



Wellesley
Asset Management

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Wellesley Asset Management, Inc. (WAM), which includes its three divisions: Wellesley Investment Advisors, Wellesley Convertibles and Wellesley Institutional Capital. If you have any questions about the contents of this brochure, please contact us at 781-416-4000. The information in this brochure has not been approved of or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about the registered entity, WAM, is also available on the SEC's website at www.adviserinfo.sec.gov.

Although WAM is a registered investment adviser, the term "registered" does not imply a certain level of skill or training.

Item 2 - Material Changes

The following material changes have been made to Form ADV since the last annual amendment dated March 30, 2016:

Wellesley Investment Advisors, Inc. changed its name to Wellesley Asset Management, Inc. effective July 1, 2016. On that date, Wellesley Investment Advisors, Wellesley Convertibles and Wellesley Institutional Capital were established as divisions of Wellesley Asset Management, Inc.

C. Daniel Mitchell joined Wellesley Asset Management as its Chief Compliance Officer and General Counsel in August 2016 replacing Pamela Grossetti who left the firm in May 2016.

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Item 4 - Advisory Business

Wellesley Asset Management, Inc. (WAM) is providing this informational brochure to our clients who have been referred to us by other advisers, as well as to other institutional clients. A referred client is defined as one whose primary relationship is with another advisor, advisory firm, wrap sponsor, or investment bank, and who has retained WAM at the recommendation of the primary advisor to manage certain assets.

Wellesley Investment Advisors, Inc. was founded in 1991 by Greg Miller (CEO) and Darlene Murphy (President). Wellesley Investment Advisors, Inc. changed its name to Wellesley Asset Management, Inc. (WAM) effective July 1, 2016. On that date, Wellesley Investment Advisors, Wellesley Convertibles and Wellesley Institutional Capital became divisions of Wellesley Asset Management, Inc. Greg Miller is the majority owner of WAM and no other individual owns 25% or more of WAM.

As of December 31, 2016, amount of client assets managed by WAM on a discretionary basis was \$2,404,600,000.

Separately Managed Account Clients

WAM provides discretionary investment management services to individuals, institutions, retirement plans, trusts, estates, private foundations, investment companies, corporations, other advisory firms, and various other entities.

WAM specializes in investing in convertible bonds. In managing client accounts, WAM predominantly uses convertible bonds and convertible bond and corporate bond mutual funds as it seeks to protect client wealth and provide absolute returns. Although WAM's advice is principally in the area of convertible securities, WAM may from time to time advise on other types of securities. Clients may impose limited restrictions on investing in certain securities or types of securities.

Affiliated Funds

In addition to the separate account services described above, WAM provides advisory services to mutual funds sponsored by WAM. Information concerning these funds, including a description of the services provided and management fees, is generally contained in the funds' prospectus.

WAM also provides advisory services to a private limited partnership, Brenton Partners, L.P. ("Brenton"), established by WAM in which WAM and its employees have an ownership or management interest. Additional information concerning Brenton can be found in its offering documents.

Wrap Programs

WAM acts as sub-advisor to certain wrap program providers (each a "Wrap Provider"). WAM is paid a management fee by the Wrap Provider based on the assets under management, which indirectly can be considered a portion of the wrap program fee. Any client in a wrap program should carefully review the Wrap Provider's Appendix 1 of Form ADV, for complete details regarding the wrap program. Clients participating in these programs should also review important disclosures about WAM's brokerage practices described in Item 12 below.

Item 5 - Fees and Compensation

Compensation to WAM for discretionary management services is based on a percentage of funds under management. Fees for referred client relationships vary based on agreements negotiated with the referring advisory firm, and range from 0.50% per annum to 1.00% per annum. WAM has an initial account minimum of \$500,000. Different advisory firms and wrap sponsors may impose different minimum account sizes. In addition, WAM may impose fee minimums on an advisory firm or wrap sponsor specific basis.

Clients may incur custodial fees and transaction fees on the purchase and sale of securities.

WAM may waive the initial account minimum and may also choose to waive all or a portion of fees or fee minimums in certain circumstances. Also, for fee calculation purposes, WAM may agree to aggregate the assets of related client accounts and such accounts may receive the benefit of a lower effective fee rate due to such aggregation. WAM's fees are deducted from client accounts, quarterly, in advance. Quarterly fees are based upon the end of quarter valuation of total assets under management. Clients can terminate WAM's services at any time, by written notice. If the advisory relationship is terminated before the end of a calendar quarter, clients will be refunded unearned advisory fees, based on the number of days left in the quarter of termination.

