



**FORM ADV PART 2A – DISCLOSURE BROCHURE**

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This brochure provides information about the qualifications and business practices of Choate Investment Advisors LLC (“ChoateIA”). If you have any questions about the contents of this brochure, please contact us at (617) 973-4900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about ChoateIA is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

ChoateIA is an investment advisor registered with the SEC. Such registration does not imply a certain level of skill or training.

## **ITEM 2 MATERIAL CHANGES**

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The last update to the Form ADV Part 2A was filed on December 14, 2023. Since the last annual filing on March 27, 2023, ChoateIA has made the following changes to the Form ADV Part 2A:

12/14/2023:

Item 5 - Updated to include billing in advance for some clients

3/26/2024:

Item 4 – Updated AUM as of December 31, 2023

If you would like another copy of this Brochure, you can either download it from the SEC website as indicated above or by contacting us at (617) 973-4900.

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## **ITEM 4**

### **ADVISORY BUSINESS**

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Choate Investment Advisors LLC (“ChoateIA” or “we”) is an SEC registered investment advisor and subsidiary of Choate, Hall & Stewart LLP (“CHS”), a Boston, Massachusetts law firm. Originally established in 1996 primarily to provide investment advisory services to CHS attorneys who serve as trustees, ChoateIA now provides investment advisory services, financial planning, and wealth management services to a variety of clients, including high net worth individuals, trusts, charitable foundations, donor advised funds, and endowments.

We believe that asset allocation is the primary determinant of long-term investment performance. The proper combination of asset classes can improve the overall return of a client’s portfolio and help to mitigate risk. Our process seeks to deliver strong results consistent with the client’s objectives and a defined level of risk. We believe that an investment strategy should be founded upon two core principles: long-term discipline (the fundamental reason to have a strategy is to provide a meaningful framework for discipline) and diversification (the strategy should specify how risks will be managed to meet a specified risk tolerance).

We believe that a proper asset allocation strategy must be founded upon a clear understanding of appropriate risk. We begin our relationship with clients with a discussion about the client’s willingness and ability to take risk, and the risk level of various potential strategies. Together with the client, we identify an appropriate risk level based upon assumptions regarding future market volatility. Our role is to manage to that risk level as responsibly and productively as possible via a diversified asset allocation strategy.

ChoateIA typically manages money for clients on a “discretionary” basis, though certain accounts are non-discretionary. In any event, we strive to ensure that clients are positioned in a portfolio strategy that corresponds to their needs at a risk level which is appropriate for them. The execution of the investment strategy is tailored to each client’s needs. For example, we will often work with taxable clients to establish a capital gains “budget” and aim to limit capital gains realized in client portfolios over a specific period. We also will discuss client preferences for restricting investments in certain securities or types of securities, for example, socially responsible investing.

Additionally, ChoateIA may appoint subadvisors to manage all, or a portion, of certain client accounts, to the extent permitted under the investment management agreement between ChoateIA and the client. In selecting subadvisors, ChoateIA considers the following quantitative and qualitative factors:

- screening prospective advisors based on risk-adjusted returns and consistency;
- holdings and returns-based stylistic analysis;
- fees and expenses; and
- personal interviews with the firm.

From time to time, ChoateIA also offers advisory services on assets and portfolios managed outside of ChoateIA to offer the client guidance on items that would otherwise not be included in the scope of the relationship. These advisory services are billed at an hourly rate discussed below in Item 5.

ChoateIA also advises two private investment funds established by ChoateIA in 2018 and 2021, which invest in a diversified portfolio of other private funds managed by unaffiliated third parties, as more fully described below (the “Funds”). ChoateIA established the Funds as vehicles in which its clients and employees may invest to gain exposure to private investments, and will invest primarily in private equity, but could also opportunistically invest in select diversified private investment opportunities (e.g., real assets, real estate, and private credit) if a situation which the Manager believes is attractive arises.

As of December 31, 2023, ChoateIA managed accounts, including accounts of high net worth individuals, trusts, charitable foundations, donor advised funds, and endowments, on a discretionary basis with assets of approximately \$6,720,519,964. In addition, as of that date, ChoateIA advised accounts with assets of approximately \$776,419,404 on a non-discretionary basis. The majority of the assets managed by ChoateIA are held in trusts with respect to which CHS attorneys serve as fiduciaries.

## **ITEM 5 FEES AND COMPENSATION**

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ChoateIA does not charge a separate fee where a trust pays trustee fees to CHS and ChoateIA advises the trustee. Where ChoateIA does charge a fee, ChoateIA’s compensation is calculated as a percentage of the value of a client’s account at quarter-end after giving effect to additions or withdrawals on that date.

