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This brochure provides information about the qualification and business practices of Covenant Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (908) 879-5270 or [lmaher@covasset.com](mailto:lmaher@covasset.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.

Additional information about Covenant Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Covenant Asset Management, LLC is a registered investment advisor which does not imply a certain level of skill or training.

#### **Additional Copies of Form ADV Available**

Additional copies of Covenant's complete Form ADV (Part 1 or Part 2A and B: Brochure and Brochure Supplement) may be requested at any time by contacting Lucy Maher, Chief Administrator, by phone at (908) 879-5270 or by email at [lmaher@covasset.com](mailto:lmaher@covasset.com).

September 15, 2017

## **Item 2: Summary of Material Changes**

### **Annual Update**

In this Item of Covenant Asset Management's (Covenant) Form ADV 2, Covenant is required to discuss any material changes that have been made to Form ADV since the last Annual Amendment in February of 2016.

### **Material Changes since the Last Update**

Since the last Annual Amendment filing, Covenant has had no material changes to report.

**FORM ADV PART 2A-INVESTMENT ADVISER BROCHURE**  
**ITEM 3: Table of Contents**

<b><u>Item #</u></b>		<b><u>Page</u></b>
Item 1	Cover Page	1
Item 2	Summary of Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	5-6
Item 6	Performance-Based Fees and Side-by-Side Management	7
Item 7	Types of Clients	8
Item 8	Methods of Analysis, Investment Strategies & Risk of Loss	9-14
Item 9	Disciplinary Information	15
Item 10	Other Financial Industry Activities & Affiliations	16
Item 11	Code of Ethics, Participation or Interest in Client Transactions & Personal Trading	17-20
Item 12	Brokerage Practices	21-22
Item 13	Review of Accounts	23
Item 14	Client Referrals & Other Compensation	24-26
Item 15	Custody	27
Item 16	Investment Discretion	28
Item 17	Voting Client Securities	29
Item 18	Financial Information	30

<b>FORM ADV PART 2B-INVESTMENT ADVISER SUPPLEMENTAL BROCHURE</b>	<b>31</b>
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Educational Background and Business Experience	32
Disciplinary Information	34
Other Business Activities	34
Additional Compensation	35
Supervision	35

#### **Item 4: Advisory Business**

After spending nearly 20 years employed at two of NJ's largest bank trust departments, John Guarino founded Covenant Asset Management in February 1999. Covenant now provides investment advisory services for over 100 high net worth clients.

Our mission is to deliver superior asset management services to affluent individuals, businesses, and non-profit organizations. Many investors lack the time, interest, or experience to adequately address their financial needs. Through the development of intimate professional relationships with our clients, we are uniquely positioned to assist in the optimization of their financial objectives. With integrity and commitment, we take responsibility for preserving and enhancing client assets. Achieving this objective requires an insightful understanding of client needs, matched against available investment opportunities.

We offer a unique brand of investment advisory services to our clients by combining independent research with personalized service. As a result, our clients gain the advantage of complete transparency of their assets and direct access to the decision makers within our organization. We are driven by an unwavering commitment to service excellence, integrity, honesty and confidentiality. And as a fiduciary, we always exercise prudence, diligence and the highest standard of care within all client relationships.

Clients may restrict their investment portfolio from certain securities, or types of securities. Covenant managed \$208,700,000 of client assets as of December 31, 2016. All client assets are managed on a discretionary basis.

Covenant is organized as a Limited Liability Corporation in the state of New Jersey. John Guarino is the sole member of the LLC and 100% owner.

## **Item 5: Fees & Compensation**

Covenant is a fee-based investment advisor and only earns fees explicitly enumerated within the fee agreement embedded in the investment advisory agreement signed by clients at the initiation of their advisory relationship. Covenant's standard fee schedule is shown below. Fees are negotiable depending on the size and complexity of a client's account.

### **Covenant Asset Management** **Standard Annual Fee Schedule**

On the first \$1 million	<u>1.25%</u>
\$1 million to \$3 million	<u>1.00%</u>
\$3 million to \$5 million	<u>0.85%</u>
\$5 million to \$10 million	<u>0.75%</u>
Above \$10 million	<u>0.50%</u>

All family accounts will be consolidated for fee purposes

The fees will be calculated and are payable in arrears based upon the portfolio market value on the last business day of each calendar month. For the first and last month during the term of the investment advisory agreement, fees shall be pro-rated accordingly. The fees will be based on a percentage of the fair market value of the assets in the portfolio on the date of their calculation. No fee adjustment will be made within any month for appreciation or depreciation in account(s) assets during the month. Fees do not include trade commissions, which are paid to executing brokers when transactions are complete.

Covenant's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties. These fees include custodial fees, trade commissions, deferred sales charges, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfers, alternative investment processing fees, electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. While Covenant strives to recommend no-load funds, certain mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions

are exclusive of and in addition to Covenant's fee, and Covenant shall not receive any portion of these commissions, fees, and costs. See "Brokerage Practices."

