



**FIRM BROCHURE  
PART 2A  
March 2024**

This brochure provides information about the qualifications and business practices of Abner, Herrman & Brock, LLC ("AHB"). If you have any questions about the contents of this brochure, please contact us at: 201-484-2000, or by email at: [info@ahbi.com](mailto:info@ahbi.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority.

Additional information about AHB is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Abner Herrman & Brock LLC is an investment advisor registered with the SEC under the U.S. Investment Advisers Act of 1940, as amended. Registration of an investment advisor with the SEC or any state securities authority does not imply a certain level of skill or training.

---

Harborside 5 • 185 Hudson Street • Suite 1640 • Jersey City • New Jersey 07311  
201-484-2000 • Fax 201-435-4603 • [www.ahbi.com](http://www.ahbi.com) • [info@ahbi.com](mailto:info@ahbi.com)

---

## Item 2 – Material Changes

---

This updated Brochure is reflective of the firm’s ongoing business as an investment advisor registered with the SEC. The changes primarily include updates to Item 4, Item 5, and Item 10.

AHB routinely makes changes throughout its Brochure to improve and clarify the description of its business practices and compliance policies and procedures or in response to evolving industry and Firm practices. We encourage all recipients to read this Brochure carefully in its entirety.

As of February 12, 2024, Abner Herrman & Brock LLC Broker Dealer Withdrawal (BDW) was approved.

### Item 3 – Table of Contents

ITEM 1 – COVER PAGE	1
ITEM 2 – MATERIAL CHANGES	2
ITEM 3 – TABLE OF CONTENTS	3
ITEM 4 - ADVISORY BUSINESS	5
ITEM 5 - FEES AND COMPENSATION	6
ITEM 6 - PERFORMANCE-BASED FEES	8
ITEM 7 - TYPES OF CLIENTS	8
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	8
ITEM 9 - DISCIPLINARY INFORMATION	12
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	12
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	13
ITEM 12 - BROKERAGE PRACTICES	13
ITEM 13 - REVIEW OF ACCOUNTS	15
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION	15
ITEM 15 - CUSTODY, ACCOUNT STATEMENTS AND PERFORMANCE REPORTS	16
ITEM 16 - INVESTMENT DISCRETION	16
ITEM 17 - VOTING CLIENT SECURITIES	17
ITEM 18 - FINANCIAL INFORMATION	18

## Item 4 - Advisory Business

---

### Description of Advisory Firm

Abner, Herrman & Brock LLC ("AHB," the "firm," or "we"), was founded in 1981 and is an investment advisor registered with the Securities and Exchange Commission (the "SEC"). The firm provides investment management and advisory services on a discretionary and a non-discretionary basis. Investment services are provided within guidelines formulated with each client, based upon defined investment objectives. Our foremost priority is putting our clients' interests first and working with them to achieve their long-term investment objectives. Abner, Herrman & Brock LLC is principally owned by the Abner Trust.

### Advisory Services

AHB provides investment management and advisory services in separately managed accounts for individuals, high net worth individuals, trusts, estates, retirement accounts, pension and profit-sharing plans, charitable organizations, corporations, and other business entities (referred to as "client(s)"). AHB also provides investment management services for wrap fee programs sponsored by other firms. In this capacity, AHB is a subadvisor or has a separate agreement with the sponsor firm to provide such services.

The firm has an Investment Policy Committee which is comprised of Portfolio Managers and Analysts that work together to make investment decisions for each of the firm's investment strategies. Portfolio Managers oversee the client accounts to implement the Committee's investment decisions if appropriate for each client based on the client's financial goals, investment objectives, and risk tolerance.

The initial client consultation allows the firm to tailor a portfolio to a client's individual financial goals, investment objectives, and risk tolerance. During these conversations with prospective clients, investment objectives are identified and an asset allocation plan and investment strategy are devised. Clients may impose reasonable restrictions on investing in certain securities or types of securities as well as restrictions on maturities for the fixed income portfolio. We review any requests for such restrictions on a case-by-case basis and agree to implement them when feasible. Any specific restrictions are noted, and the firm's advisory fees are discussed. The client may change these initial objectives at any time. If clients elect to retain AHB as an investment manager, clients are provided an Initial Client Profile outlining the agreed upon objectives, asset allocation plan, investment strategy and annual fee. Each client executes a contractual Investment Advisory Agreement which also designates a custodian to hold their securities and a broker that will execute transactions. Agreements may not be assigned without the client's consent.

