

Brochure  
ADV Form Part 2A  
for

Bernard Taylor  
2 Spring Lane  
Worcester, UK, WR5 1AU

Phone: +44 7887 722698  
Email [bhtaylor@bloomberg.net](mailto:bhtaylor@bloomberg.net)

Amended April 2018

## Item 2 Material Changes

AUM details have altered from previous year.

The Brochure has been prepared to meet the new Securities and Exchange Commission (SEC) requirements. Specifically, the SEC adopted an amendment concerning Part 2 of the ADV form (the Brochure). Investment Advisers registered with the SEC are required to provide prospective new and current clients with a Brochure and Brochure supplements written in plain English.

This Brochure is prepared to provide current and potential clients with information about the firm. The Brochure has not been approved by the SEC or any state securities authority.

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#### Item 4 Advisory Business

Bernard Taylor (the Firm), as a Registered Investment Adviser (RIA) provides personalized investment management services to individuals and other investors. The firm focuses on portfolio management for individuals. High net worth individuals represent over 90% of the assets under management.

Client assets under management as of **March 31, 2018 were \$443,667,513.** Approximately 95% of the assets are invested in Equities and 5% in Cash Equivalents.

The primary business of the Firm is selection of and investment in individual stocks for clients.

The Firm can provide investment management services to pension and profit sharing plans, trusts, estates, and charitable organizations. Currently, none these services are being provided.

Investment advice on other assets is occasionally given at the request of clients. Other assets include oil and gas interests, real estate, foreign currency, corporate debt, convertible corporate debt, high yield corporate debt, and closely held assets.

Clients generally give sole investment authority to the Firm. Broad investment objectives and defined income needs are set after initial consultation. Clients occasionally inquire about specific investment issues and may direct specific purchases and sales.

The Firm generally requires all professional staff to have at least a university education. In exceptional circumstances, significant business experience may be accepted in lieu of a college degree. Members of the professional staff either have advanced degrees in business and/or have earned the professional designation of CFA (Chartered Financial Analyst.) Those who do not will be encouraged to pursue an advanced degree or professional designation.

## Item 5 Fees and Compensation

The fee schedule is based on investment services provided. The Firm generally refers to investment counseling as investment management services. The fees are the same for equity, balanced, and fixed income accounts, as shown below.

Each account or relationship pays a fee based on the value of assets under management using a fee schedule agreed to by each client. Larger accounts may pay a lower percentage than smaller accounts and existing clients may pay a lower fee than new accounts.

The current fee schedule is:

On all accounts 0.25% annually

In addition to the percentage fees shown above, third party custodian of the client assets may charge custody fees of .001% or \$0.10/\$1000 to .025% or \$2.50/\$1000 annually.

This fee schedule may be waived, modified, negotiated, increased or reduced for any reason agreeable to the client and the Firm. Refunds, if any, will be made on a pro-rate basis.

All fee schedules are applied to the fair market value of the assets managed by the Firm as of the end of each month or quarter, as may be reasonably determined by the Firm.

In all cases, the value of the account holdings that are not directly managed may be excluded from calculation of fees.

Under the terms of the Firm's standard form investment advisory agreements, the compensation of the Firm is payable monthly, in arrears. The standard form agreements do not have fixed termination dates, but provide for the termination of the Firm's services upon 30 days written notice by either the Firm or the client.

See - Fees and Compensation -- Continuation page 1.

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

The firm does not have performance based management fees. Side-by-Side Management is managing individual accounts or a mutual fund along with a hedge fund. The firm does not do Side-by-Side management.

## Item 7 Types of Clients

The Firm currently manages money and assets for Individuals, Trusts, Pension Plans and Charitable Organizations.

The Firm does not generally impose a dollar minimum account size for the establishment of a new account, although one million dollars or higher is the Firm's target account level.

The Firm generally does not impose any other specific conditions on establishment of new accounts. The Firm reserves the right to decline any account. The Firm does not impose any specific requirements for the maintenance of any investment advisory account.

There may be aspects of financial planning in some of the Firm's work with clients but such planning is an integral part of determining client objective. The Firm does not offer for sale commissioned products created by others.