Subadvisory Relationships

WAM has been retained as a sub-advisor by certain unaffiliated advisory firms. In these arrangements, WAM's fee is negotiated with the other advisory firm.

Affiliated Funds

WAM serves as the investment advisor to the Miller Convertible Bond Fund, the Miller Convertible Plus Fund, and the Miller Intermediate Bond Fund, each a series of the Miller Investment Trust, (each a "Fund", together the "Funds"). As the manager of the Funds, WAM is paid a management fee as specified in the Funds' prospectus.

To the extent that a separately managed account client is invested in shares of a Fund, such client's separate account management fee will be reduced by the management fee that WAM receives directly from the applicable Fund with respect to the client's shares in such Fund applied to the client's separately managed account management fee in

arrears on a quarterly basis. Additional information about each Fund, including information about fees, expenses and risk, can be found in the Funds' prospectus.

Certain supervised persons and sales personnel may also act as registered representatives of an unaffiliated broker-dealer and, in that capacity, may engage in marketing or selling activities with respect to shares in the Funds. Supervised persons and sales personnel may be internally compensated for successful marketing or selling activities with respect to shares in the Funds.

Item 6 - Performance-Based Fees and Side-By-Side Management

WAM serves as general partner to a limited partnership, Brenton Partners L.P. ("Brenton"). Fees for Brenton are charged within the partnership itself and allocated to limited partners in accordance with Brenton's offering documents. Fees are generally comprised of an annual management fee plus a performance allocation, as outlined in the offering documents.

Since WAM manages accounts with and without performance-based fees, WAM has a potential conflict of interest and an incentive to favor Brenton over accounts that do not pay a performance allocation. WAM takes various steps to address these conflicts. For example, when WAM places trades, its policy is to aggregate separately managed accounts with Brenton where practical and feasible. In that way, separately managed accounts and Brenton get the same execution price. To ensure fairness when a trade is executed for something less than the total desired quantity, WAM allocates the partial trade fill to separately managed accounts and Brenton primarily on a random basis, but may also do the allocation on a percentage or alphabetic rotational basis. Notwithstanding the foregoing, the order may be allocated on a different basis if all client accounts receive fair and equitable treatment and the reason for the different allocation is explained in writing and is approved in writing by the Chief Compliance Officer (or the CEO or President if the Chief Compliance Officer is not available) no later than

one hour after the opening of the markets on the trading day following the day the order was executed.

WAM mitigates these potential conflicts through implementation of its Code of Ethics and other compliance policies and procedures to ensure compliance with its fiduciary obligations, federal securities laws and other applicable laws and regulations. Portfolio managers and traders are required to act solely for the benefit of each client, not favor one client over another client and avoid or mitigate any potential conflicts of interests.

Item 7 - Types of Clients

WAM provides discretionary investment management services to individuals, institutions, retirement plans, trusts, estates, private foundations, investment companies, corporations, other advisory firms, and various other entities.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

WAM deploys absolute return strategies and invests predominantly in convertible bonds and convertible bond and corporate bond mutual funds. WAM uses fundamental analysis and the following sources of information for its investment decisions:

- Financial newspapers and magazines
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses and filings with the Securities and Exchange Commission
- Company press releases and conference calls
- Bond pricing services

- Trade monitoring services

Convertible bonds are hybrid securities that have characteristics of both bonds and common stocks. There is risk of loss as they may fall in value. They are subject to risks associated with both debt securities and equity securities. Risks include:

- **Convertible Bond Risk.** Convertible Bonds are hybrid securities that have characteristics of both bonds and common stocks and are subject to risks associated with both debt securities and equity securities. Convertible bonds that are rated below investment grade are subject to the risks associated with high-yield investments.
- **Interest Rate Risk.** The market value of fixed-income securities tends to decline as interest rates increase.
- **Credit / Default Risk.** An issuer of a security may not be able to make principal and interest payments as due and may result in a default.
- **Prepayment Risk.** Bonds may get called, resulting in lower reinvestment rates.
- **High Yield Bond Risk.** WAM will invest in convertible bonds that are either unrated or rated less than investment grade. These securities may carry greater risks and may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher quality fixed income securities.
- **Allocation Risk.** Since a portfolio may invest a significant amount of its assets in a particular industry, market or sector, the value of the portfolio may be more susceptible to adverse changes within that market or sector than a portfolio that does not concentrate its investments.
- **Borrowing Risk.** In cases where margin borrowing is utilized, clients may risk loss if market values decline, interest rates increase, or margin loans are called.