### Advisor to Wrap Fee Programs

AHB also provides investment and portfolio management services for wrap fee programs. There is no difference in the investment management that AHB provides to wrap fee programs from the investment and portfolio management services provided to other accounts. In such programs, a client pays a program sponsor a single "wrap fee" for advisory services, certain brokerage services, monitoring of the investment advisor's performance and custodial services, or some combination of these or other services. As compensation for our investment and portfolio management services, AHB receives a portion of the "wrap fee" that is charged by the program sponsors. In most cases, AHB acts under a sub-advisory agreement in which the sponsor is responsible for determining the suitability and objectives of their clients.

## Advisor to Model Portfolio Vendor

AHB has relationships with other financial intermediaries in which AHB designs, monitors, and updates one or more model portfolios to meet the objectives set forth by the clients of such financial intermediaries. These portfolios are managed with the same investment philosophies and strategies as other accounts are managed by AHB. AHB does not have discretion in the management of such portfolios. AHB's recommendations that are provided to the program sponsor are used in their sole discretion, as to the extent to which they implement the model portfolios and/or each recommendation. AHB receives a fee for these investment services that is based on the average value for the aggregate assets in the Model Portfolio Accounts managed using the Model Portfolio at the beginning of the quarter. The model portfolios are not considered AHB assets under management ("AUM") and therefore not included in our AUM calculations. Model Portfolios may be subject to lesser or greater advisory fees depending on the simplicity or complexity of the objective.

## Client Assets

As of December 31, 2023, AHB manages approximately \$1.95 billion in assets for approximately 1,859 clients, of which approximately \$1.9 billion is managed on a discretionary basis and \$47 million on a non-discretionary basis.

## Item 5 - Fees and Compensation

---

### Fees

#### *Investment Advisory Fees*

The fee payable to AHB for investment advisory services is calculated and paid in advance on a quarterly basis. The fee amount is equal to the market value of the client's account (including all securities, accrued interest and money market balance) on the first business day of each calendar quarter multiplied by one quarter of the annual fee rate. The annual fee rate generally ranges from .25% to 1.25%.

Unless otherwise arranged by a client, the fee payable to AHB will be deducted directly from the client's account by the custodian and automatically remitted to AHB or our designee. Deducted fees appear on the monthly statement from the custodian. Clients consent in advance to direct debiting of their investment account upon the execution of the Investment Advisory Agreement. Each client is responsible for verifying the accuracy of any invoice and any fees paid to AHB by the relevant custodian.

The fee for the initial quarter is calculated on a pro rata basis commencing on the day the client's account is initially designated to AHB for management. The annual fee rate may be amended from time-to-time by AHB due to changes in asset allocation, investment strategy or amount of Client assets under management.

If an Investment Advisory Agreement is terminated by AHB or a client other than at the end of a calendar quarter, then a pro-rata refund from the end of the month in which the termination becomes effective through the end of the billing period will be made. The investment advisory fees are negotiable and differ from one client to another based on certain criteria such as portfolio strategy, asset allocation, customization, and amount of portfolio assets. These services might be obtained at a more favorable price through AHB or elsewhere on a separate basis. Clients do not pay any charges to AHB except as described in connection with investment advisory services. AHB fees do not include fees and/or expenses charged by third parties. Such third-party fees and /or expenses may include but not be limited to, custodial fees, commissions, wire transfer and electronic transfer fees, and other fees and taxes on brokerage accounts and securities clearing.

Clients whose assets are invested in a money market fund or another fund that incurs an investment advisory fee will pay AHB's advisory fees and any expense and advisory fees associated with the fund.

The initial consultation, which may be by telephone, video or in person meeting, is free of charge and is considered an exploratory interview to determine the extent to which AHB's services may be beneficial to the client. The specific fee a client will pay is set forth in the Investment Advisory Agreement, or as indicated in any amendment thereof including correspondence via email and/or hard copy letter and updated as necessary with an update to the Client Profile.