Client authorizes custodian to pay Covenant directly from client's account(s) any fees on or after the applicable due date. Alternatively, if negotiated, client agrees to pay, or cause the custodian to pay from the account(s), the fee upon receipt of an invoice from Covenant. The fee will appear on the client's monthly statement.

From time to time, Covenant and Timothy Rowe accept compensation for the sale of insurance products sold by Mr. Rowe to clients. The receipt of such compensation could present a conflict of interest and may give Covenant and Mr. Rowe an incentive to recommend such insurance products to clients based upon compensation received, in addition to the client's specific needs. Covenant and Mr. Rowe minimize any such conflict by confirming the appropriateness of such insurance products, and by making full disclosure to each referred client of this relationship, as well as the fact that the client has the option to purchase such investment products through other non-affiliates.

## **Item 6: Performance-Based Fees & Side-by-Side Management**

Neither Covenant nor any of its supervised persons accepts performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Item 7: Types of Clients**

Covenant offers a full array of wealth management services, including comprehensive financial and estate planning, tax advisory, business continuation, counseling, and administrative services. The integration of these services forms the basis for a comprehensive wealth management plan. In order to allow us to concentrate exclusively on our areas of expertise in wealth management, we outsource certain administrative and custodial services. Covenant works closely with client attorneys and accountants to ensure that a comprehensive strategy is designed and implemented in order to realize their financial objectives. Covenant manages the following types of client accounts:

- Investment Management Accounts
- Individual Retirement Accounts (IRAs) & Rollovers
- Pension & Profit Sharing Plans
- Trust & Estate Accounts
- Charitable Trusts
- 401k Plans



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

Covenant begins any new investment advisory relationship by assisting our clients in the development and implementation of a personal organizational investment policy statement and customizing a separately managed portfolio of securities to meet client objectives. Risk is primarily managed through diversification and selective security hedging techniques. Investing in marketable securities including stocks, bonds, REITs, mutual funds, ETFs, and options involves various degrees of risk and can lead to both realized and unrealized losses. Investing in marketable securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy undertaken by Covenant will be profitable or equal any specific level of performance.

### **Equity Growth**

Covenant specializes in wealth enhancement through tax-efficient growth oriented investment management. Client portfolios are generally kept fully invested, resulting in low turnover of portfolio holding and reduced exposure to capital gains liabilities. Our approach involves identification and purchase of companies with superior growth characteristics with the intention of holding them for many years, selling only when fundamental prospects turn negative. A cornerstone of CAM's philosophy is our focus on buying dominant companies in the fastest growing industries. Generally, we seek companies that increase revenues and earnings by double digit growth rates year after year. Such businesses ordinarily prosper under a variety of economic conditions, and most are corporate leaders in profitability. These companies tend to be both proponents and beneficiaries of long term themes that are shaping global economies. In today's world, any of these companies are found within the technology, healthcare, financial services, and consumer sectors.

## **Companies meeting our criteria for growth commonly share the following traits:**

### **A dominant position in rapidly growing markets**

These companies are often the low-cost suppliers or pricing leaders in their industries. Their dominance typically derives from powerful franchises, proprietary technology, a unique marketing approach, or other sustainable competitive advantage.

### **Predictable earnings and dividend growth**

Prospective earnings should grow at an annualized rate of 10% or more. Steady new product developments, rapid sales expansion, and a relative immunity to economic cycles characterize such companies.

### **Financial Strength**

Financial attributes include low debt, high returns on equity and capital, and an ability to finance growth internally.

### **Quality Management**

Ideally, management should have an ownership stake in a growth company. This fosters a commitment to shareholder interests and creates an entrepreneurial culture that will attract skilled employees. Communication of the corporate vision for growth to both shareholders and employees is essential.

### **Equity Income**

As investors approach retirement or in retirement years, many seek to lower the standard deviation of their investment returns. While growth continues to be important as an inflation hedge, income and growth of income begin to take on greater importance. Covenant's Dividend Appreciation Model is constructed to meet the needs of our clients seeking market-like returns with lower risk, as measured by the volatility of returns, with a higher portion of the total return coming via dividends. The dividend yield of this model is typically fifty percent higher than the S&P 500 and the companies within this model tend to increase their dividends at a fifty percent faster rate than average. As we search for the right securities for this model, earnings growth remains essential as most companies maintain a policy whereby the dividend rate is relatively consistent in proportion to

their earnings. Diversification across economic sectors is also an important criterion.

**Companies meeting our criteria for growth and income typically share the following traits:**

**A leading position in mature but growing markets**

These companies generally command leading market shares with their industry based upon a long history of brand awareness, low cost structure or other competitive advantages.

**Predictable earnings and dividend growth**

Historic and prospective annual earnings growth of 7% or more coupled with a policy of declaring dividends at a rate based upon normalized earnings (payout ratio), not to exceed 60%.

