supervised persons would feel compelled to comport themselves in a manner inconsistent with acting in the best interests of the Firm's clients.

In addition, those supervised persons that are also Registered Representatives of USI Securities, Inc. or M Holdings Securities, Inc. may receive from product sponsors and issuers with which USIS or M Holdings Securities, Inc. has a selling agreement additional compensation as such is described above. As Registered Representatives, these supervised persons would also be subject to the policies and

procedures of USI Securities, Inc. or M Holdings Securities, Inc. and FINRA rules. FINRA rules and the provisions of the aforementioned selling agreements place limitations or restrictions on the nature and types of additional compensation that can be provided.

#### **Item 15 – Custody**

USI Advisors does not have custody of client assets.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. USI Advisors urges clients to carefully review such statements and compare such official custodial records to the account statements that USIA we may provide. USIA statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

USI Advisors provides investment advisory services to clients only on a non-discretionary basis (i.e., the client will make the final decision regarding all transactions – USI Advisors will not act unilaterally to make changes without the direction and consent of the client).

When making recommendations, USI Advisors observes the investment objectives, policies, limitations and restrictions of the clients for which it advises (e.g., in accordance with the guidelines specified within a retirement plan client's Investment Policy Statement).

Investment guidelines and restrictions must be provided to USI Advisors in writing.

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

As a matter of Firm policy and practice, USI Advisors does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about USI Advisors' financial condition. USI Advisors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

USI Advisors does not require or solicit prepayment of more than \$1,200 in fees per client and six months or more in advance.