AHB does not share advisory fee revenue with any custodian and does not receive any soft dollar income or payment for order flow.

### **Wrap Fee Program Fees**

The sponsor of a Wrap Fee Program (a "Sponsor") described in the "Types of Advisory Services" section, generally provides clients with an all-inclusive fee. This fee generally covers advisory fees, trade execution, reports of activity, custodial services, and the recommendation and monitoring of investment managers.

The Sponsor's program brochure generally contains information on minimum account sizes and fees payable to the Sponsor and participating investment managers, such as AHB. Accordingly, AHB's minimum account size and fees may vary from program to program or within a single program based on, among other things, the investment strategies offered by the program. AHB's fees for managing Wrap Fee Program accounts may be less than the fees it receives for managing similar accounts outside of a Wrap Fee Program. However, clients should be aware that, as discussed above, the total fees and expenses associated with a Wrap Fee Program may exceed those which might be available if the services were acquired separately.

Wrap Fee Program clients should contact their Sponsor for more information on the fees payable to AHB in connection with such programs. AHB fees may be billed or received in advance or in arrears on a monthly or a quarterly basis depending on the agreement.

AHB utilizes step out trades for fixed income securities only. There are no commissions associated with these trades. AHB does not have any soft dollar arrangements and receives no soft dollar compensation for these trades. Step out trades help us seek best execution for the client because it provides the best competitive price for a particular bond in the market as well as offering an increase in the inventory of bonds.

### **Model Portfolios Vendor Fees**

The complexity and customization of the model portfolio will determine the fees associated with this service. In some cases, these client accounts will pay a single fee which covers advisory fees, trade execution, reports of activity, custodial services and the recommendation and monitoring of model providers. As a model provider, we receive as compensation a portion of the total managed account program fee that is charged by the sponsor. Fees are billed in advance on a quarterly basis and paid by the sponsor to AHB.

### **Administrative Services**

Clients pay a flat rate quarterly fee determined by agreement for Administrative Services that is pre-determined by contract depending on depth, size and complexity of execution/trade services, bookkeeping, facility use and technology services and office supplies that are needed.

## Item 6 - Performance-Based Fees

---

### Sharing of Capital Gains

Our advisory fees are not based on a share of the capital gains or capital appreciation of managed securities. AHB does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk to achieve higher returns.

## Item 7 - Types of Clients

---

### Description and Account Minimum

AHB provides investment advice to individuals, endowments, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. The minimum account size is \$500,000. AHB has the discretion to waive the account minimum when we deem appropriate. Other exceptions may apply to employees of AHB and their relatives, or relatives of existing clients. The minimum account size for an account in a Wrap Fee Program varies by sponsor but generally is \$100,000.

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

---

AHB employs several investment strategies, and it is possible that certain methods of analysis, strategies and risks discussed below may not apply to our management of any particular client's portfolio. The specific investment strategies and risks associated with a client's account may be described in more detail in presentations, investment guidelines, marketing materials and other documents provided to, or discussions held with, the client, or investment guidelines provided by the client (or in the case of Wrap Fee Programs, the relevant sponsor's brochure, or program documentation.) When choosing to allocate assets for investment in securities, clients should recognize this may involve the risk of loss and should be prepared to bear such loss if incurred.

### Methods of Analysis

We use several methods of analysis to make our investment decisions which include fundamental, technical, cyclical and quantitative analysis.

**Fundamental** analysis involves reviewing financial statements to understand the general financial health of a company, and reviewing the management team or advantages the company may have over competitors. We also communicate directly with the companies that we invest in or are under consideration. We regularly attend conference calls and analyst meetings with company management and attend company presentations. This helps us learn as much we can about a company and any relevant changes to the economic landscape. The risk of fundamental analysis is that information obtained may be incorrect or change.

**Technical** analysis involves the analysis of past market data, specifically price and volume and the use of patterns in performance charts. We use this technique to search for patterns that help predict favorable conditions for buying or selling a security. The risk of investing based on technical analysis is that current prices

of securities may reflect all information known about the company and day to day changes in market prices may be random which is unpredictable for short periods of time and therefore may not predict future stock movements.