Where we provide discretionary and non-discretionary asset management services, we typically charge an annual fee ranging up to 1.25% of the value of your assets under our management. For some clients, an agreed upon flat quarterly fee will be billed in advance. Fees are negotiable in limited circumstances, usually based on the amount of aggregate assets in, or expected to be added to, related accounts. At our discretion, we may combine the account values of family members to determine the applicable advisory fee, which may result in a lower advisory fee being charged than if such account values were not combined. Per our agreement with clients, we deduct fees from client accounts on either a quarterly or monthly basis, as determined by the agreement, either in arrears or in advance. We do not require pre-payment of fees.

Current and former Choate attorneys and ChoateIA employees receive a discount on the standard fee schedule.

This fee schedule is not applicable to our parent company, CHS, for which we provide investment advisory services in respect of its trust clients. Please see Item 10 for additional information about our relationship with CHS, and payments made by CHS to ChoateIA in connection with ChoateIA’s provision of advisory services.

**Mutual Fund and ETF fees and Expenses** – Choate IA invests a large portion of its clients’ assets in mutual funds and Exchange Traded Funds (“ETFs”). Mutual funds and ETFs charge management fees and other fees and expenses that are paid pro rata by their respective shareholders. These fees and expenses, which are in addition to ChoateIA’s management fees, will reduce the performance of a client’s account.

### Fixed Fees, Hourly Fees, and Related Expenses.

ChoateIA may provide services in addition to the services covered by the fee arrangements described above based on the market value of the client's account. These additional services may include advisory services on assets managed outside of ChoateIA, tax advisory services, financial planning services, and overall portfolio construction. These services are negotiated and billed at a fixed rate between \$1,000 - \$2,500. To the extent that legal work is necessary, then the client may engage CH&S under a separate arrangement. Fees for such legal services generally range from \$525 - \$1750 per hour.

### Private Fund Fees and Expenses.

ChoateIA does not receive a separate advisory or performance fee for managing the Private Funds. However, the value of a client's investment in a Private Fund is included in the value of that client's account on which ChoateIA's advisory fee is based. Assets of each Private Funds may be difficult to value. ChoateIA values each Private Fund's interests based upon valuations provided by the managers of the underlying funds in which they invest.

Expenses incurred by ChoateIA for the operation and management of the Private Funds are passed through to the Private Funds (and ratably to their investors). The Private Funds (and therefore their investors) pay all general costs and expenses for the Private Funds including legal, auditing, consulting, financing, accounting and custodian fees and expenses; expenses associated with administration, and preparation of financial statements, tax returns and Schedule K-1s; banking fees; technology platform fees; out-of-pocket expenses incurred in connection with due diligence related to a portfolio fund investments or transactions (including those not consummated); expenses for travel to portfolio funds' annual meetings; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); third-party consulting fees and any taxes, fees (including filing fees) or other governmental charges levied against the Private Funds.

Each Private Fund is considered a fund of funds meaning investments are made in other funds that are managed by selected third-party managers. Third-party managers typically charge their investors fees based on a percentage of the capital commitments to their fund and a carried interest incentive fee based on the profits of that fund. The Private Funds are charged their pro rata share of the fees owed by each investor to the third-party manager and their pro rata share of other fees and expenses incurred by the third-party manager.

### Custody Services.

ChoateIA does not currently maintain direct custody or possession of client funds or securities, except as described below. ChoateIA primarily works with CHS to engage SEI Private Trust Company ("SEI") to maintain possession of clients' cash and securities and provide reporting services. ChoateIA and CHS negotiate all custodial costs and fees with SEI, and ChoateIA pays amounts due to SEI on behalf of clients. Neither SEI nor ChoateIA charges any custodial costs or fees directly to clients.

Since affiliates of ChoateIA serve as general partner to the Private Funds, and due to the fact that certain related persons may serve as trustee to client trust accounts, ChoateIA is deemed to have custody of client assets. Accordingly, we are required under the Investment Advisors Act of 1940, to retain a PCAOB registered accounting firm to perform a surprise independent audit of ChoateIA. Once performed, the results of the surprise audit are available on the SEC's public disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). In addition, ChoateIA has entered into a written agreement with an independent public accountant to provide audited financial statements to Private Fund investors within 180 days following each Private Fund's fiscal year end.

In circumstances where the client uses a custodian other than SEI, Choate does not have a contract to pay the custodian; and thus, to the extent the custodian charges fees related to custody and trading, the client will be responsible for payment of such fees. ChoateIA does not reimburse or pay the custodial costs or fees for clients that engage a custodian other than SEI.

