

# Wrap Brochure

February 17, 2017

## **Krueger & Catalano Capital Partners, LLC**

*a Registered Investment Adviser*

This wrap fee program brochure provides information about the qualifications and business practices of Krueger & Catalano Capital Partners, LLC (hereinafter “Krueger & Catalano” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the number listed below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Krueger & Catalano is a SEC registered investment adviser. Registration does not imply any level of skill or training.

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## Item 2. Material Changes

In this Item, Krueger & Catalano is required to discuss any material changes that have been made to the brochure since the last annual amendment filed on March 21, 2016. The Firm has amended Item 9 to remove references to the fact that the Firm was a commodity trading advisor and the operator of a commodity pool. The Firm has removed references throughout the brochure to the Curbstone Growth Portfolio Management Program as the Firm has discontinued this wrap fee program.

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## Item 4. Services, Fees and Compensation

Krueger & Catalano is the sponsor and portfolio manager of the Krueger & Catalano Portfolio Management Wrap Fee Program ("PMP" or the "Program").

This Wrap Brochure describes the business of Krueger & Catalano as it relates to clients receiving services through PMP. Certain sections also discuss the activities of the Firm's Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on behalf of the Firm and is subject to its supervision or control.

The Program is a platform whereby Krueger & Catalano provides clients with investment management services and the execution of their transactions for a single fee. The Program's investment strategies are described in Item 6. To participate in the Program, clients must:

1. Enter into a written agreement with Krueger & Catalano setting forth the relevant terms and conditions of the advisory relationship (the "Agreement").
2. Open a new securities brokerage account and complete a new account agreement with Fidelity Institutional Wealth Services ("Fidelity") for PMP or another broker-dealer Krueger & Catalano approves under the Program (collectively "Financial Institutions").

### Investment Advisory Process

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Krueger & Catalano consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other qualitative factors relevant to the management of their portfolios. Krueger & Catalano tailors its investment advice to meet the needs of its clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. Clients are advised to promptly notify Krueger & Catalano if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Krueger & Catalano determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### Fees for Participation in the Program

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For participants in the Program, the Firm charges an annual fee based upon a percentage of the market value of the assets managed by the Firm. The annual fee includes most commissions and/or transactions fees which otherwise would be incurred by the client, excluding certain fees paid to third parties described below. The fee varies between 50 and 250 basis points (0.50% – 2.50%), depending upon the size and type of assets in a client's account. These fees are payable quarterly, in advance, and are based upon the market value of the assets in the account on January 31, April 30, July 31, and October 31 as computed by the custodian.

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For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and fees paid in advance will first be used to cover trading expenses associated with the termination. The remaining outstanding balance, if any, will be refunded to the client.

## **Fee Discretion**

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Krueger & Catalano, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

## **Additional Fees and Expenses**

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In addition to the fees paid to the Firm, clients also incur certain charges imposed by other third parties. These additional charges include charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in each fund's prospectus, deferred sales charges, broker-dealer commissions on bond transactions (i.e., markups/markdowns), charges for cross transactions, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions.

The Firm also charges an initial set-up fee for accounts requiring extensive liquidation and repositioning. The fee is determined on an account-by-account basis and is agreed upon in advance. Additionally, if a client is terminating the Agreement and requires that all assets be liquidated prior to transferring out, the client will be assessed a fee to cover the cost of this liquidation. Alternatively, the Firm may first offset any refundable portion of a management fee against such liquidation costs.

## **Fee Debit**

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Clients generally provide Krueger & Catalano with the authority to directly debit their accounts for payment of the Firm's fees. The Financial Institutions that act as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Krueger & Catalano.

## **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to Krueger & Catalano's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Krueger & Catalano, subject to the usual and customary securities settlement procedures. However, Krueger & Catalano designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Krueger & Catalano may consult with its clients about the options and implications

of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charges) and/or tax ramifications.

### **Fee Comparison**

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As referenced above, a portion of the fees paid to the Firm are used to cover the securities brokerage commissions and transactional costs attributable to the management of its clients' portfolios. Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Because the Firm pays for the brokerage fees and transaction costs, the Firm has an incentive to engage in fewer transactions, or transactions that cost less to the Firm. Fees paid for the Program may be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

### **Compensation for Recommending the Program**

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Krueger & Catalano has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation in the Program.