**Cyclical** analysis involves the analysis of the business cycles to find favorable conditions for buying and selling a security. Economic and business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequent changing values of securities that would be affected by these changes.

**Quantitative** analysis seeks to understand market behavior by using mathematical ratios which assess valuation metrics of a particular security. The risks associated with quantitative analysis are that metrics and models may be based on assumptions and subjective judgments that may prove to be incorrect. In using this method of analysis, we also rely on publicly available sources of information which may be inaccurate or misleading.

The main sources of information we use as we perform our analysis include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, corporate filings with the Securities and Exchange Commission, company press releases, online information including but not limited to newsletters, blogs, and webcasts. Investing in securities involves risk of loss that clients should be prepared to bear. Our Investment Committee makes final decisions with regard to securities investments after receiving and reviewing information obtained by AHB and its employees.

## **Investment Strategies**

Equity portfolios are typically comprised of common stocks of large capitalization companies. Fixed income portfolios are generally invested in investment grade corporate bond securities, investment grade municipal bond securities, US government agency bonds and US Treasury securities. Balanced portfolios are invested in a combination of the above-mentioned equity and fixed income securities.

AHB's investment process is driven by the firm's internal fundamental security analysis and research. We believe that our team of experienced professionals is able to find attractive investment opportunities within the large capitalization stock universe. AHB employs the firm's proprietary research analysis to structure the equity portion of a core equity portfolio.

AHB employs a "top down" investment approach which focuses first on the outlook for the overall economy on a short, intermediate, and long-term basis. AHB will also identify interest rate directions and those sectors of the economy (consumer, business and government) and those industries in each sector which are likely to be affected favorably and unfavorably by the overall economic outlook on an intermediate and long-term basis, in an effort to identify industries and particular companies of potential interest. AHB monitors the business and market cycle and the client holdings..

The foregoing analysis is performed on an ongoing basis to formulate asset allocation strategies with preservation of capital and achievement of investment objectives being the foremost concern. AHB uses cash-flow management as a component of each of its investment strategies. Specifically, although subject to individual client objectives, the allocation among equities, bonds and cash in each portfolio will change in various markets. For example, overall investment objectives may be met in varying markets by reducing equity or bond exposure in declining markets and seeking expanded exposure and thus rates of return in rising markets.



## **Equity Portfolios**

### **Core Equity**

The Core Equity strategy invests in common stocks of large capitalization companies. In general, these companies have a market capitalization of \$8 billion or greater. AHB seeks out well-managed companies offering above-average earnings, with potential for dividend growth that are priced at attractive valuations to focus its research. AHB looks for opportunities where market capitalization provides ample trading liquidity. The equity securities that AHB identifies and invests in for clients tend to offer lower volatility and on a relative basis, potentially higher risk-adjusted returns than other stocks not bearing the same characteristics. To the extent feasible, AHB seeks to diversify Equity Portfolios among 5-20 industry sectors and 2-4 companies in each industry. AHB believes that such diversification provides for a more prudent level of risk. In the Core Equity Portfolios, AHB seeks the attributes of higher yields and lower volatility. Equity investments for clients are subject to certain selling disciplines to attempt to maximize gains and minimize losses, including consideration being given to selling securities which have appreciated by 50% or depreciated by 10% from purchase price. The investment objective for the Core Equity strategy is growth through a combination of capital appreciation and dividend income.

### **Aggressive Equity**

Aggressive equity portfolios have more concentrated positions, may include mid and small capitalization companies, and may use margin debt to enhance the portfolio returns. The investment objective for Aggressive Growth portfolios is growth through capital appreciation.

### **Custom Balanced Portfolios**

Custom Balanced Portfolios include equities as well as bonds. The equities are the same as in the Core Equity strategy. Bonds are selected from the investment grade corporate bond, U.S. Government, Agency as well as the A rated or better Municipal bond universe when appropriate. The proportion of bonds to equities in Custom Balanced Portfolios is generally agreed to by the client to achieve their investment objectives before investment management is initiated. AHB seeks to structure the bond portion as described below. The investment objective for Custom Balanced portfolios is both growth and income.