#### Investment Expenses.

We typically recommend diversified investments, including mutual funds, ETFs, and other investment vehicles such as the Private Funds. Clients that invest in these diversified investment vehicles will earn returns net of the applicable fund fees and expenses. Client returns are also net of trading costs, such as commissions and spreads paid on the purchase and sale of ETFs. We currently trade with three broker-dealers on what we believe is a "best execution" basis.

### **ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

ChoateIA does not charge or accept performance-based fees. However, performance-based fees may be charged by the unaffiliated managers of some private funds in which our Private Funds invests.

### **ITEM 7 TYPES OF CLIENTS**

ChoateIA works with a wide range of clients, including high net worth individuals, trusts, charitable foundations, donor advised funds, and endowments, and the Private Funds in which a number of the preceding clients have invested. We evaluate potential new clients on a case-by-case basis with the objective of ensuring that they will have an enduring and productive relationship with us. ChoateIA's target minimum account size for new relationships is \$10 million, although it accepts accounts below this amount at its discretion.

## **ITEM 8        METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis**

ChoateIA believes that the most responsible way to manage risk is to first work with a particular client to determine how much risk is appropriate for that client, build a diversified portfolio reflecting that level of risk, and then make disciplined, incremental decisions to maintain that risk level.

As a first step, we consider whether active management is warranted in a given asset class, or whether it would be more productive to obtain exposure to the asset class via an index fund or ETF. For equities, ChoateIA believes long-term performance of a company's stock price, under ordinary market conditions, is most likely to be a result of earnings growth and cash flow. When selecting individual stocks for client investment, ChoateIA follows a research driven approach to relative growth, profitability and valuation. Individual stock selection involves fundamental analysis of companies, which may include, e.g., examination of company balance sheets, income statements, and other financial reports, as well as assessing the position of the company relative to its competitors and its relationship to the broader economy. Both ownership and management of the company can also be important, particularly in terms of alignment with shareholder interests. We think about whether to invest in the company for the long-term. Index funds are selected based on the stability of the provider, fees, and approach to index replication. We work with active managers (in a fund or separate account structure) in various markets where we believe the opportunity exists for sustained outperformance. To select active managers in these markets, our investment team first uses a quantitative screening process to identify asset managers we believe to be the most capable and appropriate investment vehicles (if any) from a vast array of choices. These quantitative factors can include screening prospective managers based on risk-adjusted returns and consistency, holdings and returns-based stylistic analysis, and fees and expenses. We then evaluate the managers that pass the quantitative screen, on a qualitative basis. Qualitative measures include management tenure, and personal interviews with the manager and his/her team to better understand the investment philosophy and consistency of their process. For any given asset class that warrants active management, we may select either actively managed mutual funds or retain third-party managers as subadvisors, utilizing a separate account structure for our clients. We monitor the actively managed fund and separate account managers that we choose and monitor whether the manager maintains exposure to the asset class without style drift. Managers are evaluated on an ongoing basis and replaced as necessary. We do not invest in funds/share classes with 12b-1 fees.

ChoateIA integrates environmental, social and governance ("ESG") factors into the investment decision making process as appropriate in light of the client account. ChoateIA believes that evaluating the ESG profiles of investments can enhance our ability to deliver long term investment performance and mitigate risk. In some cases, ChoateIA seeks to invest in managers and companies with positive ESG characteristics. ChoateIA utilizes third-party research and service providers to inform this process and identify ESG factors relevant to our investment thesis. These include, but are not limited to, Sustainalytics, MSCI, Bloomberg, and S&P ESG research, along with industry thought leaders.



Investing in securities involves certain risks, including the risk of monetary loss, and clients investing their money with ChoateIA should be prepared to bear that loss. None of the strategies for which ChoateIA provides portfolio management services is a deposit in any bank, nor are the investment vehicles in which ChoateIA invests client funds insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. In addition, investments in the Private Funds bear additional risks, including liquidity risk. There can be no assurance that ChoateIA client accounts will perform as well or better than accounts with similar objectives that are managed by other investment advisors.

The funds and securities in which ChoateIA clients invest may hold a variety of assets and other investments that bear the following material risks:

*Equity Market Risk* – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If a client held common stock, or common stock equivalents, of any given issuer, the client would generally be exposed to greater risk than if the client held preferred stocks and debt obligations of the issuer. The price of a mutual fund or ETF may rise or fall based on the underlying equity securities or market indices, which may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries selected for the portfolios or the securities market as a whole, such as changes in economic or political conditions.