**Financial Strength**

Financial attributes include low debt ratios, high returns on equity and capital, and an ability to finance growth without frequently tapping capital markets.

**Quality Management**

Experienced leadership along with a commitment to shareholder interests is vital.

**Fixed Income**

Covenant's fixed income approach emphasizes stability of income, diversification and low turnover. Our fixed income investment philosophy adheres to a disciplined approach that emphasizes strong total returns and a steady income stream generated by what we believe to be quality holdings. Our process is intended to provide more consistent returns while helping to reduce investment risks. Covenant's strategy emphasizes appropriate credit quality analysis, a focus on intermediate term securities, yield curve management through a laddered portfolio when individual securities are employed, and low portfolio turnover.

## **Risk Management**

The ability to absorb risk varies widely among individuals depending on their age, experience, and financial circumstances. Prevailing market and economic conditions are also factors. As an asset management client, your level of risk tolerance is carefully evaluated before any action is taken. After taking the time to gain this perspective, we are then positioned to make intelligent, rational asset allocation decisions on our client's behalf.

Our knowledge and experience in managing investment assets has taught us that the best way to reduce risk is to diversify. In fact, by lowering exposure to loss in any one market sector, diversification can actually boost total return in certain economic environments. At Covenant, we specialize in allocating assets among cash, fixed income, equity, REITs, and commodities markets. Establishing an optimum asset allocation requires thorough examination of a client's income requirements, liquidity needs, lifestyle goals, and risk tolerance. Client objectives are continually evaluated to determine potential asset allocation policy modifications.

Covenant operates two distinct equity strategies, a growth strategy and an equity income strategy. Detailed below are some of the risks of equity investments, but it should be noted that we cannot claim to identify all of the risks inherent in the equity market or individual security risk. There are two significant risks associated with investing in equity securities, systemic risk, which is inherent in all equity securities and unsystemic risk. **Systemic Risk** – includes macroeconomic risks, inflation risk, interest rate risk and general equity market risk. Equity markets can be volatile and many factors can influence their performance. In addition to the factors stated previously, investor sentiment, liquidity, political risk and fiscal and monetary policies can create risks to equity investors. **Unsystemic risk** consists of two major components: individual company risk and sector (or industry) risk. Individual company risk can be divided into two components: *business risk* is the risk inherent in the nature of the business and *financial risk* is the risk in addition to business risk that arises from using financial leverage. Sector/Industry risk is the risk of doing better or worse than expected as a result of investing in one sector or another. With regard to the risks associated with Covenant's equity growth strategy and its equity income strategy, all of the risks detailed above apply to both strategies. In addition, equity growth stocks have the additional risk of typically higher relative valuation levels and the associated risk of being

unduly punished by disappointing results. Also, many growth companies are smaller or less mature and could be subject to increased competition from larger or better capitalized competitors. Covenant's equity income strategy, in addition to the systemic and unsystemic risks identified above includes additional risks. Many equity income equities are more mature, slower growing companies with higher dividend payout ratios. To the extent that company earnings growth slows beyond expectations, dividends and dividend growth could be hurt which could put downward pressure on the stock price. Covenant's equity methods of analysis and investment strategies do not present any significant or unusual risks. Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Fixed Income investing risks include 1) inflation risk which reduces the real value of investments as purchasing power declines on nominal dollars received as principal and interest payments, 2) interest rate risk which comes from a rise in interest rates that causes a decline in fixed income prices to allow yields on the fixed income securities to reflect prevailing market rates, 3) credit risk which involves the real or perceived risk of a fixed income issuer defaulting on an interest or principal payment, and 4) reinvestment risk which is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities. Covenant does not invest in fixed income securities in a strategy with any unusual or significant risks beyond those identified above.

Covenant adheres to a thematic growth investment style seeking growth at a reasonable price (GARP). We embrace the concept of investing with "the wind at our back" believing it is easier to be a successful investor by first identifying trends and then selecting leading companies likely to be beneficiaries of those emerging trends. The cornerstone of our research effort is thorough fundamental analysis coupled with the use of technical analysis for timing decisions. Tax efficiency is an important aspect of our investment style leading to the pursuit of stocks our clients can own for an extended period of time. Our turnover rate is typically less than thirty percent per year.

## **Options Investing**

Options involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. We encourage all clients who invest in options for speculative purposes to do so only investing with risk capital.

Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract.