## **Fixed Income Portfolios**

### **Taxable Bond Portfolios**

The Taxable Bond strategy is comprised of U.S. Treasury, government agency, and investment-grade corporate bonds with laddered maturities. Bonds are selected that represent attractive relative values based on the yield curve, bond type and sector spreads. Bond holdings are shifted toward agencies and corporates when the yields from those sectors offer materially higher returns than U.S. Treasuries. Analysis of the yield curve identifies maturities that offer optimal yields within AHB's quality, liquidity and stability requirements. AHB monitors each bond's credit quality in an effort to anticipate a change in the credit rating of the issuer. AHB Taxable Bond Portfolios are broadly diversified by bond type, economic sector and maturity to reduce volatility and generate a high rate of current income and/or capital appreciation. AHB does not participate in "swapping" or "credit anticipation" strategies for bond portfolios. The primary investment objective for Taxable Bond portfolios is income.

### **Municipal Bond Portfolios**

The Municipal Bond strategy will reflect a client's desire to receive greater after-tax income or tax-exempt capital appreciation. Bond holdings are selected for quality, value and stable income generation. Municipal

Bond Portfolio holdings are structured with high quality investment-grade tax-exempt bonds. AHB continuously monitors each bond's credit quality in an effort to anticipate a change in the underlying credit rating of the issuer. The Municipal Bond strategy may include the purchase of premium priced bonds when the interest rate environment is advantageous to do so. Portfolios that distribute interest income may be subject to an impairment of principal if they exceed the expected return of principal upon maturity of the premium bonds. Each portfolio is customized to meet the client's risk profile, tax sensitivity and income requirements. The primary investment objective of Municipal Bond portfolios is tax exempt income.

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause security prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their prices to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments, even if made by domestically based companies, are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Credit/Default Risk:** Debt issuers and other counterparties of fixed income securities or instruments may default on their obligation to pay interest, repay principal or make a margin payment, or default on any other obligation.

- **Margin Risk:** Generally, AHB does not utilize margin as part of its investment strategies. However, clients who select the Aggressive Equity strategy or who choose margin on their own discretion should be aware of the inherent risks associated with it. Borrowing to purchase stocks increases a client's leverage allowing the client to purchase more stock than the client could purchase for cash. However, borrowing increases levels of market risk which may cause a greater drop in an investment and margin loans must be repaid regardless of the underlying value of the securities purchased. Margin accounts also have minimum maintenance requirements. If the equity in a margin account falls below the minimum amount, the broker-dealer will issue a maintenance call requiring an additional deposit in cash or acceptable collateral. There is no extension of time on a margin call. Failure to meet a margin call may force a client to sell some or all securities in an account which may be sold without the client's approval.
- **Custody Risk:** Clients may incur a loss on securities and cash held by a custodian in the event of the custodian's or sub-custodian's insolvency, negligence, fraud, poor administration, or inadequate record keeping.
- **Business Continuity Risk:** AHB's business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disasters, terrorist attacks or other circumstances causing property damage, network interruption and/or prolonged power outages or the sudden unavailability of certain key AHB personnel. Although AHB has implemented measures to manage risks related to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have material adverse effects.
- **Regulatory/Legislative Developments Risk:** Regulators and/or legislators may promulgate rules or pass legislation that places restrictions on, adds procedural hurdles to, affects the liquidity of, and /or alters the risks associated with certain investment transactions or the securities underlying such investment transactions. Such rules/legislation could adversely affect the value associated with such investment transactions or underlying securities.

*This list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in connection with AHB's investment or the management of the client's accounts. In addition, prospective clients should be aware that, as the market develops and changes over time, investments on behalf of clients may be subject to additional and different risks.*

## Item 9 - Disciplinary Information

---

There are no legal or disciplinary events related to past or present investment advisory clients.

## Item 10 - Other Financial Industry Activities and Affiliations

---

## **Financial Industry Activities and Affiliations**

AHB does not have any financial industry affiliation that is material to our advisory business. AHB does not recommend or select other investment advisors for our clients.

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

---

### **Code of Ethics**

We have adopted a Code of Ethics, as required under the Investment Advisers Act of 1940, which describes our standard of business conduct, and our fiduciary duty to our clients. It serves to make our employees aware of what conduct, and behavior is expected of them, including their personal securities transactions and rules against trading upon material nonpublic information so they do not take improper advantage of their positions and the access to information that comes with their position.