- **Liquidity Risk.** Convertible bonds are traded over the counter in a bid-ask format. Circumstances may arise in which bonds may not be immediately liquid. Because of the absence of an active market for illiquid investments, it may take longer to liquidate such positions and could result in substantial loss.
- **Common Stock Risk.** Convertible securities may have characteristics similar to common stocks especially when their conversion value is the same as the value of the bond. The price of equity securities may rise or fall because of economic or political changes. Stock prices in general may decline over short or even extended periods of time affecting the value of a convertible security.
- **Synthetic Convertible Security Risk.** The value of a synthetic convertible security may respond differently to market fluctuations than a convertible security because a synthetic convertible is composed of two or more separate securities, each with its own market value.
- **Leverage Risk.** Certain WAM products may utilize leverage. The use of leverage through activities such as borrowing or purchasing derivatives can magnify the effects of changes in the value and increase volatility. Because leverage increases the fees payable to the advisor, WAM has an incentive to increase the use of leverage.
- **Management Style Risk.** WAM's objective judgments about the attractiveness and potential appreciation of particular investments may prove to be incorrect and there is no guarantee that its investment strategy will produce the desired results.
- **Market Risk.** One or more markets in which WAM invests may go down in value, including the possibility that the markets may go down sharply and unpredictably.
- **Regulatory Risk.** The U.S. regulatory landscape is currently undergoing significant changes which will impact the types of

transactions that a client may enter into. Some aspects of the new regulatory framework include regulations related to margin requirements, reporting, recordkeeping, clearing, and trade execution. These regulatory changes, among others, may require WAM to change a client's trading strategies or cause a client to incur greater costs.

- It is not possible to identify all of the risks associated with investing in general or with a given strategy. While WAM seeks to manage accounts with risks appropriate to the strategy, it is not always possible or desirable to eliminate risk. Clients should read carefully all materials and documents related to their accounts at WAM, including prospectuses and offering memoranda, prior to investing in WAM.

Item 9 - Disciplinary Information

WAM and its management personnel have no reportable disciplinary events to disclose.

Item 10 - Other Financial Industry Activities and Affiliations

WAM is also the general partner of Brenton Partners (from which it may receive a performance allocation) and investment advisor to the Funds.

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

WAM's Code of Ethics is based on the principle that all its employees have a fiduciary duty to place the interest of clients ahead of their own and WAM's.

WAM's Code of Ethics is further based on the desire of management to ensure compliance with federal securities laws, and to ensure that employees and access persons act in an ethical manner at all times. Our policies are premised on fundamental principles of openness, integrity, honesty and trust. WAM places a high value on ethical

conduct, and challenges employees to live up not only to the letter of the policy, but to the substance and ideals of ethical behavior.

Officers and employees of WAM will occasionally buy or sell, for their personal trading and investment accounts, certain securities that WAM may recommend to its clients. In some cases, the employee or officer making the recommendation may own or may buy or sell the same security as he or she recommends to clients. Because of this potential conflict of interest, WAM has adopted a Code of Ethics and Insider Trading Policy that each employee must comply with. These policies are designed to detect any violation. Key provisions include:

- Statement of General Principles
- Policy on Personal Securities Transactions, including
 - Pre-clearance on Private Placements
 - Pre-clearance on reportable securities when not bundled with client trades
 - No participation in IPOs
 - Procedures for Reporting Personal Securities Transactions and Holdings
- Code of Conduct
- Annual Acknowledgements by Covered Personnel

WAM will provide a copy of its Code of Ethics to any client or prospect who requests one.

Officers and employees of WAM may be encouraged to invest in shares of the Funds, separately managed accounts or in interests in Brenton, as appropriate. WAM may also recommend to clients the purchase of shares in the Funds and interests in Brenton, in which WAM or its employees have a financial interest, when consistent with the client's investment objectives. WAM's aggregate fee revenues may be increased by purchases by clients or others of shares of the Funds and interests in Brenton.

