



## **Horizon Investment Services, LLC**

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### **Form ADV, Part 2A Brochure**

March 22, 2024

This Brochure provides information about the qualifications and business practices of Horizon Investment Services, LLC. If you have any questions about the contents of this Brochure, please contact us at (800) 711-7969 or email us at [THathoot@HorizonInvestment.com](mailto:THathoot@HorizonInvestment.com). 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.

Horizon Investment Services is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training.

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

## **Item 2 – Material Changes**

In the following Summary of Material Changes, we report only the material change(s) made since the March 20, 2023 update of this Brochure.

No items to report.

Other change(s) were made to items 12 and 15 to remove reference to the custodian TD Ameritrade following the completion of the acquisition of TD Ameritrade by Charles Schwab and subsequent conversion of all client accounts from TD Ameritrade to Charles Schwab effective September 5, 2023. Additionally, added reference to Horizon's use of a third-party platform to facilitate management of held away assets, such as defined contribution plan participant accounts, with discretion.

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#### **Item 4 - Advisory Business**

Horizon Investment Services, LLC ("Horizon") was established as a limited liability company on November 14, 1997. Horizon is wholly owned by Horizon Management Services, Incorporated ("HMS"). Robert T. Evans is the principal owner of HMS.

Horizon provides discretionary advisory and investment sub-advisory services to clients.

Discretionary clients are provided with the full range of investment supervisory services, which include, but are not limited to, the following:

- (i) working with the client to establish appropriate investment objectives for the client's portfolio;
- (ii) making asset allocation decisions within the portfolio in accordance with those set objectives;
- (iii) making day-to-day investment decisions for the client's portfolio;
- (iv) executing transactions for the portfolio; and
- (v) providing materials necessary for monitoring results in an accurate and relevant manner.

Horizon provides investment advisory services to the clients of other financial institutions that can include unaffiliated wrap programs. Under those circumstances, Horizon will not work with the client to establish the client's investment objectives or make asset allocation decisions, but will merely manage the account in accordance with the instructions of the financial institution that has retained Horizon and the investment objective of the underlying client. Horizon's investment decisions and management of wrap accounts is consistent with how it manages its non-wrap accounts. Horizon receives its management fee from the sponsor of the wrap program who charges its client a single fee for all expenses related to the investment advisory services.

Horizon also participates in advisory programs where it provides model portfolios to the program sponsor through a licensing arrangement, which allows the model portfolios to be utilized by intermediaries who participate in the program on behalf of their clients. Horizon has complete discretion with respect to the formulation of these models, and does not create (or adjust) the model portfolios to meet the particular needs of the end-users of the model, including intermediaries participating in the program and their clients. Horizon has no knowledge of the purchases/sales of the securities that comprise the model by the end-user of the model.

Horizon also provides investment management services to 401(k)/profit-sharing plan sponsors. As part of these services, Horizon assists the plan in choosing the mutual funds it offers to plan participants, develops a series of model portfolios for the plan that meet the plan's risk tolerances, objectives and time horizons, provides education to plan participants, and monitors the performance of funds selected for the plan as a whole.

#### **Other Services**

Horizon develops investment strategies, using a defined stock-selection process, which it licenses to an unaffiliated third party that utilizes those strategies for the purpose of creating unit investment trusts. Horizon is paid a licensing fee for those services based on the assets invested in the unit investment trusts. The license fee is billed quarterly in arrears.

Horizon also provides investment advisory services to an unaffiliated third party who utilizes those services for the purpose of creating unit investment trusts. Horizon is paid an advisory fee based on the assets deposited into the unit investment trust at the end of its open period.

Horizon developed a methodology for creating equity indices for a sponsor of stock market indices. Horizon receives a portion of the licensing fees paid to the sponsor of the equity indices for the use of the indices in products created by third parties.

## Related Businesses

Horizon Publishing Company, LLC (“HPC”), the successor company to Dow Theory Forecasts, Inc., is also wholly owned by HMS and is in the business of publishing the following newsletters and publications: *Dow Theory Forecasts*, *DRIP Investor*, *Upside*, *The Best Dividend and Income Investments*, and *The Lazy Investor*. These newsletters and publications are of a regular and general circulation and provide security-related investment advice that is of an impersonal nature and that is not tailored to the particular needs of any subscriber. Subscribers to these newsletters also are eligible to access websites that contain additional security analytics and back issues of these publications. Like the newsletter, these websites do not provide personalized investment advice. Horizon pays for a subscription to a newsletter published by HPC for certain existing or prospective clients.

Horizon has entered into several agreements with HPC whereby HPC provides to Horizon a variety of services and products, including access to lists of subscribers to the newsletters published by HPC, the use of the Quadrix® stock-rating system (“Quadrix”), and the use of HPC personnel.

## Assets Under Management

As of December 31, 2023, Horizon actively managed \$258.2 million of clients’ assets on a discretionary basis.

### Item 5 - Fees and Compensation

All fees are subject to negotiation.

Unless otherwise described below or negotiated with the client, Horizon charges a customary annual fee for all discretionary clients of 1.25% on the first \$2,000,000 of account valuation, 1.10% on the account valuation between \$2,000,001 and \$4,000,000, 0.95% on the account valuation between \$4,000,001 and \$6,000,000, and 0.80% on assets over \$6,000,000.

For investment sub-advisory clients and unaffiliated wrap programs, Horizon charges an annual fee ranging from 0.30% to 0.65% of the assets in such accounts. Sub-advisory fees are negotiated.

For providing the model portfolios to the program sponsor, Horizon charges an annual licensing fee ranging from 0.15% to 0.50% of assets under management, depending on the model portfolio selected.

