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**Firm Brochure for Sub-Advisory Clients
(Part 2A of Form ADV)**

Updated: July 15, 2019

This Brochure provides information about the qualifications and business practices of Granite Investment Advisors, LLC. (Granite). If you have any questions regarding the contents of this Brochure, please contact Debra Wentworth, Partner, CCO, COO at 800-851-8431 or via email at debbie@graniteinv.com.

Granite is a registered investment advisor. Registration does not imply any level of skill or training. The oral and written communications of an Advisor are intended to provide you with information about which to determine whether or not to hire.

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 Granite is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

This item will only discuss specific material changes that are made to the Brochure and provide clients with a summary of such changes. Our last annual update was on March 28, 2019.

Our brochure is always available by contacting Debra Wentworth, Partner, CCO, COO at 800-851-8431 or debbie@graniteinv.com. The Brochure is also available electronically using the link on our website: www.graniteinvestmentadvisors.com.

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Item 4 – Advisory Business

Firm Description

Granite was founded in 1983 as E. R. Taylor Investments. In 2001, the firm was acquired by the publicly traded firm Boston Private Financial Holdings, Inc. It was a wholly owned subsidiary. In April 2009, Granite Investment Advisors Holdings, Inc. purchased the firm from Boston Private Financial Holdings, Inc. and changed the name to Granite Investment Advisors, Inc. On February 1, 2017 we changed our corporate structure to become Granite Investment Advisors, LLC. The firm has one office in Concord.

Principal Owners

Granite is owned by its three partners including Scott Schermerhorn, CEO and Timothy Lesko who own 25% or more.

Types of Advisory Services

Investment Management Services – Separate Accounts

Granite is an investment advisor that manages client portfolios on a discretionary basis. Discretionary means that upon signing a contract with Granite, clients give us the authority to execute trades (buys and sells) of securities on their behalf. Granite will take instruction to restrict certain securities from being traded on the client's behalf. Our assets under management were \$620,031,231 with \$25,565,964 being non-discretionary as of 12/31/18.

Granite builds and manages customized investment portfolios for affluent individuals, corporations and non-profit institutions. Clients may impose restrictions on our ability to implement particular types of investments.

Sub-advisory Services

Granite provides sub-advisory services to Union Bank (the bank) clients.

Research Services

Granite provides research to certain institutions for use and implementation by the internal investment management department.

Item 5 – Fees and Compensation

Granite fees are included in the fees paid to the bank. No additional charges will be made to the clients account. Granite receives an annual fee of 0.20% (20 basis points) on the managed assets. The bank will pay the fees monthly.

Granite's fees do not include brokerage commission or other fees or charges associated with securities transactions implemented with or through a brokerage firm, markups or mark-downs in principal transactions, deferred sales charges, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation, all of which will be charged to the Client in addition to our fee. Granite does not receive any portion of these fees but may receive research services (see Brokerage Practices).

Granite may also manage accounts beneficially owned by employees or family members and may reduce or waive its normal fee in these circumstances. Granite may modify its standard fee arrangement causing certain clients to pay lower or no management fees.

Item 6 – Performance Fees and Side-by-Side Management

Granite does not charge any performance-based fees.

Item 7 – Types of Clients

Our clients include private individuals, couples, and families, foundations, endowments, corporations, investment companies, pension plans, profit sharing plans, and public employee retirement funds.

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

Methods of Analysis

Granite uses fundamental and quantitative analysis of individual equity (stock) and fixed income (bond) holdings to create investment portfolios for clients.

Large Cap Value Process

Individual Stocks

Step 1: Screening – We start with companies with market capitalization greater than \$2.5 billion. We screen for companies with above average or improving profitability selling at below average valuations. We analyze the resulting companies looking for the most profitable (or anticipation of profitability), change dynamics, and most undervalued using valuation and return on capital (ROC) measurements.

Step 2: Fundamental Analysis - We assess a company's competitive position, analyze financial statements, and interview company management, customers, and competitors.

Step 3: Valuation Analysis – We determine the fair value of a company using a discounted free cash flow model. We purchase stock in companies that we believe to be at least 25% undervalued.

Step 4: Portfolio Construction - We build portfolios with concentrated holdings to capture excess returns. A typical portfolio will hold 30 to 35 positions with an average position size of 3 to 5%. We diversify exposure across economic sectors.

Fixed Income Investments

Step 1: Determine a Client Specific Strategy - We review each client's annual income needs, tax status, and risk tolerance. We choose among US Treasury, US Government Agencies, investment grade corporate bonds, tax-free municipal bonds and Exchange Traded Funds (ETF's).