Covenant utilizes options for certain clients to protect against downside risk by buying protective put options or to enhance income through the sale of covered call options. In using these strategies, the returns are limited and the risks are also limited to the costs of the options. For certain clients who authorize us to do so, we may purchase call options in an attempt to generate leveraged positive returns. In this case, risk is also limited to the cost of the options premium. In other strategies, for certain clients wishing to pursue higher returns with a portion of their portfolio, Covenant may engage in potentially risky trades using options and options spreads where most or all of the capital in a specific trade may be lost. Typical trades in such strategy involve the purchase of a call spread that is funded largely by the sale of a put spread. Since options are time sensitive investments, the buyer or seller of an option could lose his entire investment or be obligated to purchase shares of the underlying security in which the option was written. For more information concerning the risks and strategies of options, clients are sent a copy of the Options Clearing Corporation publication "Characteristics & Risks of Standardized Options."

No client is under any obligation to utilize options strategies. There can be no guarantee that an options strategy will achieve its objective or prove successful. Clients are advised to direct any questions regarding the use of options to Covenant's Chief Investment Officer, John Guarino.

### **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 Covenant or the integrity of Covenant's management.

In the past ten years, neither Covenant nor any of its employees or affiliates has been involved in any SEC, Federal Regulatory Agency, or self-regulatory organization disciplinary actions or violations.

Covenant has no other information to disclose applicable to this Item 9.

## **Item 10: Other Financial Industry Activities & Affiliations**

Covenant's owner is 50% owner and CEO of Covenant Advisors, LLC, a non-operating holding company. Covenant's owner John Guarino and Senior Portfolio Manager Christopher Clark each also hold an insurance license and refer financial planning clients to Tim Rowe, an affiliated investment adviser representative, and in turn may share in fees generated by the referred clients. This relationship is fully disclosed to all clients.

One of Covenant's affiliates (Mr. Rowe) is licensed to offer commissionable insurance products through various marketing organizations and is individually licensed with numerous insurance companies in multiple states. When one of Covenant's duly licensed members refers clients to Mr. Rowe for these products, such related person may receive a share of commissions, which is fully disclosed to each referred client. The receipt of such commissions from Mr. Rowe may create a potential conflict of interest between Covenant and its clients. Covenant and Mr. Rowe minimize any such conflict by confirming the appropriateness of such insurance products, and by making full disclosure to each referred client of this relationship, as well as the fact that the client has the option to purchase such investment products through other non-affiliates.

Mr. Rowe receives certain ongoing payments from client relationships with a firm with whom he was employed prior to 1999. These payments are not related to, nor do they directly or indirectly benefit, Covenant. As such, these payments do not create any conflict of interest between Covenant and its clients.

Mr. Rowe is also the Principal of Covenant Financial Resources, LLC which provides marketing and educational services.

When other authorized professionals refer clients to Covenant for money management services, Covenant will share the fees generated by the referred clients with the referring individual and fully disclose all referral fees in writing to the client. Presently, Covenant maintains fee-sharing relationships with two such professionals.



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

### **Code of Ethics**

A Code of Ethics (“Code”) has been adopted by Covenant and is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”). The following is a summary of the Code. Covenant will provide any client or prospective client a copy of the entire Code upon request.

The Code establishes rules of conduct for all employees of Covenant and is designed to, among other things; govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that Covenant and its employees owe a fiduciary duty to Covenant’s clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by Covenant continue to be applied. 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. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

Pursuant to Section 206 of the Advisers Act, both Covenant and its employees are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that Covenant has an affirmative duty of utmost good faith to act solely in the best interest of its clients.

Covenant and its employees are subject to the following specific fiduciary obligations when dealing with clients:

- The duty to have a reasonable, independent basis for the investment advice provided;
- The duty to obtain best execution for a client's transactions where the Firm is in a position to direct brokerage transactions for the client;
- The duty to ensure that investment advice is suitable to meeting the client's individual objectives, needs and circumstances; and
- A duty to be loyal to clients.

In meeting its fiduciary responsibilities to its clients, Covenant expects every employee to demonstrate the highest standards of ethical conduct for continued employment with Covenant. Strict compliance with the provisions of the Code shall be considered a basic condition of employment with Covenant. Covenant's reputation for fair and honest dealing with its clients has taken considerable time to build. This standing could be seriously damaged as the result of even a single securities transaction being considered questionable in light of the fiduciary duty owed to our clients. Employees are urged to seek the advice of John Guarino, the Chief Compliance Officer, for any questions about the Code or the application of the Code to their individual circumstances. Employees should also understand that a material breach of the provisions of the Code may constitute grounds for disciplinary action, including termination of employment with Covenant.

The provisions of the Code are not all-inclusive. Rather, they are intended as a guide for employees of Covenant in their conduct. In those situations where an employee may be uncertain as to the intent or purpose of the Code, he/she is advised to consult with John Guarino. John Guarino may grant exceptions to certain provisions contained in the Code only in those situations when it is clear beyond dispute that the interests of our clients will not be adversely affected or compromised. All questions arising in connection with personal securities trading should be resolved in favor of the client even at the expense of the interests of employees.

## **Personal Trading**

Covenant has adopted the following principles governing personal investment activities by Covenant's supervised persons:

- The interest of the client accounts will at all times be placed first;
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- Access persons must not take inappropriate advantage of their positions.