Horizon’s fee for providing 401(k)/profit sharing services range from 0.40% to 0.50% of the market value of the aggregate assets of the plan.

Horizon will waive or reduce management fees for Horizon employees and close associates of the firm.

The specific manner in which fees are charged by Horizon is established in a client’s written agreement with Horizon. Horizon’s fees for providing individual investment advisory services generally are based upon the asset value of the portfolio as of the last calendar day of the month immediately preceding each three-month billing period. Fees generally are calculated quarterly in advance and either billed to the client or deducted by the custodian, upon written authorization from the client. Management fees are not prorated for each capital contribution and withdrawal made during the calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. In addition, at its sole discretion, Horizon will temporarily waive or reduce its fees charged to a client depending upon the composition of the client’s account.

Either Horizon or its client generally is able to terminate their advisory agreement on 30 days written notice.

Horizon's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which are incurred by the client. Clients will incur certain charges imposed by custodians, brokers, and other third parties, such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions, although Horizon will generally seek to invest a client in the lowest cost share class of a mutual fund that has multiple classes. Mutual funds and exchange-traded funds (ETF) also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Horizon's fee, and Horizon does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Horizon considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Horizon will provide advice to clients regarding investments in mutual fund and ETF shares. Each mutual fund and ETF pays fees, borne by its shareholders, to the manager of the mutual fund or ETF. Horizon bases its management fee on a percentage of the market value of all assets in the client's account, including the value of mutual fund and ETF shares. As a result, a client whose portfolio is invested in a mutual fund or ETF will bear the client's proportionate share of the mutual fund or ETF's fees and expenses and pay a management fee to Horizon for the same investment. The client could invest in the same mutual fund or ETF without paying a fee to Horizon, but would then not have the benefit of the advice, review, and monitoring Horizon provides. If Horizon ever recommends that a client invest in a mutual fund or ETF that Horizon manages, Horizon will credit the account by the amount of the advisory fee that the Horizon-managed mutual fund or ETF charged the client's account.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Horizon does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Horizon's fees are calculated as described in the Fees and Compensation section (Item 5), and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in client accounts.

#### **Item 7 – Types of Clients**

Horizon generally provides investment advice to individuals, high net worth individuals, corporate pension and 401(k)/profit-sharing plans, trusts, estates, foundations, and corporations or business entities.

Horizon also provides investment advice to organizations that sponsor or license the use of certain portfolios/indices in connection with the creation of unit investment trusts and/or equity-based index products.

The minimum asset size for a direct new account is \$200,000. The minimum asset size for a new account obtained through a third-party financial intermediary is \$100,000. The minimum size of a 401(k)/profit-sharing plan that Horizon will perform services for is \$500,000. Horizon will waive these minimum requirements at its sole discretion.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

Horizon seeks to maximize the total return of clients' portfolios while maintaining a risk profile consistent with their investment objectives by focusing on attractively valued stocks that Horizon believes have the potential to beat Wall Street's expectations. When appropriate, Horizon will also include bonds, bond funds, ETFs, and stock funds in client portfolios.

### **Individual Stock Analysis**

As part of its fundamental research, Horizon relies upon specific sources of information, including general economic and industry data as provided by the U.S. Government, various trade associations and other sources, brokerage research reports, and published corporate financial data such as annual reports, 10Ks, and quarterly statements, as well as earnings calls, financial newspapers and magazines, inspections of corporate activities, prospectuses, filings with the Securities and Exchange Commission (the "SEC"), research materials prepared by others, corporate rating services, company press releases, and Quadrix®. Horizon also reviews traditional financial data such as price-sales and earnings ratios, returns on assets and equity, gross and net margins, inventory turns, book value, and debt-equity ratios. Horizon also relies on analysis of a company's revenue growth potential.

Horizon's stock-selection methodology generally focuses on those stocks that rank well in Quadrix, a proprietary stock-rating system licensed from HPC. Quadrix screens more than 3,500 companies based on seven categories — Momentum, Value, Quality, Financial Strength, Earnings Estimates, Performance, and Reversion. Within each of these seven categories are variables (roughly 90 in all) that help formulate the scoring for that particular category. Once the scores are computed for each of the seven categories, a single composite score, called the Overall score, is computed based on a weighting of the seven areas. Quadrix is designed to provide a quantitative, disciplined, and consistent approach to ranking stocks based on a variety of important criteria.

Once the universe of potential stock investments has been narrowed by Quadrix, Horizon generally looks for companies it believes possess solid fundamentals, and for which future prospects appear not to be fully realized currently by Wall Street. Some catalysts that may positively impact these stocks are expanding profit margins, positive earnings revisions, new products, management changes, and financial restructurings. Horizon does not seek to buy "cheap stocks." It seeks to buy strong companies that rank well in Quadrix at reasonable prices.

Horizon's research process can be summarized in five steps:

- 1) Horizon looks for stocks that score well in Quadrix. We seek stocks with solid scores in Quadrix in terms of Overall score as well as in important subcategory (Value, Performance, etc.) scores.
- 2) Horizon investigates those companies rigorously. Horizon considers whether the Quadrix scores have been distorted by mergers or aggressive accounting, whether earnings and cash flow are telling a similar story, or any red flag that indicates Quadrix is not telling the whole story.
- 3) Horizon examines company and industry prospects, trying to look forward. Like all stock-rating systems, Quadrix tends to be backward-looking. So Horizon wants to have an understanding of the company prospects, which can help put the Quadrix scores in perspective. Companies with the most uncertain outlooks are generally avoided. Horizon is not necessarily looking for the fastest growers or the cheapest stocks. Rather, Horizon is looking for companies in the sweet spot of growth at a good price.
- 4) Horizon reconsiders valuation. Valuations are a big part of Quadrix, but Horizon wants to be doubly sure that the picture painted by Quadrix and other indicators is not already reflected in the stock.
- 5) Horizon looks for a catalyst. What does this stock have that is better than other stocks that also score well in Quadrix? What is it about this company's position that could drive superior returns over the next 12 months (which is generally the time frame Horizon has in mind — 12-month performance — when buying stocks)?