Step 2: Portfolio Positioning - We position our portfolios along the yield curve based on our assessment of where we are in the economic cycle, the level of nominal and real rates compared to historical data, the shape of the yield curve, the outlook for inflation, and the direction of monetary policy.

Step 3: Portfolio Construction - We examine the actual terms of the securities themselves including call protection, sinking fund provisions, and collateral (if any). For municipals we also examine the relative strength of the taxing authority behind the bonds, i.e. are the bonds general obligations of the state of issuance backed by its full taxing authority, or is the bond backed by a specific revenue stream based on consumer usage of a public facility.

Dividend Growth Process

Step 1: Idea Generation - The primary emphasis is placed on the identification and selection of companies that offer unique and distinctive products or services that give them a strong market franchise.

Step 2: Fundamental Analysis - We assess a company's competitive position within its industry and the market, analyze financial data, dividend history, and general economic factors.

Step 3: Portfolio Construction - Over the years, we have found that at any particular point in time, opportunities in the investment world are usually concentrated within a limited number of industries and companies. We seek to maximize these opportunities by investing only in what we consider attractively valued companies and situations. Therefore, our portfolios tend to be more concentrated by nature.

Core Growth Process

Step 1: Screening Fundamental Factors - We employ multifactor models.

Step 2: Qualitative Review - We analyze companies.

Step 3: Portfolio Construction - We diversify by sector.

Step 4: Review and monitor positions - We use a sell discipline.

ETF Process

Step 1: Determine the instrument that represents the sector or asset class needed.

Step 2: Ensure the security is liquid, meaning that it can be traded on a daily basis.

Step 3: Review the underlying costs.

Outside Analysis

Granite may also use outside analytical tools such as Morningstar, Empirical or FactSet for additional research.

Investment Strategies

Granite offers the following investment strategies:

- intrinsic value. Holdings are diversified by sector and longer term.
- The **Dividend Growth** is focused on businesses that are paying a healthy dividend, and over time have demonstrated consistent dividend increases.
- The **Core Growth Strategy** is focused on businesses that are growing faster than the economy. Holdings are diversified by sector and actively managed for optimal exposure to secular growth themes.
- The **ETF Strategy** seeks to provide capital appreciation by tactically allocating among the S&P 500 sectors. Allocation weightings are based on each sector's valuation metrics, growth rates, and long term momentum characteristics. Global ETF strategies also include a mix of International or Emerging Market ETF's.
- The **Multi-Asset and Global Strategy** are diversified by asset class to capture returns and income. It contains a mix of Domestic and International securities, including large and small cap, fixed income, and real estate, among others. It is tailored to clients' investment policy statements.
- The **Fixed Income strategy** is designed to preserve capital. The portfolio may contain a mix of Treasury securities, corporate bonds or fixed income ETF's with varying time horizons according to a client's investment policy statement.

Any of the above strategies may be combined with Fixed Income to meet a client's risk parameters.

The bank will work with each client to evaluate which strategy is best for them based on their **investment objectives** (what they intend to use the money for), **time horizons** (when they need the money), and **risk tolerance** (how do they feel about the possibility of losing money, can they handle market volatility). They will then communicate that to Granite.

Regardless of strategy the possibility of loss is inherent in any investment.

Risk of Loss

Investing in securities such as the types of securities used by Granite in managing client assets or providing investment advice involves the potential risk of loss in value from the original purchase date of the security. We typically invest in widely traded large capitalization companies which we believe are selling at a discount to the market. We invest for the long-term; our average holding period for the securities in our portfolios is four years which means that we do not incur unusual trading costs. Below are several potential risks:

- **Systematic risks (Economic risk, Market risk):** These are the risks associated with actual or anticipated changes in interest rates, domestic and global inflation, foreign currency and exchange rates, sociopolitical events such as war, terror attacks, pandemics or the like, and lastly liquidity, which is simply the availability of a willing buyer for the asset or security you are wishing to sell.
- **Nonsystematic risks (Company or investment specific risk):** Risk(s) that poor management decision making, internal personnel or financial scandal, or that new or unexpected competition will negatively affect the company's revenues, profits or image. In many instances it is impossible for an investor to know all things about a company or stay fully abreast of the frequent changes that occur. These unknowns can also lead us to form an incorrect investment thesis on a company or security.
- **Idiosyncratic risk:** The continual adjustment of the price of a debt or equity security to fresh information entering the market.

Item 9 – Disciplinary Information

There are no reportable items for this section.

Item 10 – Other Financial Industry Activities and Affiliations

Granite does not participate in any other industry business activities.

