

# Disclosure Brochure

March 26, 2024

## **Thomas Wright Asset Management, Inc.**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Thomas Wright Asset Management, Inc. (hereinafter "TWAM"). If you have any questions about the contents of this brochure, please contact William S. Wright at (843) 971-4265. 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 Thomas Wright Asset Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Thomas Wright Asset Management, Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, TWAM is required to discuss any material changes which have been made to the brochure since the last annual amendment dated March 21, 2023. TWAM has no changes to disclose in relation to this Item.

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## Item 4. Advisory Business

TWAM has been in business since October 1988 and is principally owned by William S. Wright. TWAM provides comprehensive investment advisory services, including but not limited to investment management, investment planning, estate planning, tax planning, insurance planning and business planning. These services are designed to assist clients in understanding and identifying certain implications of decisions they may make in planning for the future. TWAM had \$295,444,979 in discretionary assets under management as of December 31, 2023.

Prior to engaging TWAM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with TWAM setting forth the terms and conditions under which TWAM renders its services (collectively the “*Agreement*”). Neither TWAM nor the client can assign the *Agreement* without the consent of the other party. A transaction that does not result in a change of actual control or management of TWAM is not considered an assignment.

This disclosure brochure describes the business of TWAM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of TWAM’s officers, partners, directors (or other persons occupying a similar status or performing similar functions) or employees or any other person who provides investment advice on TWAM’s behalf and is subject to TWAM’s supervision or control.

### Investment Management Services

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Clients can engage TWAM to manage all or a portion of their assets on a discretionary basis.

TWAM primarily allocates clients’ investment management assets among mutual funds and individual debt and equity securities in accordance with the investment objectives of the client. TWAM can also provide advice about any type of investment held in clients’ portfolios at the beginning of the advisory relationship.

TWAM tailors its advisory services to the individual needs of clients. TWAM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that impact the clients’ investment needs. TWAM endeavors to ensure that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

TWAM also can render non-discretionary investment management services to clients relative to variable life/annuity products that they own, their individual employer-sponsored retirement plans and/or 529 plans or other products that are not held by the client’s primary custodian. In so doing, TWAM recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Clients are advised to promptly notify TWAM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon TWAM’s management services.

## **Financial Planning and Consulting Services**

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As part of client's portfolio management services, TWAM provides its clients with financial planning and consulting services (which may include tax-related and other non-investment related matters). These services include investment planning, retirement planning, estate planning, tax planning, insurance planning and business planning. These services are designed to assist clients in understanding and identifying certain implications of decisions they may make in planning for the future.

In performing its services, TWAM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. TWAM may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if TWAM recommends its own services. The client is under no obligation to act upon any of the recommendations made by TWAM under a financial planning or consulting engagement or to engage the services of any such recommended professional, including TWAM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of TWAM's recommendations. Clients are advised that it remains their responsibility to promptly notify TWAM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising TWAM's previous recommendations and/or services.

## **Additions and Withdrawals to Accounts**

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Clients may make additions to and withdrawals from their account at any time, subject to TWAM's right to terminate an account. Clients shall provide TWAM with at least five (5) business days' advance notice of any additions to or withdrawals from its account in order to ensure that TWAM is kept informed of the current status of the account. Clients may withdraw account assets on notice to TWAM, subject to the usual and customary securities settlement procedures. However, TWAM designs its portfolios as long-term investments and the withdrawal of assets can impair the achievement of a client's investment objectives.

Additions can be in cash or securities provided that TWAM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. TWAM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## Item 5. Fees and Compensation

### Investment Management Fee

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TWAM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by TWAM. TWAM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees and other related costs and expenses which are incurred by the client. TWAM does not, however, receive any portion of these commissions, fees and costs.

TWAM's annual fee shall be prorated and charged quarterly, in arrears, based upon the average market value of the assets on the last day of the previous two quarters (the opening market value and ending market value are added together and divided by two to determine the market value to be used for the fee calculation). The market value of the portfolio is not reduced by the amount of any liability the client might have outstanding relating to the portfolio. If a particular billing period involves less than a full quarter of management (such as at the inception or termination of the relationship), TWAM's fee will be prorated based on the number of days the portfolio was managed.

The annual fee varies (between 0.45% and 1.20%) depending upon the market value of the assets under management as follows:

<b>PORTFOLIO VALUE</b>	<b>BASE FEE</b>
First \$1,000,000	1.20%
Next \$4,000,000	0.90%
Next \$15,000,000	0.70%
above \$20,000,000	0.45%

TWAM, in its sole discretion, can negotiate to charge a lesser management fee based upon certain criteria (e.g., related accounts, pre-existing client, *pro bono* activities, etc.).

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), TWAM recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

TWAM can only implement its investment management recommendations after the client has arranged for and furnished TWAM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity* any other broker-dealer recommended by TWAM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients can incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, clients can incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to TWAM's fee.