Horizon's buy discipline is driven primarily by the firm's Quadrix and fund-rating systems. Indeed, an important first screen in the investment process requires that investments meet certain threshold scores in Quadrix before they are even considered for client portfolios. Using a powerful quantitative system such as Quadrix in a consistent and disciplined way provides an investment process that is easily and efficiently replicated over time. Also, the consistent use of this five-step investment process lends a discipline to Horizon's buy process.

Not surprisingly, Horizon's sell discipline is also driven by Quadrix. Quadrix is run on a weekly basis. Thus, Horizon gets regular quantitative feedback on its investments. If Horizon sees Quadrix scores deteriorating, this is an important red flag and a reason to investigate further. An investment can be sold if Quadrix scores deteriorate below a certain level. Horizon may also sell if the investment surprises and is contra to its buy thesis. Also, the constant competition for investments to get into the fairly concentrated portfolios (on the stock side, for example, portfolios of 35-55 stocks are typically held) lends a certain discipline on the sell side. If a stock is no longer among the 35-55 best ideas, Horizon typically sells.

### **Mutual Fund and Exchange-Traded Fund (ETF) Analysis**

Horizon applies the same rigorous analysis used in selecting individual stocks in its analysis of mutual funds and exchange-traded funds used in client portfolios and 401k/profit-sharing models. To prepare and continuously update client portfolios and the 401k/profit-sharing models, Horizon utilizes HPC's research and databases. In that regard, Horizon applies the following criteria in selecting individual fund investment options.

- 1) Correlation to style or peer group: The fund should be correlated to the asset class of the investment option. This is one of the most critical parts of the analysis since most of the remaining due diligence involves comparisons of the fund to the appropriate peer group.
- 2) Horizon looks for funds that score well in our proprietary fund-ranking system. Ranks are computed by evaluating total returns over various holding periods. Our rank also incorporates risk-adjusted performance metrics (Alpha and/or Sharpe Ratio) comparing the fund to its peer group's risk-adjusted performance. Importantly, because expense ratios rank among the most effective predictors of future performance, expenses represent a large weighting in our ranking system.
- 3) Horizon considers such factors as sector weightings, investment style, manager tenure if applicable, fund assets, portfolio turnover, and trading liquidity.
- 4) Horizon screens for funds that have reasonable expense ratios relative to category norms, with most well below average.
- 5) Horizon focuses on funds that have returns that typically outstrip peers. The fund's performance should be evaluated against its peer group's returns over various periods.
- 6) Each investment manager of the mutual fund should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment adviser.
- 7) There should be no perceived organizational problems in connection with the investment adviser of the fund.

Note: No formula or other device being offered can, in and of itself, be used to determine which securities to buy or sell. To the extent that a mutual fund has multiple classes of shares, we generally seek the share class that does not have a sales charge or Rule 12b-1 distribution and/or shareholder servicing fees.

### **Investment Strategies**

Horizon's equity strategies have maximum equity exposure greater than 65%. These equity strategies include Balanced, Best Ideas, Best Ideas Conservative, Conservative Equity, Core Opportunities, Core



Opportunities International, Dividend Plus, Enhanced BRI, Enhanced Christian Values, Enhanced Socially Responsible, Enhanced SRI Fossil Fuel Free, Forecasts Total Market, Large Cap, Top 15 Utility, Upside Plus, Value, Aggressive Growth ETF, and Growth ETF.

Horizon's Equity/Income strategies introduce an income component by increasing the exposure to fixed-income instruments utilizing bond mutual funds and ETFs. The Equity/Income strategies have a maximum equity exposure of 65% or less and include Best Ideas Plus Income, Income, Growth and Income ETF, Balanced ETF, and Income ETF strategies.

Horizon's investment advice takes the form of long-term purchases (securities held at least a year), short-term purchases (securities sold within a year), and trading (securities sold within 30 days). Trading is not a typical Horizon strategy, since it involves a higher degree of risk. This strategy will be used, for example, as a result of mergers, acquisitions, or any new information which significantly changes the outlook for a company.

Within a specific investment strategy, many of the same securities may be held by all client accounts, although the quantities held may differ, reflecting Horizon's evaluation of the risk and potential of each holding to the client.

### Equity Strategies

The **Balanced** strategy, with a maximum equity exposure of 70%, consists of Horizon's favorite stocks that Horizon believes offer the best total-return potential over the next 12 months. The equity portion of the portfolio is typically 45% to 60% large-cap stocks and 40% to 55% small and midcap stocks. Initial individual positions are approximately equal-weighted and typically are not allowed to account for more than 6% of an investor's portfolio. Certain sectors are overweighted or underweighted in the portfolio based on opportunities available in individual stocks, although it is unlikely that one sector will account for more than 40% of the total portfolio. The maximum exposure to equities may be reduced based on macro market conditions and the availability of attractive stock opportunities. On the fixed-income side, Horizon focuses on short-term maturity vehicles while building a diversified bond portfolio via low-cost open-end mutual funds and ETFs.