Clients may retain the Firm on either a discretionary or non-discretionary basis. Where the client chooses to grant investment discretion to the Firm, the Firm will normally have authority to supervise and direct the investment of and for the client's account without prior consultation under a limited power of attorney.

If the client does not choose to grant to the Firm investment discretion, the Firm makes recommendations to the client as to which securities are to be bought or sold and the amounts to be bought or sold. Transactions are made for non-discretionary clients after approval is received.

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

Clients rely on the Firm to provide impartial and unbiased investment advice, based on solid investment research. Equities are selected on a fundamental basis, which considers historical and future earnings and dividend growth rates and valuation measurements such as price-to-earnings and price-to-cash flow.

Other tools used for evaluation of equity purchases and sales include charting, technical and cyclical analysis.

The equity portfolio is usually diversified across the major industry sectors. Sector weightings relative to the broad stock market indices are used as a guideline for over and under weighting strategies.

Fixed income securities are selected based on quality, current interest rates, yield curve structure, the economic outlook and client specific needs. Cash equivalents are held as buying reserves. Mutual funds and Exchange Traded Funds (ETF's) may be utilized to get exposure to a niche market or to meet specific diversification needs.

Investment information comes from financial newspapers, major brokerage firms, annual reports and filings with the SEC, company press releases, the Municipal Securities Rule Making Board EMMA, and other online investment information sites.

The Firm's high net worth investor can usually tolerate market risk associated with equity investments. A well diversified portfolio, with weighting similar to the major stock market indices should perform similarly to the overall market. However, a well-diversified equity portfolio can decline 50% or more in value from its highs to the lows of a Bear market.

Historically over holding periods of ten years or longer, equities have usually equalled or exceeded the returns provided by fixed income or cash equivalent investments. The Firm's clients are generally long-term investors. A long-term investment horizon eliminates much of the effect of short-term risk.

The long-term investment horizon also matches with the Firm's practice of avoiding frequent trading. Frequent trading can have a negative effect on performance, especially on an after-tax basis.

See -- Method of Analysis, Investment Strategies and Risk of Loss -- Continuation page 2



## Item 9 Disciplinary Information

There is no disciplinary information to report on Bernard Taylor or its portfolio manager Bernard Taylor. Details of what is required to be reported are shown in the ADV part 1A.

## Item 10 Other Financial Industry Activities and Affiliations

Bernard Taylor and its employees have no other financial industry activities or affiliations.

Financial industry activities and affiliations would include being actively engaged as a broker-dealer, register representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading supervisor, real estate broker - dealer - agent, bank, or other financial product salesperson.

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

The Firm's Code of Ethics is based on the principle that all employees of the Firm have a fiduciary duty to place the interests of the clients ahead of their own and the Firm. Employees of the firm should avoid activities, interests, and relationships that would interfere with making decisions in the best interest of the clients. A copy of the Code of Ethics is available on request.

Officers and employees of the Firm may purchase or hold publicly traded securities, which are recommended for purchase or sale by clients. Personal securities transactions by persons associated with the Firm are subject to detailed restrictions described below. Compliance with the restrictions is a condition of employment.

In accordance with Securities and Exchange Commission rules relating to record keeping by investment advisors, all personnel are required to report all purchases and sales of securities (other than U.S. Government obligations and shares of registered open-end investment companies) for any account in which such persons have an interest individually, jointly or as guardian, executor or trustee or in which persons or their respective spouses and/or minor children or other dependents residing in the same household, have an interest.

The Firm requires that all brokerage account relationships be disclosed; that the Firm receive transaction confirmations with respect to those accounts; and that the Firm receive account statements for custodial accounts or in the alternative an annual list of all securities held in covered accounts.

Also, all personal security transactions are subject to the following:

1. Personal purchases and sales will be executed only if there are no conflicting orders pending for the client accounts. If a conflict exists, the transaction will be postponed until client trades are completed.
2. The Firm maintains a list of securities that are followed actively and occasionally recommended for purchase and sale. No one associated with the Firm may buy or sell a stock until there are no conflicting orders for client accounts subject to trade.
3. Firm personnel may not purchase new issues with the exception of Fixed Income securities.

