

# Troutwood, LLC

## Wrap Fee Program Brochure

*This wrap fee program brochure provides information about the qualifications and business practices of Troutwood, LLC. If you have any questions about the contents of this brochure, please contact us at (412) 780-4851 or by email at: [gene.natali@troutwood.com](mailto:gene.natali@troutwood.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 Troutwood, LLC is also available on the SEC's at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Troutwood, LLC's CRD number is:305895.*

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*Registration as an investment adviser does not imply a certain level of skill or training.*

Version Date: 10/2/2019

## **Item 2: Material Changes**

Troutwood, LLC has not yet filed an annual updating amendment to this Wrap Fee Program Brochure. Therefore there are no material changes to this brochure to report.

## Item 3: Table of Contents

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Troutwood, LLC (hereinafter “Troutwood”) provides “robo-advisory” portfolio management services via an online interface under this wrap fee program as sponsor and portfolio manager. This entails the use of algorithm-based portfolio management advice, rather than in-person investment advice. These automated investment solutions are customized to each client and based on individual characteristics, such as the client’s age, risk tolerance, income, and current assets, among others.

The fee schedule for these services is as follows:

| Total Assets Under Management | Annual Fees |
|-------------------------------|-------------|
| All Assets                    | 0.10%       |

Portfolio management fees are withdrawn directly from the client’s accounts with client’s written authorization. Fees are paid in arrears. Troutwood uses the value of the account as of the last business day of the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

Troutwood may also charge a monthly subscription fee of up to \$3.

Clients may terminate the agreement without penalty, for full refund of Troutwood’s fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract immediately upon written notice.

### B. Contribution Cost Factors

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program, including the trading activity in the client’s account, the adviser’s ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

### C. Additional Fees

Troutwood will wrap third party fees (i.e., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.) for wrap fee portfolio management accounts. Troutwood will charge clients one fee, and pay all transaction fees using the fee collected from the client. Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that Troutwood has an incentive to

limit trading activities for those accounts since the firm absorbs those transaction costs.

Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, fees associated with “step out” transactions if the account uses different custodians or broker-dealers, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

#### **D. Compensation of Client Participation**

Neither Troutwood, nor any representatives of Troutwood receive any additional compensation beyond advisory fees for the participation of client’s in the wrap fee program. However, compensation received may be more than what would have been received if client paid separately for investment advice, brokerage, and other services. Therefore, Troutwood may have a financial incentive to recommend the wrap fee program to clients.

### **Item 5: Types of Clients**

Troutwood generally offers advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

There is no account minimum.

### **Item 6: Portfolio Manager Selection and Evaluation**

#### **A. Selecting/Reviewing Portfolio Managers**

Troutwood will select outside portfolio managers for management of this wrap fee program.

Troutwood will use industry standards to calculate portfolio manager performance.

Troutwood reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The performance information is monthly and is reviewed by Troutwood.

## **B. Related Persons**

Troutwood and its personnel serve as the portfolio managers for all wrap fee program accounts. This is a conflict of interest in that no outside adviser assesses Troutwood's management of the wrap fee program. However, Troutwood addresses this conflict by acting in its clients' best interest consistent with its fiduciary duty as sponsor and portfolio manager of the wrap fee program.

## **C. Advisory Business**

Troutwood offers ongoing wrap fee portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Troutwood creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- |                                 |                                |
|---------------------------------|--------------------------------|
| • Determine investment strategy | • Personal investment policy   |
| • Asset allocation              | • Asset selection              |
| • Assessment of risk tolerance  | • Regular portfolio monitoring |

Troutwood evaluates the current investments of each client with respect to their risk tolerance levels and time horizon.

Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Portfolio management accounts participating in the wrap fee program will not have to pay for transaction or trading fees. Troutwood will charge clients one fee, and pay transaction fees using the advisory fee collected from the client. Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that Troutwood has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs. To address this conflict, Troutwood will always act in the best interest of its clients consistent with its fiduciary duty as an investment adviser.

### ***Services Limited to Specific Types of Investments***

Troutwood generally limits its investment advice to equities, and ETFs, although Troutwood primarily recommends The core of our investment strategy is an investment in an S&P 500 index ETF. Tactical allocations to cash (up to 12% and up to 5 Individual

stocks (from the S&P 500) at a maximum weighting of 2%. Troutwood provides online “robo-advisory” portfolio management. Client accounts are generally invested into a target allocation depending on the client’s individual profile. This automated approach factors in client financial situation and risk tolerance, although the algorithms used to provide advisory services are designed to be utilized by Troutwood across multiple clients.

### ***Client Tailored Services and Client Imposed Restrictions***

Troutwood offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client’s current situation (income, tax levels, and risk tolerance levels). Clients are not permitted to impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

### ***Wrap Fee Programs***

As discussed herein, Troutwood sponsors and acts as portfolio manager for this wrap fee program. Troutwood manages the investments in the wrap fee program, but does not manage those wrap fee accounts any differently than it would manage non-wrap fee accounts. The fees paid to the wrap account program will be given to Troutwood as a management fee.