The **Best Ideas** strategy is an all-equity portfolio consisting of Horizon's favorite stocks that Horizon believes offer the best total-return potential over the next 12 months. The portfolio is typically 40% to 65% large-cap stocks and 35% to 60% small and midcap stocks. Initial individual positions are approximately equal-weighted and typically are not allowed to account for more than 6% of an investor's portfolio. Certain sectors are overweighted or underweighted in the portfolio based on opportunities available in individual stocks, although it is unlikely that one sector will account for more than 40% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions and the availability of attractive stock opportunities.

The **Best Ideas Conservative** strategy, with a maximum equity exposure of 80%, consists of Horizon's favorite stocks that Horizon believes offer the best total-return potential over the next 12 months. The equity portion of the portfolio is typically 40% to 65% large-cap stocks and 35% to 60% small and midcap stocks. Initial individual positions are approximately equal-weighted and typically are not allowed to account for more than 6% of an investor's portfolio. Certain sectors are overweighted or underweighted in the portfolio based on opportunities available in individual stocks, although it is unlikely that one sector will account for more than 40% of the total portfolio. The maximum exposure to equities may be reduced based on macro market conditions and the availability of attractive stock opportunities. On the fixed-income side, Horizon focuses on short-term maturity vehicles while building a diversified bond portfolio via low-cost open-end mutual funds and ETFs.

The **Conservative Equity** strategy, with a maximum equity exposure of 80%, consists of Horizon's

favorite stocks that Horizon believes offer the best total-return potential over the next 12 months. The equity portion of the portfolio is typically 50% to 60% large-cap stocks and 40% to 50% small and midcap stocks. Initial individual positions are approximately equal-weighted and typically are not allowed to account for more than 6% of an investor's portfolio. Certain sectors are overweighted or underweighted in the portfolio based on opportunities available in individual stocks, although it is unlikely that one sector will account for more than 40% of the total portfolio. The maximum exposure to equities may be reduced based on macro market conditions and the availability of attractive stock opportunities. On the fixed-income side, Horizon focuses on short-term maturity vehicles while building a diversified bond portfolio via low-cost open-end mutual funds and ETFs.

The **Core Opportunities** strategy is an all-equity portfolio consisting of Horizon's favorite stocks that Horizon believes offer the best total-return potential over the next 12 months. The portfolio is typically 45% to 65% large-cap stocks and 35% to 55% small and midcap stocks. Initial individual positions are approximately equal-weighted and typically are not allowed to account for more than 6% of an investor's portfolio. Certain sectors are overweighted or underweighted in the portfolio based on opportunities available in individual stocks, although it is unlikely that one sector will account for more than 40% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions and the availability of attractive stock opportunities.

The **Core Opportunities International** strategy is an all-equity portfolio consisting of Horizon's favorite stocks that Horizon believes offer the best total-return potential over the next 12 months. The strategy has an international exposure of up to 20% of the portfolio. International exposure is achieved primarily through investment in international mutual funds and exchange-traded funds. The U.S. portion of the portfolio is typically 45% to 65% large-cap stocks and 35% to 55% small and midcap stocks. Initial individual positions are approximately equal-weighted and typically are not allowed to account for more than 6% of an investor's portfolio. Certain sectors are overweighted or underweighted in the portfolio based on opportunities available in individual stocks, although it is unlikely that one sector will account for more than 40% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions and the availability of attractive stock opportunities.

The **Dividend Plus** strategy is an all-equity portfolio that focuses primarily on large-company dividend-paying stocks and utilities that Horizon believes offer the best total-return potential. Horizon's Dividend Plus strategy attempts to find attractive stocks using a process that focuses on dividend-paying stocks that score well in Horizon's Quadrix stock-rating system. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions and the availability of attractive stock opportunities.

The **Enhanced BRI** (Biblically Responsible Investing) strategy is an all-equity strategy. Horizon believes its enhanced BRI strategy can achieve outperformance by applying quantitative overlays to a universe of stocks already screened and vetted for BRI principles. BRI screening is done by ISS Governance (formerly IW Financial), a leader in social and faith-based investment screening. The 30-40 highest-scoring stocks from the screened universe in terms of Quadrix Overall score typically make it into the portfolio. Initial individual positions are approximately equal-weighted and typically held for 12 months, at which time the equity portfolio is rebalanced and reconstituted depending on the results of Horizon's quantitative methodology. Changes to the equities may occur more frequently than annually in the event of takeovers or other corporate actions. For the initial investment selection, no sector typically can account for more than 25% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions.

The **Enhanced Christian Values** strategy is an all-equity enhanced index strategy. Horizon believes

its Enhanced Christian Values strategy can achieve outperformance by applying quantitative overlays to the MSCI USA Catholic Values Index, an index that is selected largely on qualitative characteristics. The 40 highest-scoring stocks in the index in terms of Quadrix Overall score (excluding the bottom 2% of index components based on market cap) typically make it into the portfolio. Initial individual positions are approximately equal-weighted and typically held for 12 months, at which time the equity portfolio is rebalanced and reconstituted depending on the results of Horizon's quantitative methodology. Changes to the equities may occur more frequently than annually in the event of takeovers or other corporate actions. For the initial investment selection, no sector can account for more than 25% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions.

The **Enhanced Socially Responsible** strategy is an all-equity enhanced index strategy. Horizon believes its Enhanced Socially Responsible strategy can achieve outperformance by applying quantitative overlays to the MSCI KLD 400 Social Index, an index that is selected largely on qualitative characteristics. The 40 highest-scoring stocks in the index in terms of Quadrix Overall score (excluding the bottom 2% of index components based on market cap) typically make it into the portfolio. Initial individual positions are approximately equal-weighted and typically held for 12 months, at which time the equity portfolio is rebalanced and reconstituted depending on the results of Horizon's quantitative methodology. Changes to the equities may occur more frequently than annually in the event of takeovers or other corporate actions. For the initial investment selection, no sector can account for more than 25% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions.