Employee trading is continually monitored under the Code of Ethics, and designed to reasonably prevent conflicts of interest between Covenant and its clients. John Guarino, Chief Compliance Officer, reviews all employee trades as submitted each quarter. These reviews ensure that personal trading does not affect the markets, and that clients of Covenant receive equal or preferential treatment. Since most employee trades are small, these trades do not affect the securities markets.

Covenant and its employees do not recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest. It is Covenant's policy that the firm will not effect any principal or agency cross securities transactions for client accounts. Covenant will also not cross trades between client accounts.

## **Pre-Clearance Required for Participation in IPOs**

Covenant and its related persons rarely participate in IPOs. No access person shall acquire any beneficial ownership in any securities in an Initial Public Offering for his or her account without the prior written approval of John Guarino who has been provided with full details of the proposed transaction (including written certification that the investment opportunity did not arise by virtue of the access person's activities on behalf of a client) and, if approved, will be subject to continuous monitoring for possible future conflicts.

## **Pre-Clearance Required for Private or Limited Offerings**

Covenant and its related persons rarely participate in private or limited offerings. No access person shall acquire beneficial ownership of any securities in a limited offering or private placement without the prior written approval of John Guarino who has been provided with full details of the proposed transaction (including written certification that the investment opportunity did not arise by virtue of the access person's activities on behalf of a client) and, if approved, will be subject to continuous monitoring for possible future conflicts.

On occasion, Covenant's owner and other employees and affiliates may buy or sell securities that they recommend to clients. Covenant's owner, employees and affiliates shall abide by the CFA Institute Code of Ethics with regard to the priority of transactions. Covenant may aggregate trades for its owner, employees and affiliates with client trades. Aggregation is consistent with the duty to seek best execution as no client is favored over any other client. Covenant participates at the average share prices of all transactions and costs will be shared on a pro-rata basis.

Covenant's employees must acknowledge the terms of the Code of Ethics at least annually. Any individual not in compliance with the Code of Ethics may be subject to termination and/or disciplinary measures.

## **Item 12: Brokerage Practices**

Covenant generally has authority to select broker-dealers and the commission rates to be paid. The primary consideration in placing portfolio transactions with broker-dealers for accounts under management, where placement is discretionary with Covenant is to obtain best execution. Covenant attempts to achieve best execution by choosing brokers to execute transactions based on (1) their professional capabilities (2) the value and quality of the Services and Products they provide, (3) the comparative brokerage commission rates which they offer as well as other relevant factors.

In the selection of qualified brokers to execute certain transactions, a broker or dealer may be selected that provides, along with trade execution services, brokerage and research Services and Products as defined in Section 28 (e) of the Securities Exchange Act of 1934 ("Services and Products"). Such Services and Products may include fundamental research reports, current market data and news, portfolio tracking services, technical and portfolio analyses, economic forecasting and interest rate projections, and historical information on securities and companies. The receipt of Services and Products is a benefit to Covenant, because they are provided without charge.

Covenant may use client commission credits to obtain Services and Products and may pay an amount of commission to a member of an exchange, broker or dealer for effecting a securities transaction, where Covenant determines in good faith that such amount of commission is reasonable in relation to the value of the products and services provided by such member, broker, or dealer, viewed in terms of either that particular transaction or Covenant's overall responsibilities with respect to the accounts as to which it exercise investment discretion. This may create an incentive for Covenant to select a broker-dealer based upon its interest in receiving the Services and Products rather than a client's interest in receiving the most favorable execution. Covenant may use the Services and Products that broker-dealers provide for the benefit of all clients, and not just for the account that generated the commissions.

In accordance with Section 28(e), Covenant ensures that all soft dollar arrangements pay for bona fide research. In some cases, the products or services Covenant receives may not be used exclusively for research

purposes. For example, certain computer systems Covenant uses may provide “mixed use” functions, such as accounting and reporting, in addition to investment research. In those cases, Covenant will not pay for 100% of the service through soft dollar arrangements.

Certain of the Services and Products provided by brokers are third-party services, not proprietary research produced by the broker.

Soft dollar requests are approved by the Soft Dollar Committee (comprised of Covenant’s owner and portfolio managers) which meets semi-annually or on an “as needed” basis. The Committee reviews the addition of new soft dollar arrangements as well as the removal and/or modification of existing soft dollar arrangements. For mixed-use products, the Committee makes a good faith allocation between uses that fit within and outside the safe harbor of Section 28(e). Mixed-use allocations are documented and maintained by the Committee. The Committee also monitors the ongoing use of soft dollars.

Covenant’s owner reviews soft dollar documentation. Covenant does not incur any legal obligation to pay for Services and Products, nor does it obligate itself to generate a specific amount of commissions. There is a target level of commissions associated with certain Services and Products, and although not legally obligated to direct any specified amount of commissions, Covenant will track commissions generated through trades and may allocate brokerage to such a broker consistent with the principles stated above.