From time to time, when it may be appropriate for one client to purchase a security and for another client to sell the same security,

WAM may, but is not required to simultaneously place cross-trades with one or more broker-dealers or to effect the cross-trade through the applicable custodians in an attempt to seek the best execution for each client by obtaining reduced transaction or execution costs for each client. Since, in such transactions, WAM will represent both client-seller and client-buyer, WAM may have a conflict of interest given the obligation to seek the best price and most favorable execution. Clients should consider the possible costs or disadvantages of this potential conflict versus the potential benefit of obtaining reduced transaction or execution costs that may be obtained from such cross-trades. WAM will not place cross-trades for client accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended, and will only place cross-trades for the Funds in accordance with Section 17(a) of the Investment Company Act of 1940.

Item 12 - Brokerage Practices

For discretionary investment management services, WAM has full investment authority to act on behalf of the client, including the selection of brokers.

WAM has the discretion to choose brokers for the execution of trades. WAM seeks best execution for client trades.

Client assets may be custodied with any of a number of brokers selected by the client, mandated by a sub-advisory agreement, or by the referring advisor or recommended by WAM. In addition, WAM utilizes several different brokerage firms for trading. In seeking best execution, the trade is often executed with a broker other than the custodial broker. This allows WAM to shop among brokerage firms to obtain best execution for all clients. WAM has no obligation to execute trades at any particular broker.

WAM does not direct brokerage transactions to brokers who provide research services in return for commissions that exceed those

charged by other brokers. WAM does not have any soft dollar arrangements and does not receive any soft dollar benefits.

As discussed in Item 6, WAM aggregates client trades whenever practical to effect best pricing and execution for the client.

In recommending custodians / brokers, WAM takes the following factors into consideration:

- Overall financial condition of the custodial brokerage firm
- Ability to execute convertible bond trades
- Transaction charges, including commissions, if any, charged to clients
- Pricing on trades
- Customer service
- Margin rates charged to clients
- On-line access for WAM to client account information
- Quality of account reporting by the custodial brokerage firm
- Client preference

WAM's policy and practice is to not engage in agency cross transactions.

WAM's policy and practice is to not accept an advisory client's instructions for directing a client's brokerage transactions to a particular broker-dealer.

WAM's policy and practice is to not engage in principal transactions.

Item 13 - Review of Client Accounts

Greg Miller (CEO and Co-CIO), Michael Miller (Co-CIO) and other employees review each account at least quarterly. Reviews are also conducted on an ongoing basis, as well as in response to changes in market conditions, changes in the financial situation of clients, and

other factors. Holdings are generally reviewed daily on a portfolio-wide basis.

Depending on the arrangement with the referring advisor, clients may receive quarterly position statements and performance reports from WAM. Clients may also receive additional reports from their custodians and/or their primary advisor.

Investors in Brenton receive position statements at least quarterly and audited financial statements annually.

Item 14 - Client Referrals and Other Compensation

There are no compensation or referral arrangements which pertain to client relationships described in Item 4 of this brochure.

Item 15 - Custody

WAM does not maintain physical custody of client assets.

Separately Managed Accounts

WAM's clients generally retain their own custodians and maintain a separate agreement with their custodian governing the custodial services provided. Referred clients may receive trade confirmations and other reports from their broker-dealer custodians or their primary advisor, and they also may have the option to view their accounts online. WAM recommends that clients carefully review all such statements, confirmations and reports.

Private Fund

WAM is deemed to have custody of Brenton for which WAM serves as general partner. Brenton maintains unaffiliated qualified custodians and undergoes an annual audit by an independent

PCAOB-registered accounting firm for which financial statements are provided to investors.

Item 16 - Investment Discretion

Separately Managed Accounts

WAM accepts discretionary authority, via the Investment Management Agreement or other Power of Attorney, to manage the assets in the client's account. WAM may at its option under certain circumstances permit clients to place restrictions or additional guidelines on investments.

Affiliated Funds

WAM has discretionary authority as general partner for Brenton as well as investment adviser to the Funds. Investors are not permitted to place investment restrictions on the investment activity of Brenton or the Funds.

Item 17 - Voting Client Securities

As a matter of firm policy, WAM does not vote proxies on behalf of clients, with the exception of the Funds and certain clients as required by agreement or law. As such, clients or their primary advisers or their custodians are generally responsible for voting their proxies. However, WAM may provide clients with consulting assistance regarding proxy issues.

Rule 206(4)-6 of the Advisers Act requires advisers to create and maintain written proxy voting policies and procedures. Clients may obtain a copy of WAM's complete proxy voting policies and procedures and may request, in writing, information on how proxies for his/her shares were voted.

Item 18 - Financial Information

Not applicable.