*Credit Risk* – If debt obligations held by a fund or an account are downgraded by rating agencies, go into default, or if business considerations, management action, legislation or other government action reduces the issuers' ability to pay principal and interest when due, the value of the debt obligation may decline and an account's value may be reduced. Because the ability of an issuer of a lower rated or unrated obligation (including particularly "junk" or "high yield" bonds) to pay principal and interest when due is typically less certain than for an issuer of a higher-rated obligation, lower-rated and unrated obligations are generally more vulnerable than higher-rated obligations to default, ratings downgrades, and liquidity risk. Political, economic and other factors also may adversely affect governmental issues.

*Derivatives Risk* – A fund's investments in derivatives involve risks associated with the securities or other assets underlying the derivatives, as well as risks different or greater than the risks affecting the underlying assets. Risk unassociated with the underlying assets includes the inability or unwillingness of the other party to a derivative to perform its obligations to an account, an account's inability or delay in selling or closing positions in derivatives, and difficulties in valuing derivatives.

*Foreign Investment Risk* – Investments in securities of foreign issuers may involve risks including adverse fluctuations in currency exchange rates, political instability, confiscations, taxes or restrictions on currency exchange, difficulty in selling foreign investments, and reduced legal protection. These risks may be more pronounced for investments in developing countries.

*Interest Rate Risk* – When interest rates increase, the value of certain investments may decline.

This effect is typically more pronounced for intermediate and longer-term fixed income obligations. This effect is also typically more pronounced for mortgage and other asset-backed securities. When interest rates decrease, an account's current income may decline.

*Liquidity Risk* – Due to a lack of demand in the marketplace or other factors, an account may not be able to sell some or all of its investments promptly, or may only be able to sell investments at less than desired prices. This may result in a delay in returning client assets if there is a need to liquidate a position.

*Prepayment Risk* – Decreases in market interest rates may result in prepayments of debt obligations then held in an account or fund which have high interest rates, requiring the account or fund to reinvest at lower interest rates.

*Real Estate Risk* – An account's investments in real estate investment trusts ("REITs") are subject to risks affecting real estate investments generally (including market conditions, competition, property obsolescence, changes in interest rates and casualty to real estate), as well as risks specifically affecting REITs (including the quality and skill of REIT management and the REIT's internal expenses).

*Risks Affecting Specific Issuers* – The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or other events adversely affecting an issuer's competitive position.

*Smaller Company Risk* – Investments in smaller companies may involve additional risks because of limited product lines, limited access to markets and financial resources, greater vulnerability to competition and changes in markets, lack of management depth, increased volatility in share price, and possible difficulties in valuing or selling the investments.

*ETF and Mutual Funds Fees and Risks* – When investing in an ETF or mutual fund, the client will bear additional expenses based on the client's pro rata share of the ETF's or mutual fund's operating expenses, including fund management fees and other expenses, which adversely affects performance of a client's account. ETF shares are purchased and sold on the secondary market (i.e., the New York Stock Exchange). The client will incur brokerage costs (commissions) and other transaction costs (the spread between the bid price and the offer price) when ETFs are purchased and sold. Moreover, the price of such shares may be higher than (trade at a premium to) or lower than (trade at a discount to) the fund's actual net asset value per share, which also could adversely impact the performance of a client's account. Additionally, in stressed market or extremely volatile market conditions, the market for the ETF shares may be halted, which may delay a sale or cause a variance in the market price of the shares and their underlying value. In addition, the risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds.

## Special Risks Associated with an Investment in the Private Funds

*Illiquidity* – An investor’s interest in the Private Funds, and each Private Fund’s interest in their underlying private investment funds, is highly illiquid, with limited or no rights of redemption or withdrawal. Any return of capital or profit on these interests will be limited to distributions upon the realization of the underlying private fund investments. The underlying private funds are expected to invest primarily in private equity, but could also opportunistically invest in select diversified private investment opportunities (e.g., real assets, real estate, and private credit) if a situation which the Manager believes is attractive arises. There are substantial restrictions on the ability to liquidate, transfer or otherwise realize these assets, and such assets are designed for long-term investors who do not have an immediate need for cash or liquidity.

*Underlying Fund Manager Selection* – ChoateIA, in its capacity as manager of the Private Funds, has complete discretion to select the underlying investment funds in which each Private Fund invests. An investor in a Private Fund therefore must rely on the ability of ChoateIA to identify and participate in appropriate investment funds consistent with each Private Fund’s objective.

*No Participation in Management of Private Fund* – Investors in the Private Funds have no right or power to take part in the management of the Private Funds or the underlying private investment funds or their portfolio companies.