Item 11 – Code of Ethics

Granite employees are governed by a Code of Ethics. The Code of Ethics covers the following areas: restrictions on personal securities transactions, reporting requirements, use of inside information, other conflicts of interest, other transactions, background information and review of reports and oversight of the Code of Ethics. A copy of the entire Code is available upon request.

The intent of the Code of Ethics is to ensure that the interests of the client always come before the interests of our employees. Pre-approval of trades in excess of \$100,000 per security, in combined value across all accounts, where an employee has beneficial ownership is required. Granite may impose a blackout period on certain stocks to ensure that clients' interests are met.

Our employees may buy and sell the same securities that we purchase or sell on our Clients' behalf. This presents a conflict of interest between our employees' own financial interest and the best interest of our Clients. We have addressed this conflict of interest by imposing trading restrictions under the Code of Ethics as described above.

Item 12 – Brokerage Practices

Research and Other Soft Dollar Benefits

We define soft dollars as a means of paying brokerage firms for services through commission revenue, as opposed to through direct payments. Most of the soft dollar benefits received by Granite are in the form of equity research which helps our investment team make decisions. We earn soft-dollars when we trade with particular custodians. Our soft-dollar ratio is 2.0 to 1.0; meaning for every \$1 we want to spend, we must pay them \$2.00 in soft dollars. The services we are using soft-dollars for are used by our research staff for the benefit of all clients in the selection of securities to be purchased or sold.

Some broker/dealers may be selected who provide additional research services to Granite. These research services may include advice concerning the value and availability of securities, the advisability of investing in, purchasing or selling securities, and the analysis of reports concerning issuers, industries, securities, economic factors and trends. Some of these services may be of value to Granite in advising its clients. The advisory fees paid to Granite by its clients are not reduced because it receives the services mentioned above.

The broker/dealers who provide these research services to Granite may receive commissions which are slightly higher than the amount of commissions which other broker/dealers may have charged for effecting the same transactions. However, this will only occur if Granite has determined that this additional compensation is reasonable in relation to the value of the firms' brokerage and research services, and when viewed in terms of the particular transactions and Granite's overall advisory responsibilities with respect to its clients. Certain services provided to Granite may include administrative support services or products, and in this case, Granite makes a reasonable, good faith allocation of expenses between research services to be paid in soft dollars and administrative services or products for which it pays directly; however clients should be aware that this procedure may pose a conflict of interest between Granite's obligation to achieve best execution on the Clients behalf and its desire to obtain certain administrative services or products.

All brokerage commissions will be borne by the client and are not included as part of the advisory fees paid to Granite.

Directed Brokerage

When the account is held by the Client at the bank, generally all trades will be executed at the prevailing institutional rate for the size of the account.

Trade Allocations

Although investment decisions for each of our clients will be made by us independently from the investment recommendations or determinations made on behalf of other clients, when investments are deemed appropriate for more than one client, so that the same security will be purchased or sold at or about the same time for more than one client we may aggregate or "bunch" the orders. We will not aggregate orders unless we believe that aggregation is in the best interests of all clients involved, is consistent with our duty to seek best execution for its clients and is consistent with the terms of our investment advisory agreement with each client for whom orders are being aggregated.

Nevertheless, there is no assurance that aggregation of orders will benefit all clients equally, and in some instances combined orders could adversely affect the price or volume of a security. When orders are aggregated, the actual prices and transaction costs applicable to the trades will be averaged, and the accounts will be deemed to have purchased or sold their proportionate share of the securities involved at the average price so obtained. For certain transactions involving fixed income securities, it may not be beneficial to the clients involved in the transaction to allocate the securities pro rata based on the original order(s), as in some cases this could result in fractional bonds. In these instances, we will re-evaluate the suitability of the investment for the accounts involved in the order(s) and allocate accordingly. For all

aggregated orders, a pre-execution aggregation statement, indicating the participating client accounts and the method of allocation among accounts if other than pro rata, will be used. If an order must be allocated in a manner different from that on the aggregation statement, all participating clients will receive fair and equitable treatment.

Item 13 – Review of Accounts

Individual security holdings are reviewed on a continual basis in light of earnings and dividend reports, merger/takeover announcements, current business and economic reports, credit market developments and other relevant developments that may affect the current and prospective value of specific securities and their suitability for individual clients.

Accounts are reviewed quarterly for objective and discretion. The accounts are reviewed by compliance and the primary portfolio manager.

Accounts are reviewed when the investment committee decides to purchase a stock. This review is to ensure that the security is appropriate for that account and its objective.

All reporting will be handled by the bank. On a quarterly basis, we provide the bank with a letter that contains comments on current economic and market conditions. When a new security is purchased, an Investment Thesis is sent to the bank.

We maintain a website and blog that can be accessed by going to either www.graniteinv.com or www.graniteinvestmentadvisors.com.