The **Enhanced SRI Fossil Fuel Free** strategy is an all-equity enhanced index strategy. Horizon believes its Enhanced SRI Fossil Fuel Free strategy can achieve outperformance by applying quantitative overlays to the MSCI KLD 400 Social Index, an index that is selected largely on qualitative characteristics, with additional screens that are designed to eliminate companies with exposure to fossil fuels. The 40 highest-scoring stocks in the index in terms of Quadrix Overall score (excluding the bottom 2% of index components based on market cap) are subjectively screened removing companies that associate with, contribute to, or consume substantial by-products of the fossil fuel industry such as auto, trucking, airline, and steel industries. Initial individual positions are approximately equal-weighted and typically held for 12 months, at which time the equity portfolio is rebalanced and reconstituted depending on the results of Horizon's quantitative methodology. Changes to the equities may occur more frequently than annually in the event of takeovers or other corporate actions. For the initial investment selection, no sector can account for more than 25% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions.

The **Forecasts Total Market** strategy is a "hybrid" portfolio that combines Horizon's favorite large and midcap stocks with Horizon's favorite exchange-traded funds (ETFs) across a variety of sizes and style categories. While the portfolio is allocated primarily to equities, there is modest exposure to the fixed-income market via Horizon's favorite short-term bond ETFs. The strategy is tilted heavily toward U.S. equities but does provide exposure to international stocks via ETFs. The strategy's aim is to provide broad market exposure (U.S. and international, large, midcap, and small), limit tracking risk to relevant benchmarks, yet still provide a way to generate benchmark-beating returns via individual stock selection. Exchange-traded funds (ETFs) in the Forecasts Total Market strategy are selected based partly on Horizon's proprietary ETF scoring system, which considers such factors as past performance, performance versus peer groups, longevity of track record, style and size exposure, and expenses. The individual stocks in the strategy are selected using Horizon's Quadrix® stock-rating system. The number of individual stocks in the strategy typically will be limited to a maximum 25. The portfolio will consist primarily of Horizon's favorite large-cap stocks, though select midcap

stocks may be represented among the individual stocks.

The **Large Cap** strategy is an all-equity portfolio consisting primarily of Horizon's favorite large-cap stocks that Horizon believes offer the best total-return potential over the next 12 months. Initial individual positions are approximately equal-weighted and typically are not allowed to account for more than 6% of an investor's portfolio. Certain sectors are overweighted or underweighted in the portfolio based on opportunities available in individual stocks, although it is unlikely that one sector will account for more than 40% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions and the availability of attractive stock opportunities.

The **Top 15 Utility** strategy is an all-equity portfolio consisting of Horizon's favorite 15 utility stocks, as well as Master Limited Partnerships (MLPs) when appropriate, that Horizon believes have the best mix of valuation and growth potential. For the initial investment selection, Horizon selects an equal-weighted basket of up to 15 utility stocks designed to produce yield in line with the S&P 1500 Utility Sector Index. Given that the portfolio consists of no more than 15 stocks, mostly from the same sector and typically will be fully invested at all times, investors could see above-average volatility with this portfolio. Because the portfolio focuses exclusively on limited sectors of the market, investors should view the portfolio strategy as a supplement to a well-diversified portfolio of investments.

The **Upside Plus** strategy is an all-equity portfolio consisting of Horizon's favorite small and midcap stocks that Horizon believes offer the best total-return potential over the next 12 months. Initial individual positions are approximately equal-weighted and typically are not allowed to account for more than 6% of an investor's portfolio. Certain sectors are overweighted or underweighted in the portfolio based on opportunities available in individual stocks, although it is unlikely that one sector will account for more than 40% of the total portfolio. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions and the availability of attractive stock opportunities.

The **Value** strategy is an all-equity portfolio consisting of Horizon's favorite stocks that Horizon believes are unusually cheap versus their own history and have a history of performing well when trading at low valuations and that Horizon believes offer the best total-return potential over the next 12 months. We use a rules-based approach to create an equal-weighted portfolio of 25 stocks from the S&P 1500 Index, representing a mixture of large-cap, mid-cap, and small-cap stocks. Stocks must have above-average Quadrix Overall scores. The portfolio has a 12-month holding period and is reconstituted/rebalanced after the 12-month holding period. Certain sectors are overweighted or underweighted in the portfolio based on opportunities available in individual stocks, although it is unlikely that one sector will account for more than 40% of the total portfolio. Initial individual positions are approximately equal-weighted. While the portfolio may be 100% invested in stocks, cash and fixed-income investments may be held depending on macro market conditions and the availability of attractive stock opportunities.

The **Aggressive Growth ETF** strategy consists primarily of equity exchange-traded funds. The strategy is typically near fully invested in equity ETFs covering a number of equity size and style categories. The portfolio may hold less exposure to certain size and style categories, or equities overall, depending on macro market conditions.

The **Growth ETF** strategy consists primarily of equity exchange-traded funds. Equity exposure typically will be approximately 80% covering a number of equity size and style categories. The portfolio may hold less than 80% in equities depending on macro market conditions. The portfolio may also hold fixed-income exchange-traded funds covering a variety of fixed-income style categories.