The Code of Ethics includes but is not limited to the following areas of conduct; Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Confidentiality and Compliance with Reporting Regulations.

A copy of our Code of Ethics is available as a separate document to clients and prospective clients upon request.

### **Participation or Interest in Client Transactions and Personal Trading**

Pursuant to the Code of Ethics and other AHB policies and procedures with regard to confidentiality, and the avoidance of potential conflicts of interest, all transactions executed at AHB, including those on behalf of its principals and employees, are reviewed daily to prevent the misuse of material non-public information by AHB, its principals and employees and other violations of law or conflicts of interest.

From time to time, AHB, as well as principals and employees of AHB, will have positions or will engage in transactions in the same securities as those purchased or sold for advisory clients. To avoid any potential conflict of interest, in the event of transactions on the same day and same side (buy/sell) of the market, affected for principals or employees of AHB and clients, the transactions will be executed at an average price identical to that paid by clients. If transactions cannot be average priced, AHB prohibits its principals and employees from effecting transactions of more than 500 shares of a security, within two business days prior to or two days following a client affected "block" transaction (block defined as 10,000 or more shares) in the same security and on the same side of the market. The Operations/Compliance Department reviews and approves employee pre-clearance trade requests on an as-needed basis following the previously mentioned policy. AHB receives no payment for order flow.

## **Item 12 - Brokerage Practices**

---

### **Selecting Brokerage Firms, Soft Dollars, Brokerage for Client Referrals and Directed Brokerage**

AHB is not a registered broker dealer and does not make broker dealer or custodian recommendations. After prospective clients decide to retain AHB as its investment advisor, the client executes a standard investment

advisory contract and designates a broker for execution of all transactions effected on their behalf and a custodian for the purpose of holding the securities and other assets to be held in their portfolio. For clients that do not have a custodial relationship, we inform clients and prospective clients that AHB is a party to a custody and brokerage solutions agreement with Fidelity Institutional.

If clients select Fidelity Institutional as the designated brokerage firm in the AHB Investment Advisory Agreement, Fidelity Institutional will execute transactions on the client's behalf. Under this arrangement AHB will not select broker-dealers for particular transactions on the basis of best execution and this arrangement may therefore result in less favorable net prices than might be the case if AHB selected broker-dealers on the basis of best execution.

AHB does not direct brokerage business to other brokers to obtain research or other "soft-dollar" benefits. When AHB subscribes to research or other services made available by other brokers or third parties, it pays for such services with its own funds, not those of its clients. AHB does not direct client transactions to any broker dealer in return for client referrals.

### **Directed Brokerage Clients**

AHB will direct brokerage to a particular broker if it receives written instructions to do so, for example from its advisory clients in Wrap Fee/Wrap Fee Programs. Where clients instruct AHB to direct all transactions for execution to a specific broker, AHB does not independently determine whether the commissions charged or execution effected thereafter is done at rates or prices higher or lower than those which could have been obtained had AHB or another broker acted as the broker. AHB does not negotiate brokerage commissions with other brokers on behalf of its advisory clients who designate other brokers. AHB does not pay a fee of any kind to financial advisors/brokers nor agree to direct any transactions to them for executions in order to be included in their respective firm's Wrap Fee/Wrap Fee Program nor is AHB affiliated in any way with such brokers.

For fixed income securities, AHB may use "step-out" trades which it believes is in the best interest for best execution. There are no commissions associated with these transactions and AHB does not receive any soft dollar benefits as a result of these transactions.

AHB may provide information to such brokers about its investment philosophy, strategies, fees and performance.

From time to time, AHB may also be identified as one of several potential portfolio managers by other persons such as independent consultants who may charge individuals a fee for such services. In such circumstances, there will be an agreement disclosing to the client the fee arrangements.

### **Order Aggregation**

Although we individually manage client accounts, we often will purchase or sell the same securities for many accounts if we believe that doing so is in the best interest of each client. AHB uses an average pricing technique when it determines that more than one client should purchase or sell the same security. In order to achieve a fair result among all of its advisory clients for whom it buys or sells the same security on the same day, AHB will seek to aggregate or "batch" individual orders and seek execution of them as a block. The block is completed at an average price for all shares traded. AHB employs an average pricing method in order to avoid having some clients pay more (or receive less) than other clients when their individual investment objectives and portfolio balances warrant investment (or divestiture) of identical securities. The above average pricing method has no impact upon brokerage commissions.