Covenant participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional and Covenant may recommend TD Ameritrade to clients for custody and brokerage services. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Covenant receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under “Client Referrals and Other Compensation”).

### **Item 13: Review of Accounts**

Covenant has adopted procedures to implement the firm's policies and reviews and monitors to insure that such policies are observed, implemented properly and amended or updated, as appropriate, which include the following:

- Covenant obtains substantial background information about each client's financial circumstances, investment objectives, and risk tolerance, among other things, through an in-depth interview and information gathering process which includes client profile or relationship forms.
- Covenant's clients may also have and provide written investment policy statements or written investment guidelines that the firm reviews, approves, and monitors as part of the firm's investment services, subject to any written revisions or updates received from a client.
- Covenant provides the firm's Form ADV Part 2 to prospective clients to disclose the firm's advisory services, fees, conflicts of interest and portfolio/supervisory reviews.
- Covenant may provide periodic reports to advisory clients to provide important information about a client's financial situation, portfolio holdings, values and transactions, among other things. The firm may also provide performance information to advisory clients about the client's performance, which may also include a reference to a relevant market index or benchmark.
- Covenant may also schedule client meetings on a periodic basis, or request basis. Clients are encouraged to meet with their account manager at Covenant at least once per year to review their account as a whole, to review a client's portfolio, performance, market conditions, financial circumstances, and investment objectives, among other things, and to confirm that the firm's investment decisions and services are consistent with the client's objectives and goals. Documentation of such reviews are made in the client file.
- Client relationships and/or portfolios may be reviewed on a more formal basis on a quarterly or other periodic basis by management personnel.

## **Item 14: Client Referrals & Other Compensation**

When other authorized professionals refer clients to Covenant for money management services, Covenant will share the fees generated by the referred clients with the referring individual or RIA firm and fully disclose all referral fees in writing to the client. These arrangements comply with the Rule 206(4)-3 requirements under the Advisers Act. Such annual referral payments may range between 20%-40% of a client's annual management fee. Clients will not be charged any higher fees when referred by a third party than while engaging Covenant directly.

As previously disclosed under "Brokerage Practices", Covenant participates in TD Ameritrade's institutional customer program and Covenant may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Covenant's participation in the program and the investment advice it gives to its Clients, although Covenant receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Covenant participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Covenant by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Covenant's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Covenant but may not benefit its Client accounts. These products or services may assist Covenant in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Covenant manage and further develop its business enterprise. The benefits received by Covenant or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary



duties to clients, Covenant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Covenant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Covenant's choice of TD Ameritrade for custody and brokerage services.

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

Covenant's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Covenant may have an incentive to recommend to clients that the assets

under management by Covenant be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Covenant has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Covenant's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

## **Item 15: Custody**

### **General**

As a matter of policy and practice, Covenant does not permit employees or the firm to accept or maintain custody of client assets. It is our policy that we will not accept, hold, directly or indirectly, client funds or securities, or have any authority to obtain possession of them, including direct debiting of advisory fees. Covenant will not intentionally take custody of client cash or securities. Covenant is compliant with Advisers Act Rule 206(4)-2 because it (i) opens all Client accounts directly with an independent, qualified custodian and (ii) verifies to a reasonable extent that the qualified custodian sends Clients at least quarterly account statements.

### **Fee Debiting**

The Investment Advisory Agreement authorizes Covenant to deduct investment advisory fees directly from the client's account by the custodian. Client assets are generally held in the custody of a bank, trust company or brokerage firm agreed upon by the client and Covenant. The custodian is advised in writing of the limitation of Covenant's access to the account. In most instances, Covenant provides the calculated advisory fee to the custodian each month and the fees are remitted to Covenant; in some cases, clients are billed directly. The custodian provides a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to Covenant.

## **Item 16: Investment Discretion**

Clients grant Covenant complete and unlimited discretionary trading authorization with respect to the account(s) and appoint Covenant as agent and attorney-in-fact with respect to the account(s), and Covenant agrees to act in such capacity. Covenant generally has the authority to determine the securities to be bought or sold and the amount of such securities to be bought or sold. Limitations on authority are provided in client specified investments objectives, guidelines and restrictions. These guidelines may be changed by a client upon written notice. Covenant may also provide non-discretionary advice. In some cases, Covenant may place approved trades on behalf of such client with such brokers as Covenant may select.

Covenant may accept any reasonable limitation or restriction placed on accounts by the client (for example, by asking Covenant not to invest in securities of particular issuers.)