### ***Amounts Under Management***

Troutwood has the following assets under management:

| Discretionary Amounts: | Non-Discretionary Amounts: | Date Calculated: |
|------------------------|----------------------------|------------------|
| \$0                    | \$0                        | October 2019     |

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

Troutwood does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Clients paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

### ***Methods of Analysis and Investment Strategies***

#### **Methods of Analysis**

Troutwood’s methods of analysis include fundamental analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

### **Investment Strategies**

Troutwood uses/recommends long term investing.

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Material Risks Involved***

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#### **Methods of Analysis**

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

### **Investment Strategies**

**Long term investing** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Risks of Specific Securities Utilized***

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Because ETFs use "authorized participants" (APs) as agents to facilitate creations or redemptions (primary market), there is a risk that an AP decides to no longer participate for a particular ETF; however, that risk is mitigated by the fact that other APs can step in to fill the vacancy of the withdrawing AP [an ETF typically has multiple APs] and ETF transactions predominantly take place in the secondary market without need for an AP. Like other liquid securities,



ETF pricing changes throughout the trading day and there can be no guarantee that an ETF is purchased at the optimal time in terms of market movements. Moreover, due to market fluctuations, ETF brokerage costs, differing demand and characteristics of underlying securities, and other factors, the price of an ETF can be lower than the aggregate market price of its cash and component individual securities (net asset value – NAV). An ETF is subject to the same market risks as those of its underlying individual securities, and also has internal expenses that can lower investment returns.

*Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Voting Client Securities (Proxy Voting)***

Troutwood will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

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

All client information material to managing the portfolio (including basic information, risk tolerance, sophistication level, and income level) is provided to the portfolio manager. The portfolio manager will also have access to that information as it changes and is updated.

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

Troutwood does not restrict clients from contacting portfolio managers. Troutwood's representatives can be contacted during regular business hours using the information on the Form ADV Part 2B cover page.

## **Item 9: Additional Information**

### **A. Disciplinary Action and Other Financial Industry Activities**

#### ***Criminal or Civil Actions***

There are no criminal or civil actions to report.

#### ***Administrative Proceedings***

There are no administrative proceedings to report.

### ***Self-Regulatory Organization (SRO) Proceedings***

There are no self-regulatory organization proceedings to report.

### ***Registration as a Broker/Dealer or Broker/Dealer Representative***

Neither Troutwood nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### ***Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor***

Neither Troutwood nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### ***Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests***

Eugene Michael Natali Jr. is an investment adviser representative with another firm, C.S. McKee L.P. From time to time, he will offer clients advice or products from this activity. Troutwood, LLC always acts in the best interest of the client. Clients are in no way required to utilize the services of any representative of Troutwood, LLC in such individual's outside capacity.

Eugene Michael Natali Jr. is 90% owner of The Missing Semester LLC (a financial literacy focused entity).

Jeffrey Richard Davidek is an investment adviser representative with another firm, C.S. McKee L.P.. From time to time, he will offer clients advice or products from this activity. Troutwood, LLC always acts in the best interest of the client. Clients are in no way required to utilize the services of any representative of Troutwood, LLC in such individual's outside capacity.

### ***Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections***

Troutwood does not select third-party investment advisers.

## **B. Code of Ethics, Client Referrals, and Financial Information**

### ***Code of Ethics***

Troutwood has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Troutwood's Code of Ethics is available free upon request to any client or prospective client.

### ***Recommendations Involving Material Financial Interests***

Troutwood does not recommend that clients buy or sell any security in which Troutwood or a related person has a material financial interest.

### ***Investing Personal Money in the Same Securities as Clients***

Troutwood will not recommend to clients securities in which the firm or its representatives also invest.

### ***Trading Securities At/Around the Same Time as Clients' Securities***

Not applicable - see "Investing Personal Money in the Same Securities as Clients" response above.

### ***Frequency and Nature of Periodic Reviews***

Robo-advisory portfolio management accounts are not reviewed by Troutwood, save for automated allocation revisions. Clients are encouraged to update Acorns of any change in their objectives, risk tolerance, or other pertinent information.

### ***Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Robo-advisory portfolio management accounts do not undergo non-periodic review by Troutwood, allocations will change in accordance with the portfolio management software utilized by Troutwood and changes to the client's profile.

### ***Content and Frequency of Regular Reports Provided to Clients***

Robo-advisory portfolio management clients will receive at least quarterly a written report that details the client's account including assets held and asset value, which report will come from the custodian [and at least quarterly a written report from Troutwood.

### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients***

Troutwood does not receive any economic benefit, directly or indirectly from any third party for advice rendered to Troutwood clients.

### ***Compensation to Non - Advisory Personnel for Client Referrals***

Troutwood does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### ***Balance Sheet***

Troutwood neither requires nor solicits prepayment of more than \$1,200.

### ***Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients***

Troutwood does not have any financial condition that would impair its ability to meet contractual commitments to clients.

### ***Bankruptcy Petitions in Previous Ten Years***

Troutwood has not been the subject of a bankruptcy petition.

## **Item 10: Requirements For State Registered Advisers**

Please see the “*Recommendations Involving Material Financial Interests*” and “*Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests*” sections above.