Item 14 – Client Referrals and Other Compensation

Solicitor Arrangements - External

Granite has a contractual agreement with Strategic Pension Planning, LLC for which it compensates Strategic 33% of the quarterly fee billed to the client for providing the client referrals to Granite. Strategic Pension Planning agrees to hold in confidence and not to disclose or use for its own benefit any confidential information of Granite.

Solicitor Arrangements - Internal

Granite may compensate certain employees who refer client advisory business to the Company. Therefore, the employee will have a financial interest in the Client's choosing to retain Granite for services. Any commission/referral payments made to such employees are paid directly by Granite and will not result in any increased fees or charges to the client.

Other Compensation

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. In addition, Schwab has also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our clients' assets in accounts at Schwab reaches a certain amount.

Item 15 – Custody

All client accounts are held in custody by a qualified custodian retained by the client. Clients receive reports of assets and transactions directly from the custodian not less than quarterly. In addition to the reports clients receive from their qualified custodian, as part of the communication plan structured for each client, Granite may provide clients with account statements and reports that are generated by our

internal accounting system, which tracks account activity based on an electronic download from the custodian. These internal reports are used for periodic written communications such as quarterly letters, in-person client meetings, and other periodic communications. Clients are urged to review the statements provided by the qualified custodian and compare them to statements and reports provided by Granite. The statements from the qualified custodian are the official record of client accounts.

Granite is deemed to have custody of client assets where Granite is authorized to debit its management fees directly from the client's custodial account even though the assets in those accounts are maintained separately with a qualified custodian. Granite may also be deemed to have custody of client assets where one of its employees has been requested by a client to serve as trustee. Other special arrangements, letters of authorization for example, may also create a custody relationship.

If a Partner or employee of Granite is a trustee of client assets, we must note in our ADV Part I filing with the SEC that we have custody of these client assets, and these accounts may be subject to a surprise audit by an independent accounting firm retained by Granite. Granite may also have additional potential liability regarding these trust accounts, due to the trustee's exercise of discretion and other responsibilities that are beyond the scope of the normal investment advisory role.

Item 16 – Investment Discretion

The bank will communicate to Granite if an account is discretionary or not. For accounts where Granite has full discretion they will be reviewed and traded with the rest of Granite's discretionary accounts. For accounts where Granite does not have full discretion they will send recommendations to the investment staff for review and approval before trading.

Item 17 – Voting Client Securities

Proxy Voting Policy

The bank will vote proxies for all of their clients.

Class Action Filing

The bank will file class actions for all of their clients.

Item 18 – Financial Information

Granite does not have any financial impairment that will preclude the firm from meeting its contractual commitments to its clients and we have never filed for bankruptcy.

Privacy Notice

At Granite, protecting the privacy and confidentiality of your personal information is important to our employees and to us. We value your business and the trust you put in Granite. To offer you the financial products and services you seek, we collect, maintain and use information about you on a routine basis. To help you better understand how your personal information is protected here at Granite, we are providing you with the following statement describing our practices and policies with respect to the privacy of customer information. In the event you terminate your client relationship with us, or become an inactive client, we will continue to adhere to the policies and practices described in this notice.

Information We Collect

As a trusted investment advisor, we collect, retain and use nonpublic personal information about individual clients to provide products and services to our clients. We may collect nonpublic personal information about you from such sources as: 1. Applications or other forms; 2. Information about your transaction with us or others.

Who Receives Information and Why

All of the information Granite collects is used for only one purpose: to help deliver the services you've requested, easily and efficiently. It may also permit Granite to design and offer specific products that will be useful to you. Granite does not disclose any non-public personal information about our clients or former clients to anyone, except as permitted by law.

Service Providers

At times, Granite will enter into arrangements with companies or firms whose expertise is essential for Granite's own services to function properly or to complete transactions. For example, Granite works with specialized firms that provide computer consultation. As permitted by law, certain service providers have access to customer information that is necessary to perform these functions. Granite's service providers are required to safeguard your information and use it only for authorized purposes.

How We Protect Your Information

We understand that the protection of your nonpublic personal information is of the utmost importance. Guarding your privacy is our obligation. Granite maintains strict procedures and policies to safeguard your privacy. We restrict employee access to customer information to only those who have a business reason to know such information, and we educate our employees about the importance of confidentiality and client privacy.

Where to Find Out More

If you have any questions about our privacy program or the way your information is maintained and used, we would like to hear from you. Please call us at (603) 226-6600, or write to:

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Your trust is important and Granite is committed to protecting your privacy, whether you do business with our company in person, by telephone or by mail. Thank you for choosing Granite.