## **Item 5. Account Requirements and Types of Clients**

Krueger & Catalano provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Portfolio Size**

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As a condition for opening and maintaining an investment management relationship with Krueger & Catalano, the Firm generally imposes a minimum portfolio size of \$250,000 for PMP.

Krueger & Catalano may aggregate the accounts of related clients to meet the minimum portfolio size. In addition, the Firm, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, related accounts, pre-existing client relationships, account retention and *pro bono* activities. Krueger & Catalano only accepts clients with less than the minimum portfolio size if, in the sole opinion of the Firm, the smaller portfolio size will not result in a substantial increase of investment risk beyond the client's identified risk tolerance.

## Item 6. Portfolio Manager Selection and Evaluation

Krueger & Catalano is both the sponsor and sole portfolio manager of the Program.

### Methods of Analysis

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Krueger & Catalano generally analyzes investments for the Program using fundamental and technical methods of analysis.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For Krueger & Catalano, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Krueger & Catalano will be able to accurately predict such a reoccurrence.

### Investment Strategies, in General

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The Firm's investment strategies and advice offered under the Program vary depending upon each client's specific financial situation. As such, Krueger & Catalano determines investments and allocations based upon clients' predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and various other suitability factors. Client restrictions and guidelines may also affect the composition of client portfolios. The Firm's strategies and investments purchased under the Program may have unique and significant tax implications. However, unless the Firm agrees otherwise, and in writing, tax efficiency is not a primary consideration in the management of clients' assets. The Firm strongly recommends that clients continuously consult with a tax professional prior to and throughout the investing of their assets.

The Program's investment strategies may also involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, clients are advised that frequent trading can negatively affect investment performance. The Firm may also utilize margin when managing accounts.

## Investment Strategy of PMP

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In PMP, Krueger & Catalano primarily allocates client assets among various individual equity securities and municipal and government bonds, in accordance with the investment objectives of individual clients.

The primary equity investment strategy used on client accounts is a traditional long only, with stocks allocated amongst different industry sectors. Client portfolios typically consist of equities only, a combination of equities and bonds, or bonds only. Krueger & Catalano is always looking for new ideas for investments and may add to portfolio positions at different times based on cash available in accounts. Although not recommended by Krueger & Catalano, clients may be permitted to transfer a limited number of securities "in kind" and continue holding such securities at their own risk.

## Risks of Loss

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### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

### *Market Risks*

The profitability of a significant portion of Krueger & Catalano's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Krueger & Catalano will be able to predict those price movements accurately.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and more frequently for actively managed ETFs. However,



certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted strike price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge against potential losses or to speculate on the performance of the underlying securities. Option transactions involve inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase or decrease to the level of the respective strike price. Holders of option contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Master Limited Partnerships (MLPs)*

Master Limited Partnerships (“MLPs”) are collective investment vehicles, the partnership interests of which are publicly traded on national securities exchanges. MLPs invest primarily in companies within the energy sector that engage in qualifying lines of business, such as natural resource production and mineral refinement. MLPs are therefore subject to the underlying volatility of the energy industry and may be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation and interest rate fluctuations, among other such factors. In addition, MLPs operate as pass-through tax entities, meaning that investors are liable for their *pro rata* share of the partnership taxes, regardless of the types of accounts where the interests are held.

### *Management Through Similarly Managed “Model” Accounts*

Krueger & Catalano manages certain accounts through the use of similarly managed “model” portfolios, whereby the Firm allocates all or a portion of its clients’ assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients’ net after tax gains. While the Firm seeks to ensure that clients’ assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client’s individual tax ramifications. Clients should contact Krueger & Catalano if they experience a

change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

### *Use of Margin*

While the use of margin borrowing can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally effected using capital borrowed from a *Financial Institution*, which is secured by a client's holdings. Under certain circumstances, a lending *Financial Institution* may demand an increase in the underlying collateral. If the client is unable to provide the additional collateral, the *Financial Institution* may liquidate account assets to satisfy the client's outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client's borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client's portfolio.