See - Code of Ethics -- Continuation page 3.

## Item 12 Brokerage Practices

The Firm's overriding objective in effecting portfolio transactions is to obtain the best combination of price and execution. This objective is subject only to any client direction to utilize a particular broker or dealer for execution of transactions in that client's account. Transaction costs are normally an important factor in this decision, but a number of other judgmental factors may also enter into the decision, including:

1. The Firm's knowledge of negotiated commission rates currently available and other current transaction costs;
2. The nature of the security being traded;
3. The size of the transaction; the desired timing of the trade;
4. The activity existing and expected in the market for the particular security;
5. Confidentiality;

The execution, clearance and settlement capabilities of the broker or dealer selected and others which are considered.

Recognizing the value of these factors, the client may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction.

The Firm may pay brokerage commissions that are somewhat higher than obtainable from other brokers in return for research products or services provided by the brokers. Research products or services obtained through equity trades are expected to benefit clients with equity-oriented accounts.

The Firm may receive research products or services in return for trading municipal securities, including purchasing new issues. The services would be specifically related to municipal bond portfolio management evaluation and trading. The Firm will periodically review products and services provided as to the benefits versus costs.

It is the Firm's practice, when feasible, to aggregate orders for the purchase or sale of a particular security for execution as a single transaction when the accounts of several clients are held at a common custodian, in order to seek a lower commission or more advantageous net price. The benefit obtained as a result of such aggregation is generally the result of an "average price" paid for shares. Each account pays a commission based on the size of the assets at the custodian.

See - Brokerage Practices -- Continuation page 4.

### Item 13 Review of Accounts

The account manager continuously reviews the accounts. It is his responsibility to implement the Firm's economic outlook, overall investment policy and strategy. All actions are subject to individual account considerations, including client's cash requirements, history, changes in circumstances, investment objectives, and tax consequences.

Client reports will be mailed at least quarterly. Generally, however, reports will be mailed monthly, unless the client requests a different method or schedule.

#### Item 14 Client Referrals and Other Compensation

The firm and its employees do not compensate any person for client referrals. The firm or its employees do not receive outside compensation for referring clients to other firms.

## Item 15 Custody

The firm will not have custody of the clients' funds or securities. The Firm uses third parties as custodians and never has direct control/custody of assets. The third-party custodians are large well-known companies.

Benefits of using a qualified custodian bank or brokerage house include receiving a statement directly from the custodian. Clients should carefully review the statement to determine if unusual or unacceptable transactions have occurred.

The custodian has no reason to report false transactions or incorrect asset holding. If the investment adviser (the Firm) has complete control of investment decisions and custody of the assets, there is risk of incorrect or false reporting. The possibility of fraud and other inappropriate uses of client assets increases significantly when the investment adviser (the Firm) has both the investment authority and custody of the assets.

Third- party custodians provide additional safety to the client. The client can go directly to the custodian and obtain his assets.

When a client is reluctant to incur the fee cost of utilizing the services of a bank or trust company as custodian of the client's assets, the Firm may suggest the client utilize the services of a broker for this purpose. If the client does not already have a satisfactory brokerage arrangement, the Firm may suggest the name of one or more brokers with which it is familiar and which can provide such services. Factors considered by the Firm in selecting brokers which it recommends include: the execution, clearance and settlement capabilities of the brokers; whether the broker offers insurance coverage to customers in excess of the Securities Investor Protection Corporation insurance amounts; and the Firm's knowledge of the actual or apparent operational problems of the broker.

## Item 16 Investment Discretion

Clients may retain the Firm on either a discretionary or non-discretionary basis. If the client chooses to grant investment discretion to the Firm, the Firm will normally have authority to supervise and direct the investment of and for the client's account without prior consultation under a limited power of attorney.

Pursuant to this discretionary authority, the Firm will normally determine which securities are bought and sold for the account, the total amount of such purchases and sales, the brokers or dealers through which transactions will be executed and the commission rates paid to effect the transactions.