*Termination of Advisory Relationship* – In the event an investor in a Private Fund terminates its advisory relationship with ChoateIA, it will (a) remain a member of the Private Fund, and (b) be required to fund at the time of termination its remaining capital commitment to the Private Fund or a separate account.

*Potential Tax Liability of Investors* – An investor in the Private Funds will be required to take into account its distributive share of the Private Fund’s income, gain, loss and deduction substantially as though such items had been realized directly by the investor, without regard to whether any distribution from the Private Fund has been or will be received. Similarly, each Private Fund will receive allocations of income, gain, loss, and deduction from the underlying investment funds even in the absence of distributions from the underlying investment funds. Therefore, an investor’s liability relating to its ownership of an interest in a Private Fund may exceed both the actual distributions by the Private Fund and the amount available to the Private Fund to make distributions without the sale of assets. Accordingly, investors in a Private Fund may be required to pay income taxes on their pro rata shares of Private Fund income, even though they may have received no distributions from the Private Fund.

*Lack of Transparency and Control* – The success or failure of a Private Fund will depend upon the success or failure of the investment decisions made by ChoateIA as manager of the Private Funds and the underlying private investments held by each Private Fund. ChoateIA has no control over the operations of the underlying private investments, and will not necessarily be aware of certain activities at the underlying manager level including, without limitation, an underlying manager engaging in unreported risks, inflated valuations, investment “style drift,” or even regulatory breach or fraud.

*Limited Regulatory Protections* – Neither the Private Funds nor their offering of interests is registered with the SEC, so many of the regulatory safeguards provided by the Investment Company Act of 1940 and the Securities Act of 1933 are not available to investors in the Private Funds. This is also true of each Private Fund’s investment in the underlying private funds, their offering of interests and, in many cases, their assets.

*Valuation* – Assets of the underlying private investment funds (and thus interests in a Private Fund), especially private companies and real estate, are often difficult to value. ChoateIA intends to rely upon valuations provided by the underlying fund managers both for reporting valuations and calculating the management fee on investments in a Private Fund. The underlying fund managers may have interests which may conflict with investors, including an incentive to increase fees by artificially inflating valuations.

*Higher Fees and Expenses* – Fees and expenses are generally higher on a private investment fund relative to a registered fund and will reduce returns to the Private Funds and, therefore, their investors.

*Default* – If an investor fails to pay in full any requested capital contributions, the Private Funds may take certain actions which may result in a sale or forfeiture of such investor’s interest in the Private Funds. A defaulting investor will be responsible for interest charges and default charges imposed by an underlying private investment fund that arise from or relate to such investor’s failure to pay requested capital contributions. In addition, each Private Fund’s investment in underlying private investment funds will include commitments to meet capital calls of the underlying private investment funds. Failure by a sufficient number of members to meet a capital call of a Private Fund could result in the failure of a Private Fund to meet a capital call of the underlying private investment fund, which could have adverse consequences for that Private Fund and other investors in that Private Fund.

#### General ChoateIA Account Risks

*Management Risk* – ChoateIA client accounts are actively managed portfolios. The accounts’ value may decrease if ChoateIA pursues unsuccessful investments or fails to accurately identify risks affecting the broad economy or specific issuers comprising the accounts.

*Market and Economic Risk* – An account’s investment value may decline due to changes in general economic and market conditions. A security’s value held in an account may change in response to developments affecting entire economies, markets or industries, including changes in interest rates, political and legal developments, and general market volatility.

#### Investment Strategies

ChoateIA offers a range of diversified investment strategies. As described above, we endeavor to work with clients to ensure that our clients are exposed to an appropriate level of investment risk based on their circumstances. Below is a summary description of each significant strategy offered by ChoateIA:

<b>All Bond:</b> This strategy focuses exclusively on producing current income. Only fixed-income assets are held.
<b>Conservative Income:</b> The primary goal is to produce current income through a majority allocation to the fixed-income asset class. Limited investments in equity-linked and alternative asset classes are intended to produce additional sources of current income with low to moderate correlations to the majority fixed-income asset class.
<b>Income and Growth:</b> This strategy emphasizes current income while offering moderate potential for capital appreciation. Fixed-income securities represent the largest allocation, though a material allocation to the equity-linked and alternative asset classes may diversify the sources of current income while also providing the potential for modest capital appreciation.
<b>Balanced:</b> This strategy focuses on balancing potential capital appreciation and current income, using a combination of fixed-income, equity-linked and alternative asset classes.
<b>Growth and Income:</b> This strategy's primary goal is to seek opportunities for capital appreciation. The secondary goal is current income potential. There is a substantial allocation to equity-linked and alternative asset classes.
<b>Growth:</b> The primary goal is to maximize total return, primarily through capital appreciation opportunities, while also providing current income potential. This strategy focuses on equity-linked and alternative asset classes. A minority of the portfolio's assets are in fixed-income investments.
<b>Aggressive Growth:</b> This strategy allocates primarily to equity-linked and alternative asset classes and is an aggressive strategy designed for capital appreciation potential. Current income expectation is low, and portfolio returns can be volatile from year to year. We attempt to moderate risk by the use of a diversified equity portfolio.
<b>Opportunistic Growth:</b> This strategy relies on heavier emphasis on tactical decisions and a greater magnitude of tactical adjustments. These tactical decisions include, but are not limited to, country and global sector positions, individual stock selection and risk level adjustments. There are no limits on the asset classes or investment vehicles the strategy can use. <i>This strategy is appropriate only for clients with a very high risk tolerance.</i>

## ITEM 9 DISCIPLINARY INFORMATION

SEC-registered investment advisors are required to disclose all material facts related to any legal or disciplinary events that are material to our clients' evaluation of the integrity of our management.

ChoateIA has no legal or disciplinary events to disclose.

## **ITEM 10      OTHER INDUSTRY ACTIVITIES AND AFFILIATIONS**

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### **Material Relationships or Arrangements**

ChoateIA is a subsidiary of CHS, which is a law firm that also provides trust and family office services to clients. CHS's trust and family office clients pay CHS a bundled fee for fiduciary and other services, including investment advice. CHS obtains from ChoateIA investment advisory services for most (but not all) of CHS's trust and family office clients. Pursuant to a services arrangement, CHS provides ChoateIA with facilities and certain administrative, finance and operations services.

CHS and ChoateIA have an arrangement whereby CHS pays to ChoateIA a monthly fee that is designed to cover all of ChoateIA's operating costs and expenses in providing advisory services (to clients of CHS as well as other ChoateIA clients) to the extent that such expenses are not otherwise covered by ChoateIA's revenues. Payments by CHS also cover (i) the cost of arranging for third party custody and recordkeeping services for ChoateIA's clients and (ii) certain technology costs associated with ChoateIA's provision of services. The payments made by CHS to ChoateIA cover obligations of ChoateIA and do not affect the fees paid by CHS clients to CHS, or by ChoateIA advisory clients to ChoateIA.

As a service provider to ChoateIA, CHS has employees who may gain access to non-public information regarding proposed and current holdings of, and purchases and sales of securities for, ChoateIA's clients. ChoateIA takes several steps to guard against unauthorized access to client information. These steps include the following. Employees of ChoateIA and of Choate are trained to maintain client confidentiality and to convey client information only on a need-to-know basis. ChoateIA records are kept separately and are not accessible to attorneys and other staff outside the Wealth Management Group of Choate. Moreover, ChoateIA maintains a segregated, lockable space within the premises of CHS.

ChoateIA is the manager and investment adviser of two Private Funds. ChoateIA does not charge an advisory management or performance fee to those Private Funds. The fee paid by our clients on any assets invested in a Private Fund is the same as the fee paid to us on any other investment. This mitigates any incentive to solicit investors, or recommend investment, in the Private Funds for reasons other than the clients' best interests.

CHS may provide legal services to investment funds (and the managers of those funds) in which a Private Fund invests or the underlying companies in which those investment funds invest and receives compensation for those services in the ordinary course of its business. CHS is not compensated based on the level of assets in such investment funds, and plays no role in selecting such funds for investment by a Private Fund (although CHS partners may invest in the Private Funds if they choose to do so). ChoateIA makes investment decisions for each Private Fund based solely on the merits of such investments, and an attorney-client relationship between an investment fund and CHS will neither incentivize nor preclude a Private Fund from investing in those funds.

## **ITEM 11 CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

ChoateIA has adopted a Code of Ethics (the “Code of Ethics”) in accordance with Rule 204A-1 under the Investment Advisers Act of 1940 (the “Advisers Act”). The Code of Ethics sets forth (i) general principles regarding ethical business conduct, (ii) policies and procedures for the protection of material non-public information and (iii) internal reporting of violations of the Code of Ethics and applicable securities laws. Subject to limited exceptions, the Code of Ethics also requires our “Access Persons” (as defined in the Code of Ethics) to (i) quarterly report their personal securities transactions and (ii) annually report their personal securities holdings to our chief compliance officer or other designated persons. The Code of Ethics requires us to review these reports to allow identification of improper trades or patterns of trading by our Access Persons.