## Equity/Income Strategies

The **Best Ideas Plus Income** strategy blends two philosophies — owning what Horizon believes are its best stock ideas while still generating income in the portfolio from a fixed-income component. The Best Ideas Plus Income strategy, with a maximum equity exposure of 65%, consists of Horizon's favorite stocks that Horizon believes offer the best total-return potential over the next 12 months. The equity portion of the portfolio is typically 40% to 65% large-cap stocks and 35% to 60% small and midcap stocks. Initial individual positions are approximately equal-weighted and typically are not allowed to account for more than 6% of an investor's portfolio. Certain sectors are overweighted or underweighted in the portfolio based on opportunities available in individual stocks, although it is unlikely that one sector will account for more than 40% of the total portfolio. The maximum exposure to equities may be reduced based on macro market conditions and the availability of attractive stock opportunities. On the fixed-income side, Horizon focuses on short-term maturity vehicles while building a diversified bond portfolio via low-cost open-end mutual funds and ETFs.

The **Income** strategy focuses on fixed-income investments and may include individual bonds, bond mutual funds, bond ETFs, and cash/money markets. The strategy has a maximum equity exposure of 30% and tends to focus more on large-cap stocks, with smaller exposure to small and midcap stocks.

The **Growth and Income ETF** strategy is a balanced approach with an emphasis on growth and consists of both equity and fixed-income exchange-traded funds. Equity exposure typically will be approximately 65% covering a number of equity size and style categories. The portfolio may hold less than 65% in equities depending on macro market conditions. The fixed-income portion of the portfolio consists of ETFs covering a variety of fixed-income style categories.

The **Balanced ETF** strategy seeks to strike a balance between growth and income and consists of both equity and fixed-income exchange-traded funds. Equity exposure typically will be approximately 50% covering a variety of equity size and style categories. The portfolio may hold less than 50% in equities depending on macro market conditions. The fixed-income portion of the portfolio consists of ETFs covering a variety of fixed-income style categories.

The **Income ETF** strategy is a balanced approach, with a focus primarily on income, with growth a secondary consideration. Equity exposure typically will be approximately 45% and will focus primarily on dividend-paying equity exchange-traded funds. The fixed-income portion of the portfolio consists of ETFs covering a variety of fixed-income style categories. The strategy may include exposure to such income-generating investments as Master Limited Partnership (MLP) exchange-traded funds, Real Estate Investment Trust (REIT) exchange-traded funds, Utility exchange-traded funds, and Preferred Stock exchange-traded funds. The portfolio may hold less than 45% in equities depending on macro market conditions.

## Risk of Loss

Although Horizon makes every effort to preserve each client's capital and achieve real growth of wealth, investing in the stock market involves risk of loss that each client should be prepared to bear. Investing in financial markets involves exposure to political, economic, and currency risks, among other risks.

In the equity and equity/income strategies (other than the Top 15 Utility strategy), Horizon generally builds diversified portfolios of individual common stocks and/or exchange-traded funds (ETFs) that tend to have attractive risk characteristics. In addition to large and mid-sized company stocks, many Horizon strategies contain small-sized and foreign stocks, which tend to be more volatile. Equities generally, and small-sized and foreign stocks in particular, have various sources of risk:

- **Equity and Equity-Related Instruments** — Stocks and other equity-related instruments may be subject to various types of risk including: market risk, liquidity risk, legal risk,

and operations risk. Equity securities fluctuate in value and such fluctuations can be pronounced. In general, stock values fluctuate in response to the activities of individual companies and in response to general market and economic conditions. Accordingly, the value of the stocks and other securities and instruments that a client holds may decline over short or extended periods. The stock market tends to be cyclical, with periods when stock prices generally rise and periods when stock prices generally decline.

- **Small-sized Company Risk** — Accounts invested in small-cap stocks are subject to small company risk. Although the small-cap strategies seek to reduce risk by investing in a diversified portfolio, investing in smaller, and often newer, companies involves greater risk than investing in larger, more established companies. Smaller and newer companies often have limited product lines, markets, management personnel, research, and/or financial resources. The securities of small companies, which may be thinly capitalized, may not be as marketable as those of larger companies. Therefore the securities of these smaller, newer companies may be subject to more abrupt or erratic market movements than the securities of larger companies or the market averages in general.
- **Foreign Securities Risk** — Investments in securities, including ADRs, of non-U.S. issuers involve certain additional investment risks different from those of U.S. issuers. These risks include: possibility of political or economic instability within a particular country, possibility of disruption to international trade patterns, possibility of currency risk, possibility of currency exchange controls, imposition of foreign withholding taxes, seizure or nationalization of foreign deposits or assets, and adoption of adverse foreign government trade restrictions. In addition, there is a possibility of expropriation, nationalization, confiscatory taxation, or diplomatic developments that could affect investments within a country. There may be less publicly available information about a non-U.S. company than about a U.S. company. Sometimes non-U.S. companies are subject to different accounting, auditing, and financial reporting standards, practices, and requirements than U.S. companies. There is generally less government regulation of non-U.S. stock exchanges, brokers, and listed companies abroad, which may result in less transparency with respect to a company's operations. The absence of negotiated brokerage in certain countries may result in higher brokerage fees.

Because of the active management of these strategies, the annual turnover typically ranges from 80% to 110%. Though the individual stocks are carefully analyzed and researched, there is always the risk of loss in any particular issue. Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. The value of a stock in which a portfolio invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Horizon utilizes bond mutual funds and ETFs for the fixed-income component of Horizon's equity and equity/income strategies. In bond mutual funds and ETFs, risk of loss of principal is lower compared to equity strategies.

The underlying debt securities held by the bond mutual funds and ETFs have three main sources of risk:

- **Interest rate risk** is the risk that a rise in interest rates will cause the price of a debt security held in the mutual fund or ETF to fall. Securities with longer maturities typically suffer greater declines than those with shorter maturities.
- **Credit risk** is the risk that an issuer of a debt security will default (fail to make scheduled interest or principal payments), potentially reducing income distributions and market values. This risk is increased when a security is downgraded or the perceived

creditworthiness of the issuer deteriorates.