The Firm's authority may be subject to conditions imposed by the client, e.g., where the client restricts or prohibits transactions in certain types of securities or directs that transactions be effected through specific brokers or dealers.

If the client does not choose to grant investment discretion to the Firm, the Firm makes recommendations to the client as to which securities are to be bought or sold and the amounts to be bought or sold. The Firm executes the trades upon approval from the client.



## Item 17 Voting Client Securities

The proxy voting practices for the Firm are straightforward. The firm votes as recommended by the corporation except for special or unusual situations. Special or unusual situations are evaluated for possibly voting contrary to the corporation's recommendation.

Proxies are voted by the Firm unless otherwise directed by the client. Clients may receive a copy of the Firm's proxy voting policy by request

## Item 18 Financial Information

Financial information is required for investment advisers that have custody of clients' funds or securities or require clients' to prepay fees. Bernard Taylor does not have custody of clients' assets and does not charge fees in advance. No financial information disclosure by Bernard Taylor is required.

Item 19 Requirements for State-Registered Advisers

Not Applicable

Fees and Compensation -- Continued --

Fees may be paid directly by the client or by the custodian holding the client's funds and securities. There are three criteria that must be met when payment is made by the custodian:

- (1) The client must provide written authorization permitting the fees to be paid directly from the client's account held by the independent custodian.
- (2) The Firm must send the custodian a bill showing the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which the fee was calculated.
- (3) The custodian must agree to send to the client a statement, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to the Firm.
- (4) The Firm will not have custody of clients' funds or securities.

It is possible that clients who elect to use the custodial services of brokerage firms will pay fees both to the adviser and the brokerage firm for the same assets. This is particularly true if a broker's money market funds are used to invest cash reserves. The client may pay two fees if mutual funds are used in an account, one to the adviser and one to the manager of the mutual fund. Clients are made aware of this situation before they sign agreements.

Method of Analysis, Investment Strategies and Risk of Loss -- Continued --

For equity-oriented portfolios, the Firm tries to reduce risk by increasing cash equivalent and fixed income positions when equity prices appear excessive. An increase in defensive stocks versus aggressive stocks can also be implemented to reduce risk. For more conservative accounts, fixed income securities are added to the portfolio. Fixed income securities generally reduce the risk of loss.

There is no certainty that the Firm's actions will significantly reduce the risk or increase the total long-term return for an equity-oriented portfolio. A long term investment discipline and horizon is considered the best practice to deal with volatility and possible significant loss.

For tax-free income portfolios or the portion of a portfolio invested in tax-free fixed income securities, there are several types of risk:

1. Default risk - non-payment of interest or principal. Defaults have historically been very low for investment grade tax-exempt Municipal bonds. Concern over defaults has risen over the past few years.
2. Interest rate risk - the effect of interest rates going up or down. Changes in current interest rates cause the value of an existing municipal portfolio to go down or up in market value.
3. Reinvestment risk - having to reinvest proceeds from maturing bonds at lower rates. This can significantly reduce future income.

A well-diversified municipal portfolio, invested in investment-grade securities that are structured to match a clients needs reduces these risks. The risks mentioned above cannot be totally eliminated.

Continuation Page 3

Code of Ethics -- Continued --

The objective of these guidelines is to prevent conflicts of interest, or the appearance of conflicts of interest, between transactions of members of the Firm and those carried out for clients. Whenever a question arises, it will be resolved in favour of the client.

Brokerage Practices -- Continued --

In the case of a client who has restricted the Firm to a particular broker or dealers with respect to transactions, that client will be unable to participate in block trades.

The Firm will normally have authority to supervise and direct the investment of and for the client's account without prior consultation. The Firm will normally determine the brokers or dealers who will execute transactions and the commission rates paid to effect the transactions.

If the client does not choose to grant investment discretion to the Firm, the Firm may still have the authority to determine the brokers or dealers through which the transactions will be executed, and the commission rates paid to effect the transactions. However, a non-discretionary client may direct that transactions be effected through specific brokers or dealers. Such a direction may be a disadvantage to the client because he may not get the best price, best execution, or the lowest commission. The Firm will inform each client that they may be at a disadvantage by directing trades to non-discount brokers.