The separate agreement with any *Financial Institutions* can authorize TWAM through the *Financial Institutions* to debit the client's account for the amount of TWAM's fee and to directly remit that management fee to TWAM. Any *Financial Institutions* recommended by TWAM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to TWAM.

### **Fees for Management During Partial Quarters of Service**

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For any partial period of investment management services (such as the inception or termination of the relationship), the fees shall be prorated based on the number of days the account was managed.

### **Financial Planning Fees**

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TWAM typically includes any financial planning services provided to its clients as part of its overall management fee.

If there ever arose a situation in which a client were to request an unusually extensive and in-depth financial planning service, TWAM reserves the right to enter into a negotiated agreement with such client that sets forth the terms, conditions and fees associated with this unique engagement. Such fees would be in addition to the investment management fee described in TWAM's fee schedule.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

TWAM 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).



## Item 7. Types of Clients

TWAM provides its services to individuals, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Account Size

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As a condition for starting and maintaining a relationship, TWAM imposes a portfolio size of \$500,000. However, TWAM, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria (e.g. related accounts, pre-existing client and *pro-bono* activities). TWAM may aggregate the portfolios of family members to meet the minimum portfolio size.

TWAM engages *Fidelity* for prime brokerage services on behalf of its clients. When TWAM uses such prime brokerage services, it will purchase or sell a block of securities at a broker-dealer other than *Fidelity*, and *Fidelity* will settle and allocate those securities to the appropriate client accounts. To be eligible for these prime brokerage services, the client's account must be custodied with *Fidelity* and must have a minimum initial and ongoing balances as determined by *Fidelity*. Those clients who fail to maintain the required ongoing balance will not continue to be eligible for *Fidelity's* prime brokerage services. As a result, in the event TWAM initiates a prime broker block trade that is also appropriate for an ineligible client's account, the trade made on behalf of the ineligible client's account will be made after the execution of the block trade made on behalf of eligible clients participating in the block trade. In such situations, the ineligible clients may not receive equivalent execution to the execution received by clients participating in the block trade.

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

### Methods of Analysis

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In selecting individual equities and convertibles for investment, TWAM primarily utilizes a fundamental method of investment analysis. Fundamental analysis involves the fundamental financial condition and competitive position of a company. TWAM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### Investment Strategies

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TWAM utilizes its fundamental analysis to find companies that it believes possess certain qualities: industry leadership, strong management and the ability to fund growth. Since TWAM believes that over the long-term the prices of stocks should reflect the progress of companies' earnings per share, it seeks to invest in companies with growing earnings per share over time in order to generate stock appreciation in client portfolios. Given TWAM's long-term perspective, it generally employs a buy-and-hold approach instead of active trading.

TWAM's selection process for bonds is centered upon investing in high quality: only bonds rated at least A by Moody's, Standard & Poor's or an equivalent rating service are purchased. If a bond's rating falls below A due to a downgrading, TWAM has the discretion to either retain or sell the security. For those clients seeking both low price volatility and stability of income, TWAM generally builds a bond portfolio composed of laddered maturities. For defined benefit plans, given that their interest sensitive liabilities are long-term in nature, TWAM generally invests in non-laddered bonds having longer maturities.

The selection process for mutual funds is centered upon TWAM's goal of building a diversified basket of mutual funds that, either as a complete portfolio or in combination with individual securities, collectively provide broad exposure to the global economy.

### Risk of Loss

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#### *Mutual Funds*

An investment in a mutual fund involves risk, including the loss of principal. Mutual fund 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 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.

### *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

### *Equity-Related Securities and Instruments*

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

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### *Fixed Income Securities*

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.

- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.
- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.

- **Liquidity risk.** Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.
- **Call risk.** Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.
- **Prepayment risk.** When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.
- **Extension risk.** When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential for price declines.

### *Market Risks*

All securities, particularly individual equity and debt securities, are subject to market volatility, economic factors and certain other market risks. The success of an investment 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 TWAM will be able to predict those price movements accurately.

### *General Risk of Loss*

All investments involve the risk of loss. Clients should be prepared to bear such loss.

## Item 9. Disciplinary Information

TWAM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. TWAM does not have any required disclosures to this Item.

## **Item 10. Other Financial Industry Activities and Affiliations**

TWAM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. TWAM has no information to disclose in relation to this item.

## Item 11. Code of Ethics

TWAM and persons associated with TWAM (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with TWAM’s policies and procedures.

TWAM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). TWAM’s *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by TWAM or any of its associated persons. The *Code of Ethics* also requires that certain of TWAM’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When TWAM is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) 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 mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access 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 above.