Covenant may, in its sole discretion and at clients' risk, purchase, sell, exchange, convert and otherwise trade the securities and other permitted investments in the account(s) as well as arrange for delivery and payment in connection with the above and act on behalf of client in all other matters necessary or incidental to the handling of the account(s). Covenant may conduct securities transactions among the account(s) and other account(s) managed by Covenant. Covenant may aggregate client purchase and sale orders with those of other client account(s) when engaging in transactions on behalf of client. Such transactions shall be allocated among the applicable client account(s) in a manner believed by Covenant to be fair and equitable over time.

Client understands that all or substantially all brokerage transactions for securities may be executed through the broker-dealer designated on the agreement, if so indicated (the "designated broker dealer"). However, despite this designation, Covenant may effect securities transactions for the account(s) through a different broker or dealer if Covenant reasonably believes, in good faith, that another broker-dealer may effect a transaction at a price, including any brokerage commissions or dealer mark-up or mark-down, that would be more favorable to the account(s) or if there are constraints on conducting transactions through the designated broker-dealer.

### **Item 17: Voting Client Securities**

Covenant, as a matter of policy does not have the authority to vote proxies held in client accounts or take any action (other than rendering investment advice) on behalf of clients with respect to securities or other investments presently or formerly in the account(s), or the issuers thereof, which become the subject of any legal proceeding, including bankruptcies. Client expressly reserves the right to vote all proxies by requesting proxy material from their custodian or transfer agent. Covenant will receive proxy materials on the clients' behalf if client declines the right to receive the proxy materials and will forward the proxies to client upon written request.

### **Item 18: Financial Information**

Covenant 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.

Covenant is not required to provide a balance sheet; it does not require prepayment of investment management fees of both more than \$1,200 per client and more than six months in advance.

# **Covenant Asset Management, LLC**

125 Maple Avenue  
Chester, NJ 07930  
908-879-4090

## **Part 2B of Form ADV Brochure Supplement September 15, 2017**

This brochure supplement provides information about John Guarino, Timothy Rowe, Christopher Clark, Don Weir and Mark Ukrainskyj that supplements Covenant Asset Management's brochure. You should have received a copy of that brochure. Please contact Lucy Maher at (908) 879-5270 if you did not receive a copy of Covenant Asset Management's brochure or if you have any questions about the contents of this supplement. The business address of all of Covenant Asset Management's advisors listed below is Covenant Asset Management's business address listed above.

1. John Guarino (908)879-4090
2. Timothy Rowe (908)879-4620
3. Christopher Clark (908)879-7090
4. Don Weir (908)879-5330
5. Mark Ukrainskyj (908)879-7110

Additional information about John Guarino, Timothy Rowe, Christopher Clark, Don Weir, and Mark Ukrainskyj is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Educational Background and Business Experience**

### **John Guarino**

(908) 879-4090

Year of Birth: 1958

#### ***President, Chief Investment Officer***

As President, John sets the overall strategic vision of Covenant Asset Management (“Covenant”) and oversees all executive decisions. As Chief Investment Officer, he is responsible for setting the overall investment policy and directing investment strategy, research, portfolio management, trading, asset allocation and investment risk management functions.

John founded Covenant Asset Management in 1999 and has worked as an investment portfolio manager since 1980. From 1985 to 1999, he was a Senior Vice President and Regional Manager in the Investment Management Division of Summit Bank and portfolio manager of the Pillar Equity Growth Fund. He received the industry’s prestigious Chartered Financial Analyst (CFA)\* designation in 1989. Earning the CFA charter demonstrates that one has gained the knowledge and learned the skills needed for investment analysis and decision making in today’s global financial industry. John serves as a member of the firm’s Investment Committee.

John has a B.S. in finance from Montclair State University and an M.B.A. in finance from NYU Graduate School of Business. John lives in Chester, New Jersey, with his wife Theodora and has two children.

### **Timothy Rowe**

(908) 879-4620

Year of Birth: 1960

#### ***Director of Business Development and Financial Planning***

Tim is an investment advisor representative and a supervised person of the firm. Tim works with individuals to help them realize their wealth and retirement goals and assists Covenant’s other managers to design and implement financial planning strategies for clients. Tim also oversees Covenant’s outbound marketing efforts focusing on conducting financial information seminars and collaborating with other professionals. He is also responsible for the oversight and development of Covenant’s expansion into the Florida market. In addition, he is the Principal of Covenant Financial Resources, LLC, which provides marketing and educational services. In connection with financial planning, Tim may recommend and sell insurance products from which he may earn commissions on the sale of these products. Tim spent 14 years with Summit Financial Resources as a Senior Financial Consultant, developing and monitoring financial plans for individuals and small businesses. Tim graduated with a B.S. in business from Slippery Rock University. He has been a registered representative and holds a Series 65 license. Tim lives in Succasunna, New Jersey, with his wife Martine and two sons.