- **Exchange Traded Fund (ETF) Risk** — An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss. Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance.

Cybersecurity threats and events may disrupt our business. With the increased use of technologies such as the internet and the dependence on computer systems to perform necessary business functions, our business may be prone to operational and information security risks resulting from cyberattacks. In general, cyberattacks result from deliberate attacks, but unintentional events may have effects similar to those caused by cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial-of-service attacks on websites, the unauthorized release of confidential information and causing operational disruption. Successful cyberattacks or security breakdowns may adversely impact our business. For instance, cyberattacks may interfere with the processing of transactions, cause the release of customer information or other confidential information, impede operations, cause reputational damage, and subject Horizon to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. Horizon does incur significant costs for cybersecurity risk management in order to prevent cyber incidents. Customers could be negatively impacted as a result of a cyberattack. While Horizon and/or its service providers have established plans and systems designed to prevent such cyberattacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified.

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events relating to their firm or certain management personnel which would be material to clients' evaluation of the firm and its ability to manage the clients' investment portfolios.

Horizon has had no legal or disciplinary events which are required to be disclosed.

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

See Item 4 above and Item 11 below for a discussion of Horizon's affiliation with HPC and Horizon's relationships with certain other unaffiliated third parties in the financial industry.

Certain officers of Horizon serve as officers and/or in editorial roles to newsletters published by HPC and, in that capacity, provides impersonalized investment advice through print or electronic media.

Horizon has entered into several agreements with HPC whereby HPC provides to Horizon a variety of services and products including: access to lists of subscribers to the newsletters published by HPC, the use of Quadrix, and the use of HPC personnel.

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

Horizon has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Horizon must acknowledge the terms of the Code of Ethics annually, or as amended.

Horizon anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Horizon has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which



Horizon, its affiliates and/or its employees, directly or indirectly, have a position of interest. Horizon's employees and persons associated with Horizon can trade for their own accounts in securities which are recommended to and/or purchased for Horizon's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of the employees of Horizon will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Horizon's clients. In addition, the Code of Ethics requires pre-clearance of certain transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics, in some circumstances, would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code of Ethics to reasonably prevent conflicts of interest between Horizon and its clients.

Horizon's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Pamela Santos at (800) 711-7969 or [PSantos@HorizonInvestment.com](mailto:PSantos@HorizonInvestment.com).

Certain officers of Horizon are responsible for managing the investment account of HMS, Horizon's parent, and from time to time, manage the personal assets of an officer or employee of Horizon. However, for the HMS account and personal accounts of Horizon officers and employees under Horizon's management, Horizon will treat those accounts like any other client account. Accordingly, those accounts will not receive any favorable treatment.

HPC, a publisher of financial newsletters and an affiliate of Horizon, from time to time, will make recommendations in its newsletters to buy or sell small-capitalized securities. A small-capitalized security is defined as meeting one of the following criteria: 1) a market capitalization of less than three hundred million dollars or 2) a three-month average daily trading volume of less than 200,000 shares and a market capitalization of less than one billion dollars. HPC's publication of these recommendations of small-capitalized securities can affect their market price after being made available to HPC subscribers. These small-capitalized securities can also be held in Horizon client portfolios. To reduce potential conflicts that may arise as a result of Horizon knowing that HPC's recommendations might affect the market, it is Horizon's policy for client accounts to be traded no earlier than the beginning of the second full day after HPC's recommendations of small-capitalized securities are made available to HPC subscribers. There is no delay in trading small-capitalized securities in client accounts if HPC's change in recommendation is based on widely available public information such as earnings reports, earnings warnings, takeover announcements or other similar news. While this might cause a short-term disadvantage to those Horizon clients that hold those small-cap stocks, Horizon believes that those clients will be advantaged over the long term because of Horizon's affiliation with HPC and its ability to use Quadrix.

Horizon provides portfolio consultation services to organizations that sponsor or license the use of certain portfolios/indices in connection with the creation of unit investment trusts and/or equity-based index products. For providing these consultation services, Horizon receives a fee directly from these organizations based on the amount of assets invested in the underlying product by the public. In providing investment advisory services to its clients, Horizon can invest certain clients in these products. As a result, a client whose account is invested in one of these products will bear the client's proportionate share of the fees and expenses associated with that product and pay a management fee to Horizon for the same investment. Horizon has an incentive to invest a client in one of these products because it is paid indirectly as a result of the client's investment; however, Horizon will not

invest a client in such a product unless the product is appropriate for that client. In many cases, the client could invest in the product without paying a management fee directly to Horizon, but would then not have the benefit of the advice, review and monitoring Horizon provides.

Horizon has contracted to provide model portfolios of its investment strategies to various third-parties for use on their managed account platforms. For the investment strategies available as an investment choice on those platforms, Horizon provides model portfolios and is required to provide the sponsor information regarding any changes to those model portfolios when they occur. An appearance of a conflict could exist between providing model changes to platforms and Horizon trading for other client accounts in the same strategy. As a result, Horizon attempts to coordinate the timing of when model portfolio changes are provided to the sponsor and when Horizon trades those other client accounts.