Clients and prospective clients may contact TWAM to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, TWAM recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which TWAM considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables TWAM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by TWAM's clients comply with TWAM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where TWAM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates and responsiveness. TWAM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions can be cleared through other *Financial Institutions* with whom TWAM and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. There will generally be additional fees associated with trading away from the client's primary custodian. TWAM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client can direct TWAM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and TWAM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by TWAM (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, TWAM can decline a client's request to direct brokerage if, in TWAM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client will be affected independently, unless TWAM decides to purchase or sell the same securities for several clients at approximately the same time. TWAM can (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among TWAM's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this



procedure, transactions will be averaged as to price and allocated among TWAM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that TWAM determines to aggregate client orders for the purchase or sale of securities, including securities in which TWAM's *Supervised Persons* can invest, TWAM does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. TWAM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that TWAM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which can include: (i) when only a small percentage of the order is executed, shares can be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares can be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations can be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, TWAM can exclude the account(s) from the allocation; the transactions can be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares can be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions can be directed to certain broker-dealers in return for investment research products and/or services which assist TWAM in its investment decision-making process. Such research generally will be used to service all of TWAM's clients, but brokerage commissions paid by one client can be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because TWAM does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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TWAM receives from *Fidelity*, without cost to TWAM, computer software and related systems support, which allow TWAM to better monitor client accounts maintained at *Fidelity*. TWAM receives the software and related support without cost because TWAM renders investment management services to clients that maintain assets at *Fidelity*. The software and related systems support may benefit TWAM, but not its clients directly. In fulfilling its duties to its clients, TWAM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that TWAM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits can influence TWAM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

Additionally, TWAM can receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

Fidelity also makes available to the Firm, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by TWAM (within specified parameters). These research and brokerage services are used by the Firm to manage accounts for which it has investment discretion.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at *Fidelity*. *Fidelity's* services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, *Fidelity* generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through *Fidelity* or that settle into *Fidelity* accounts.

*Fidelity* also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits can include national, regional or Firm specific educational events organized and/or sponsored by *Fidelity*. Other potential benefits can include occasional business entertainment of personnel of TWAM by *Fidelity* personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which can accompany educational opportunities. Other of these products and services assist TWAM in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at *Fidelity*. *Fidelity* also makes available to TWAM other services intended to help the Firm manage and further develop its business enterprise. These services can include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, *Fidelity* makes available,

arranges and/or pays vendors for these types of services rendered to the Firm by independent third parties. *Fidelity* may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, TWAM endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at *Fidelity* may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by *Fidelity*, which creates a potential conflict of interest.

### Item 13. Review of Accounts

TWAM reviews accounts on a continuous basis in conjunction with its provision of investment services. The review process endeavors to ensure that each account is being handled in compliance with its investment objectives, investment guidelines and contractual terms. Such reviews are conducted by one or more of TWAM's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with TWAM and to keep the firm informed of any changes thereto. Although TWAM shall seek to contact ongoing investment advisory clients on a periodic basis to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the clients' financial situation and/or investment objectives, the responsibility ultimately rests with clients to update TWAM concerning any change in their financial situation and/or investment objectives.

For those clients to whom TWAM provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts.

Those clients to whom TWAM provides financial planning services will receive reports from TWAM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by TWAM.

## Item 14. Client Referrals and Other Compensation

The Firm does not currently provide compensation to any third-party solicitors for client referrals.

### Other Compensation

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TWAM receives economic benefits from *Fidelity*. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12

## Item 15. Custody

The separate agreement with any *Financial Institution* can authorize TWAM through such *Financial Institution* to debit the client's account for the amount of TWAM's fee and to directly remit that management fee to TWAM in accordance with applicable custody rules.

The *Financial Institutions* recommended by TWAM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to TWAM

## Item 16. Investment Discretion

TWAM is given the authority to exercise discretion on behalf of clients. TWAM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. TWAM is given this authority through a power-of-attorney included in the agreement between TWAM and the client. Clients can request a limitation on this authority (such as certain securities not to be bought or sold). TWAM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

## Item 17. Voting Client Securities

TWAM generally does not vote client securities (proxies) on behalf of its clients. Should TWAM accept 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 TWAM's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in TWAM's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients can contact TWAM to request information about how TWAM voted proxies for that client's securities or to get a copy of TWAM's Proxy Voting Policies and Procedures. A brief summary of TWAM's Proxy Voting Policies and Procedures is as follows:

- TWAM 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 TWAM's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues.
- 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, TWAM devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct TWAM's vote on a particular solicitation but can revoke TWAM's authority to vote proxies.

In situations where there is a conflict of interest in the voting of proxies due to business or personal relationships that TWAM maintains with persons having an interest in the outcome of certain votes, TWAM 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 18. Financial Information

TWAM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, TWAM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. TWAM has no disclosures pursuant to this Item.

# **Thomas Wright Asset Management, Inc.**

*a Registered Investment Adviser*

Prepared by:



**MARKETCOUNSEL<sup>®</sup>**  
*The Adviser's Advisor<sup>®</sup>*