To the extent that a client instructs AHB to direct brokerage transactions with respect to the client's account through a particular broker, AHB may not be able to aggregate or "batch" client transactions for purposes of execution with orders for the same securities for other clients managed by AHB. When possible, we will group the same transactions in the same securities (aggregate trade) for the clients who have the same directed brokerage firm. Also, when practical, we will aggregate the same transactions in the same securities for many clients for whom we have discretion to direct brokerage. Clients in the aggregated trade will receive the same price per share and no client will be favored over another client.

#### *Trade Rotation*

For large block transactions (same security and same side of the market) that span across multiple custodians, AHB trade rotation procedures determine the order in which account groups at different custodians will be traded in an effort to soften the market impact of trading and to create an orderly trading process. The order for execution is maintained in a trade rotation blotter and execution is rotated for each significant block trade. The firm defines significant as a trade on the same side of the market of more than 10,000 shares of the same security. However, AHB may choose to deviate from this procedure for some reasons within the discretion of our investment and trading teams including but not limited to a) security involved b) AHB view as to the best interest of clients c) market conditions at the time of the order or d) investment strategy that the trade is being executed for. No trade rotation is implemented in certain circumstances, including but not limited to new account investments, raise fund requests or liquidations.

### **Item 13 - Review of Accounts**

---

#### **Periodic Reviews and Review Triggers**

Client accounts are generally monitored daily for consistency with client objectives and restrictions. Portfolio managers and our compliance department perform periodic reviews of each client account on our internal portfolio accounting system. Among other reviews, asset allocation and account performance are monitored. For Model Portfolios, AHB reviews and evaluates model structure and strategy to ensure compliance with the applicable strategies' investment objectives, policies, and restrictions.

At least annually and more frequently when market conditions dictate, a portfolio is reviewed with the client and/or financial advisor who referred the account. Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation made known to AHB.

#### **Regular Reports**

Investment advisory clients receive the firm's Quarterly Investment Outlook. All advisory clients will receive monthly statements directly from their chosen custodian. For clients for which AHB is providing portfolio management services for another firm's Wrap Fee Programs, AHB will send the firm's Quarterly Investment Outlook to the financial advisor who referred the account.

### **Item 14 - Client Referrals and Other Compensation**

---

## **Incoming Client Referrals**

AHB has been fortunate to receive many client referrals over the years. The referrals come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. Often AHB does not compensate referring parties for these referrals. In other cases, we have referral fee arrangements with unaffiliated persons. These arrangements comply with Rule 206(4)-1 under the Investment Advisers Act of 1940. In all cases, clients who are referred by these individuals or organizations do not pay a higher advisory fee than clients who approached or are solicited by AHB directly. Additionally, referral agreements provide that those who refer clients to AHB provide disclosure documents to prospective clients, including but not limited to the most current brochure and customer relationship summary, and documents that disclose, among other things, the nature of the compensation agreement between AHB and the referral party.

AHB does not accept referral fees or any form of remuneration from other professionals when AHB refers a prospect or client to them.

## **Item 15 - Custody, Account Statements and Performance Reports**

---

Any investment advisor having custody or access to customer funds or securities must comply with certain rules and regulations designed to protect the clients' assets. Rule 206(4)-2 of the Investment Advisers Act of 1940 details strict requirements governing investment advisors that are deemed to have custody of client securities or funds. With written authorization to do so, we directly debit client account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from client accounts causes our firm to be deemed to have limited custody of client funds and/or securities.

AHB does not have physical custody of any client funds and/or securities. All client assets are held by qualified custodians, which means the custodians provide account statements directly to clients at their address of record on a monthly basis. The monthly statements from the custodian should be reviewed and compared to the quarterly reports that clients receive from AHB. Clients should also compare the account statements received directly from their custodians to the quarterly performance report statements provided by AHB.