We recommend transactions to, and make investment decisions on behalf of, clients based solely on whether the investments are suitable for the client and are consistent with the client’s overall investment objectives, policies, and restrictions. Accordingly, we may provide advice and take action on behalf of certain clients that differs from advice given, or the timing and nature of action taken, for other clients’ accounts. ChoateIA employees may buy and sell securities for their personal accounts that are also recommended to clients for purchase and sale at or about the same or different times. Moreover, ChoateIA employees may invest or trade in their personal accounts differently than, or in conflict with, investment decisions made on behalf of or recommended to ChoateIA clients. ChoateIA employees may invest side-by-side with clients in a Private Fund on the same terms. To address potential conflicts, ChoateIA requires Access Persons to avoid knowingly purchasing or selling securities in such a way as to compete in the marketplace with clients, or otherwise to adversely affect client transactions. Access Persons are prohibited from using knowledge of proposed or current purchases, sales or holdings of any client to profit from the market effect of client transactions.

We periodically provide training and education programs to our Access Persons and employees regarding the Code of Ethics and applicable laws. We periodically review the effectiveness of our Code of Ethics. A full copy of ChoateIA’s Code of Ethics is available upon request.

Please see Item 10 for a description of how ChoateIA addresses potential conflicts of interest that may arise from ChoateIA acting as the manager of the Private Funds.

## **ITEM 12 BROKERAGE PRACTICES**

ChoateIA trades with broker-dealers which we believe can deliver the best execution for our clients. We select these broker-dealers taking into consideration a wide range of criteria, including the commission rate, as well as other factors such as execution capability, and research and brokerage services provided by such broker-dealers, and prior performance in serving ChoateIA and our clients. Accordingly, ChoateIA may select a broker-dealer which does not necessarily have the lowest commission rate. We continuously evaluate whether it would be beneficial to use other or additional broker-dealers.

We receive research and brokerage services from broker-dealers and other third parties in exchange for soft dollar credits generated by client brokerage commissions. As noted above, ChoateIA takes into account the availability of research and brokerage services in selecting broker-dealers. Such research and brokerage services may be provided directly by the executing broker-dealer, or may be performed by a third party and paid for by the broker-dealer. These products and services may include: research reports on particular industries and issuers, economic surveys and analyses, services that provide market, economic and company data, quotation services, trade analytics software, as well as execution services and products (*e.g.*, trading-related software used to execute and route trades and communicate with broker-dealers), assistance with due diligence regarding investment managers of private funds in which our Private Funds may invest, as well as other products or services that fall within section 28(e) of the Securities Exchange Act of 1934, which provides a safe harbor with respect to payment for research and brokerage products or services with client commission dollars. We use soft dollar benefits to service all of our client accounts, but not all research or brokerage services obtained with soft dollars will benefit all clients, or benefit all clients to the same extent or proportionately to the soft dollar credits the applicable account generates.

Some “mixed-use” products or services are used by ChoateIA for both “28(e) eligible” purposes and other “ineligible” purposes, such as administration and reporting. We allocate the cost of mixed-use products and services between eligible and ineligible uses, and we use our own hard dollars to pay that part of the cost that we determine to be attributable to ineligible uses. This allocation determination could give rise to a conflict of interest for us because we have an incentive to allocate as little as possible to hard dollar payments. We seek to mitigate this conflict by adopting policies and procedures to review these allocations for reasonableness, which have been approved by the CCO and Managing Director.

We do not consider client referrals in selecting brokers. We do not typically permit clients to direct brokerage. In the small minority of cases where a client has directed brokerage, we may be unable to achieve most favorable execution of client transactions. Directing brokerage may cause clients to pay higher transaction costs.

When possible, we aggregate the purchase and sale of securities for various client accounts for which we are placing trades. All trades are executed at the average price and commission rate obtained in the block trade.

### Investment Allocations

Certain private investment opportunities may be appropriate for ChoateIA Clients. ChoateIA will determine allocations of such investment opportunities as among the Private Funds and the other ChoateIA Clients in our sole discretion in accordance with our written allocation policies and procedures, taking into account various investment criteria, such as the expected performance of the investment, availability of cash, liquidity needs, investment objectives, risk parameters, general capacity, tax efficiency, investment limits, diversification guidelines, operational factors and legal and regulatory factors.



### **ITEM 13      REVIEW OF ACCOUNTS**

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Each of ChoateIA's discretionary separate accounts is monitored by the applicable account manager and is formally reviewed at least every twelve months. The manager considers whether the specific objectives of the client are being met as to income versus capital appreciation, the asset allocation of the portfolio, the diversification of its holdings, risk, and whether the assets held satisfy our quality standards for investments.