### **Performance-Based Fees and Side-By-Side Management**

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Krueger & Catalano does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### **Voting Client Securities**

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Krueger & Catalano may vote client securities (proxies) on behalf of its clients. When Krueger & Catalano accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in Krueger & Catalano's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Krueger & Catalano's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Krueger & Catalano to request information about how Krueger & Catalano voted proxies for that client's securities or to get a copy of Krueger & Catalano's Proxy Voting Policies and Procedures. A brief summary of Krueger & Catalano's Proxy Voting Policies and Procedures is as follows:

- Krueger & Catalano has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to Krueger & Catalano's then current Proxy Voting Guidelines.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Krueger & Catalano devotes an appropriate amount of time and resources to monitor these changes.

- Clients cannot direct Krueger & Catalano's vote on a particular solicitation but can revoke Krueger & Catalano's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Krueger & Catalano maintains with persons having an interest in the outcome of certain votes, Krueger & Catalano takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 7. Client Information Provided to Portfolio Managers**

In this Item, Krueger & Catalano is required to describe the information about clients that the Firm communicates to the clients' portfolio managers. As the Program's sole portfolio manager, Krueger & Catalano has no disclosures to make pursuant to this Item.

### **Item 8. Client Contact with Portfolio Managers**

In this Item, Krueger & Catalano is required to explain any restrictions placed on clients' ability to contact and consult their portfolio managers. As the Program's sole portfolio manager, there are no restrictions on a client's ability to contact and consult with Krueger & Catalano.

### **Item 9. Additional Information**

#### **Disciplinary Information**

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Krueger & Catalano has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

#### **Other Financial Industry Activities and Affiliations**

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##### *Receipt of Insurance Commissions*

Certain of Krueger & Catalano's Supervised Persons, in their individual capacities, are also licensed insurance agents and will earn commission-based compensation for selling insurance products. Insurance commissions earned by these individuals are separate and in addition to fees received by the Firm. This creates a conflict of interest as Supervised Persons who are licensed insurance agents have an incentive to recommend insurance products to clients for the purpose of generating commissions. Krueger & Catalano has procedures in place to ensure that any recommendations made by such Supervised Persons are in the clients' best interest. In addition, clients are advised that they are under no obligation to purchase insurance products through any Supervised Persons and may use insurance agents of their choosing.

## Code of Ethics

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Krueger & Catalano has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. Krueger & Catalano’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires of the Firm’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, Krueger & Catalano personnel are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by Supervised Persons to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Persons may knowingly effect for themselves or for their immediate family a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Persons is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Krueger & Catalano to request a copy of its Code of Ethics.

## Review of Accounts

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Krueger & Catalano monitors clients’ portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of Krueger & Catalano’s investment adviser representatives. Clients are encouraged to discuss their needs, goals and objectives with Krueger & Catalano and to keep Krueger & Catalano informed of any changes thereto. The Firm contacts clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied.

## **Client Referrals**

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The Firm compensates unaffiliated solicitors for client referrals in accordance with the requirements of the SEC and any corresponding state securities laws. In particular, solicitors provide prospective clients with a copy of Krueger & Catalano's wrap brochures and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement, including compensation. Any such referral fee is paid solely from Krueger & Catalano's management fees and does not result in any additional charge to the client.

## **Receipt of Economic Benefit**

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Krueger & Catalano may receive from Fidelity, without cost to Krueger & Catalano, computer software and related systems support, which allow Krueger & Catalano to better monitor client accounts maintained at those Financial Institutions. Krueger & Catalano may receive the software and related support without cost because Krueger & Catalano renders investment management services to clients that maintain assets at Fidelity.

Additionally, Krueger & Catalano may receive the following benefits from Fidelity: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to an electronic communication network for client order entry and account information; and receipt of travel, meals, entertainment, and admission to educational or due diligence programs.

These economic benefits are not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit Krueger & Catalano, but not its clients directly. In fulfilling its duties to its clients, Krueger & Catalano endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Krueger & Catalano's receipt of economic benefits from Fidelity creates a conflict of interest since these benefits may influence Krueger & Catalano's choice of Financial Institutions over those that do not furnish similar software, systems support or services.

## **Financial Information**

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Krueger & Catalano is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;

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- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## Krueger & Catalano Capital Partners

Prepared by:



**MARKETCOUNSEL®**  
*The Adviser's Advisor®*