**Christopher Clark**

(908) 879-7090

Year of Birth: 1966

***Senior Portfolio Manager***

Chris is an investment advisor representative and a supervised person of the firm. Chris works one-on-one with clients, helping them achieve their investment objectives. Chris is also responsible for conducting fundamental research and portfolio construction and oversees Covenant's technical analysis. He is also a member of the firm's Investment Committee. Chris has been employed in the financial services industry since 1992. Prior to joining Covenant in 1999, Chris spent four years as an investment portfolio manager at Summit Bank, where he co-managed the Pillar Equity Growth Fund.

Chris has a B.S. in finance from Lehigh University and received the Chartered Financial Analyst (CFA)\* designation in 1998. He lives in Hoboken, New Jersey, with his wife April and three daughters and a son.

**Don Weir**

(908) 879-5330

Year of Birth: 1948

***Senior Portfolio Manager***

Don is an investment advisor representative and a supervised person of the firm. Don is an experienced industry professional focused on helping high net worth individuals and families achieve their financial goals and objectives. In addition, Don participates in Covenant's investment research effort and portfolio construction. He is also a member of the firm's Investment Committee. Don's investment career of more than 30 years began at Prudential in private placements and leveraged buyouts, and he eventually oversaw the management of more than \$1 billion of institutional and mutual fund portfolios. Later, he joined Merrill Lynch, where his responsibilities included managing asset allocation portfolios for a \$14 billion mutual fund wrap program and \$3 billion of separate accounts. More recently, Don served as Senior Vice President and regional investment director for wealth management at TD Bank. He joined Covenant in 2010.

Don graduated from Dartmouth College with a degree in Liberal Arts and later earned his M.B.A. from Dartmouth's Tuck School of Business Administration. He resides in Morristown, New Jersey, with his wife, Maureen.

**Mark Ukrainskyj**  
(908) 879-7110  
Year of Birth: 1967

***Senior Portfolio Manager***

Mark is an investment advisor representative and a supervised person of the firm. Mark is an experienced wealth management professional focused on helping high net worth individuals and families determine and achieve their financial goals and objectives. This involves Mark's active participation in Covenant's investment research effort and portfolio construction. He is also a member of the firm's Investment Committee. Mark has worked in the financial services industry since 1988 in various positions. Prior to joining Covenant in 2013, Mark spent 13 years at AEPG Wealth Strategies, an independent wealth manager, where he served as Chief Investment Officer. Mark received the Chartered Financial Analyst (CFA)\* designation in 1998, and has served on the board of the New York Society of Security Analysts, most recently as Chairman.

Mark has a B.S. in economics from the Wharton School of Business at the University of Pennsylvania and an M.B.A. in finance from the Haas School of Business at the University of California at Berkeley. He lives in Westfield, New Jersey, with his wife Stacey and their two sons.

*\*Earning the CFA charter demonstrates that one has gained the knowledge and learned the skills needed for investment analysis and decision making in today's global financial industry. To become a charter holder, you have to: 1) Agree to follow the CFA Institute Code of Ethics and Standards of Professional Conduct. 2) Pass the CFA Program exams for Levels I, II, and III. 3) Have four years of qualified investment work experience. 4) Become a regular member of CFA Institute and apply for membership in a local CFA member society.*

**Disciplinary Information**

No Covenant employee or affiliate listed has been subject to any legal or disciplinary events.

**Other Business Activities**

A. Timothy Rowe, in addition to his role at Covenant, conducts financial planning activities for both third parties and clients of Covenant. As part of this business, Mr. Rowe sells insurance products for which he receives direct compensation from the carrier. When one of Covenant's duly licensed members refers clients to Mr. Rowe for these products, such person may receive a share of such compensation, which is fully

disclosed to each referred client. The receipt of such compensation from Mr. Rowe may create a potential conflict of interest between Covenant and its clients because it may create an incentive to recommend such insurance products to clients based upon compensation received, in addition to the client's specific needs. Covenant and Mr. Rowe minimize any such conflict by confirming the appropriateness of such products, and by making full disclosure to each referred client of this relationship as well as the fact that the client has the option to purchase such insurance products through other non-affiliates.

Mr. Rowe receives certain ongoing payments from client relationships with a prior firm with whom he was employed prior to 1999. These payments are not related to, nor do they directly or indirectly benefit, Covenant. As such, these payments do not create any conflict of interest between Covenant and its clients.

B. In addition to his investment-related business interests, Mr. Rowe also serves as the Assistant General Manager of NJ Riot Lacrosse Club, located in New Providence, NJ.

### **Additional Compensation**

Covenant's supervised persons do not receive any additional compensation based upon the amount of client assets referred by such person to Covenant.

### **Supervision**

John Guarino, President, Chief Investment Officer, (908) 879-4090 supervises:

1. Timothy Rowe
2. Christopher Clark
3. Don Weir
4. Mark Ukrainskyj

In an effort to monitor the advice given to clients, John Guarino has access to copies of all email and written communication from and to each of the supervised persons listed above. In addition, material verbal communications between the supervised persons and clients are communicated to John Guarino either verbally or through email.