Trust accounts, as to which we provide investment advice to CHS attorney-fiduciaries, are reviewed periodically in accordance with the instructions of the attorney-fiduciaries.

Regular reports are furnished at least quarterly to all clients with the exception of those attorneys at CHS who act as fiduciaries and have ongoing access to client account information.

### **ITEM 14      CLIENT REFERRALS AND OTHER COMPENSATION**

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ChoateIA does not compensate affiliated or non-affiliated persons for client referrals.

In connection with providing investment advisory services to its clients, ChoateIA does not receive sales awards, prizes or other economic benefits from someone who is not a client.

### **ITEM 15      CUSTODY**

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In certain cases, clients may authorize CHS to direct the disposition of a client's funds or securities. In these cases, both ChoateIA and CHS are deemed to have "custody" of those client assets, as such term is defined in the Advisers Act.

Additionally, affiliates of ChoateIA serve as general partner to the Private Funds, and due to the fact that certain related persons may serve as trustee to client trust accounts, ChoateIA is deemed to have custody of client assets. Accordingly, we are required under the Investment Advisors Act of 1940, to retain a PCAOB registered accounting firm to perform a surprise independent audit of ChoateIA. Once performed, the results of the surprise audit are available on the SEC's public disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). In addition, ChoateIA has entered into a written agreement with an independent public accountant to provide audited financial statements to Private Fund investors within 180 days following each Private Fund's fiscal year end.

Other than interests in the Private Funds and each Private Fund's interest in underlying private investment funds, client funds and securities are maintained with a "qualified custodian," as such term is defined in the Advisers Act. Clients will receive quarterly account statements directly from their "qualified custodian." Clients should carefully review those account statements. Investors in a Private Fund will receive annual audited financial statements within 180 days of the end of that Private Fund's fiscal year.

## **ITEM 16      INVESTMENT DISCRETION**

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Most of ChoateIA's client accounts are discretionary, meaning that ChoateIA exercises discretion over: (1) the securities to be purchased or sold; (2) the number of security transactions; (3) the broker to be utilized; and (4) the timing of the transaction. ChoateIA 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. However, in certain cases, clients may request a limitation on this authority, such as identifying certain securities not to be bought or sold. In certain other cases, ChoateIA will exercise non-discretionary authority over an account, meaning client consent must be obtained before any transactions in a client account are effected.

Once a client's goals and objectives have been determined, the client is required to sign an Investment Management Agreement and complete a schedule of investment guidelines. When this process is completed, ChoateIA exercises its discretion to the extent set forth in the Investment Management Agreement to implement its decision as to the most appropriate investments for the client's account. The investment guidelines governing ChoateIA's management of the Private Funds, including its investment objectives and discretion granted to ChoateIA in implementing them, are specified in each Private Fund's offering documents.

Notwithstanding the foregoing, it is understood that ChoateIA will not advise or act for clients in any legal proceedings relating to bankruptcies or securities shareholder class action litigation involving securities held or previously held by a client. Accordingly, ChoateIA will not respond or forward to clients any class action settlement offers relating to securities currently or previously held by a client.

## **ITEM 17      VOTING CLIENT SECURITIES**

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Unless otherwise agreed in writing, ChoateIA will exercise voting authority for proxies and corporate actions relating to securities held by clients in accordance with Choate IA's proxy voting guidelines or policies in effect from time to time, including the discretion not to exercise proxy voting rights under certain circumstances and the authority to engage a service provider to assist in the voting of proxies. ChoateIA is not required to notify clients in advance of or subsequent to any action ChoateIA takes with respect to such authority. Clients typically authorize ChoateIA to instruct each custodian to forward promptly to ChoateIA all proxies and corporate actions. ChoateIA shall not be liable with regard to the voting of proxies if it does not receive the proxy materials from a custodian in a timely manner.

A copy of Choate IA's proxy voting guidelines and policies will be furnished to the client upon the client's written request. ChoateIA shall maintain records of all proxy votes and corporate actions, and shall inform the client regarding the manner in which ChoateIA exercised its voting authority with respect to any particular proxy or corporate action upon the client's written request.

**ITEM 18      FINANCIAL INFORMATION**

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ChoateIA does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of the services rendered.

SEC-registered investment advisors who have discretionary authority or custody of client funds or securities are required to disclose any financial condition that is reasonably likely to impair the advisor's ability to meet contractual commitments to clients. ChoateIA has no financial condition that is reasonably likely to impair its ability to meet its contractual commitment to clients. ChoateIA has not been the subject of a bankruptcy petition at any time during the past ten years.