## **Item 16 - Investment Discretion**

---

### **Discretionary Authority**

AHB accepts discretionary authority to manage securities accounts on behalf of clients. AHB has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Discretionary trading authority facilitates placing trades in client accounts on their behalf so that we may promptly implement the investment management services agreed to in writing by the client's signing the AHB Investment Advisory Agreement. For those advisory clients who are clients of wrap fee programs not sponsored by AHB, a trading authorization is generally signed to provide for discretionary trading authority depending on the structure of the agreement between the sponsor of the program and AHB. Under certain circumstances on a case-by-case basis, AHB may accept a client request to place an investment into their advisory account. In most cases, this investment(s) is an "unsupervised" asset,

meaning that AHB does not manage or provide advice regarding such an asset. If a client holds an unsupervised asset in their advisory account, the client does so with the understanding that the unsupervised asset may not be included in account statements or performance reports provided by AHB and even if it is included in the account statements or performance reports it is not within the discretion or advisory responsibilities of AHB. No advisory fee is charged on “unsupervised” assets.

## **Item 17 - Voting Client Securities**

---

### **Responsibility for Voting Proxies**

AHB does not vote proxies on securities and therefore clients are expected to vote their own proxies. Clients will receive their proxies directly from their custodian and can contact us with questions. If assistance with voting proxies is requested, AHB will provide recommendations to our clients. If a conflict of interest exists, it will be disclosed to the client. For certain Wrap Fee Programs for which AHB provides investment management services, if required by the customer agreement AHB will vote proxies.

The following procedures apply to the voting of proxies solicited for securities in all accounts of AHB clients where AHB exercises voting authority over the way the proxies are to be voted (see below). For accounts where we exercise no such voting authority, the procedures do not apply. Where a third party other than AHB exercises Voting Authority in an account, this party must have in place written procedures that comply with the relevant rules.

### **The Voting Decision**

Our primary consideration in determining how to vote the proxies is in a manner consistent with the best interest of our clients. AHB’s fiduciary duties to a client do not necessarily require it to become a “shareholder activist” by, for example, actively engaging in soliciting proxies or supporting or opposing matters before shareholders. The duties of care and loyalty are exercised where AHB completes the proxy material and forwards it to the company based on a decision by AHB on how to vote the proxy or whether to vote it at all.

### **Conflicts of Interest**

There are circumstances in which a conflict of interest might arise by an Investment Advisor voting proxies on behalf of its client. AHB is obliged to identify, prior to making a voting decision for a client account, any material conflict of interest with respect to that voting decision. AHB will consider that it has a conflict of interest with respect to any voting decision where:

- AHB or an affiliate or associated person is providing advisory, brokerage, underwriting, and insurance or banking services to a company whose management is soliciting proxies.
- AHB or an affiliate or Associated Person has a business or personal relationship with a member of company management or a company group (such as the pension plan), proponent of a proxy proposal, a participant in a proxy contest or a candidate for corporate office.

AHB will also consider that it has a Material Conflict of Interest where either:

- AHB has Voting Authority from all accounts to make a voting decision with respect to securities in the aggregate constituting over 10 percent (10%) of the outstanding voting securities of the company; or



- In the case of a particular client, the securities for which the proxy is solicited constitute over 10 percent (10%) of the securities held by that client in the client's Voting Authority Account.

The Chief Compliance Officer ("CCO") determines whether there is enough uncertainty about the best interests of the client that the client should be contacted in advance for approval. If mitigating circumstances and/or conflicts of interest arise, the circumstances or conflicts will be discussed by AHB's investment committee. This investment committee may inform the client or may forward the proxy material to the client if it deems it necessary for review. Factors to consider would include the stated investment objectives of the client and the nature of the conflict of interest.

#### **Books and Records**

Clients of Wrap Fee Programs for which it pertains may obtain information from us about how we voted any proxies on behalf of their account(s) upon request.

#### **Proxy Voting Policies and Procedures**

Clients of Wrap Fee Programs may obtain a copy of our complete proxy voting policies and procedures upon request.

### **Item 18 - Financial Information**

---

#### **Financial Condition**

AHB does not have any financial commitment that impairs the firm from meeting contractual commitments to clients and has never been the subject of a bankruptcy proceeding. A balance sheet is not required to be provided because AHB does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.