## **Item 12 – Brokerage Practices**

Subject only to any client direction to utilize a particular broker or dealer for execution of transactions in that client's account, Horizon's overriding objective in effecting portfolio transactions is to seek to obtain the best combination of net price and execution under the circumstances. Horizon seeks to achieve this goal by recommending that individual clients open a brokerage account with Charles Schwab & Co. ("Charles Schwab"), an SEC-registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA")/Securities Investor Protection Corporation ("SIPC") and National Futures Association ("NFA"). Although Horizon believes that Charles Schwab is generally capable of offering the best combination of custodial service and ability to obtain a combination of best net prices and execution services in effecting portfolio transactions, it is possible that the exclusive use of a single broker may cause a client's account not to achieve best execution, may cause higher costs, or may preclude a client from participating in block or other trades.

Horizon participates in Charles Schwab institutional programs. Charles Schwab offers services to independent investment advisers that such advisers can offer to their clients including: custody of securities, trade execution, and clearance and settlement of transactions. Horizon currently does not receive any direct or indirect compensation from Charles Schwab for Horizon's participation in its programs, except for application software that facilitate trade execution and client account services. These benefits provide certain administrative support in connection with its advisory activities (discussed below under "Application Software and Support provided by Financial Institutions").

Charles Schwab provides commission-free equity and ETF trades.

### **Wrap Fee Arrangements**

In some instances, Horizon is retained under a so-called "wrap fee" arrangement. Under this arrangement, the broker-dealer pays Horizon's management fees at the direction of the client, executes the client's portfolio transactions without specific commission charges, monitors Horizon's performance, and act as custodian or provide some combination of these or other services, all for a single fee. In evaluating such a program, a client should understand the transactions are effected "net" and a portion of the wrap fee is generally considered as in lieu of commissions. Trades generally will be executed only with the referring broker, so as to avoid incurring the incremental brokerage costs that would be incurred by the use of other brokers.

### **Directed Brokerage**

As indicated above, individual clients may direct Horizon (subject to certain conditions which may from time to time be imposed by Horizon), or Horizon may be required pursuant to an investment advisory or sub-advisory agreement, to effect portfolio transactions through particular brokers or

dealers. The custody of client assets by a broker-dealer generally will be treated by Horizon as a direction by the client to execute all transactions (i.e., an instruction to utilize the broker or dealer for all transactions), but may leave Horizon with discretion to execute a transaction through another broker if the directed broker cannot execute it.

A client who chooses to direct the use of a particular broker or dealer, including a client who chooses to use a specific broker or dealer as custodian of the client's assets, should consider whether such a direction may result in certain costs or disadvantages to the client, either because the client may pay higher commissions on some transactions than might otherwise be attainable by such broker, or may receive less favorable execution of some transactions, or both. A client who directs brokerage may also be subject to disadvantages regarding allocation of new issues by a broker to Horizon and aggregation of orders by Horizon (discussed below). It is Horizon's policy that directed brokerage accounts not participate in the allocations of new issues. In determining whether to instruct Horizon to utilize a particular broker or dealer in recognition of such services, the client may wish to compare the possible costs or disadvantages of such an arrangement with the value of the custodial or other services provided.

### **Principal and Cross Trades**

It is Horizon's policy that the firm will not effect any principal or agency cross securities transactions for client accounts. Horizon also will not cross trades between client accounts.

### **Aggregation of Orders and Trade Allocation**

It is Horizon's practice, when feasible, to aggregate for execution, as a single transaction, orders for the purchase or sale of a particular security for the accounts of several clients (including an account of an officer or director of Horizon or a client in which a director, officer, or employee of Horizon may have an interest, which could include a majority or greater interest) to seek a more advantageous net price. Shares purchased and sold in aggregated orders are allocated on a random basis among the accounts that participated in the aggregated transaction. In such circumstances, the affiliated and client accounts will share commission costs equally, if applicable, and receive securities at a total average price. Horizon will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the consummation of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a random basis. Any exceptions will be explained on the order.

From time to time, Horizon can be presented with the opportunity to participate in underwritten offerings or new issues of securities on behalf of its clients. Horizon invests in those securities only if they are believed to be appropriate long-term investments for particular client accounts. Horizon identifies client accounts for which an underwritten security or new issue would be an appropriate long-term investment in the same way that all investment decisions are made for client accounts. Horizon does not attempt to take advantage of any short-term trading opportunities that may be available in connection with securities.

Horizon may be unable to purchase for client accounts enough shares of a security in an underwritten offering or new issue to fill the needs of all client accounts for whom the security would be an appropriate investment. When that happens, Horizon randomly allocates the available securities among eligible accounts. However, cash balances, account liquidations, minimum position size, small lot orders, and the need to raise cash for a particular account may result in exceptions to the normal allocation procedures. Further, those clients who have directed Horizon to execute and settle their trades through a particular broker generally will not be able to share in an allocation received by Horizon from a broker other than the specific directed broker selected by the client.

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

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

There is no direct link between Horizon's participation in the program and the investment advice it gives to its clients, although Horizon receives economic benefits through its participation in the program that typically are not available to Charles Schwab retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Horizon clients; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors.

## **Held Away Assets**

Horizon uses a third-party platform to facilitate management of held away assets, such as defined contribution plan participant accounts, with discretion. Horizon does not have custody of these client funds since Horizon does not have direct access to client log-in credentials to effect trades for these accounts. Horizon is not affiliated with the platform and receives no compensation for using the platform. Client provides Horizon with discretionary authority to manage the account through the platform based on the client's investment objective, risk tolerance, and current economic and market trends.

## **Item 13 – Review of Accounts**

Individual client accounts are monitored on an ongoing basis for performance, outlook, and suitability in light of each account's investment objective. Reviews may be conducted more frequently if there is a change in the account's investment objective or if there is a change in the assets under management in the account. The reviews of accounts are performed among the five members of the firm's research department. The number of accounts per reviewer varies based upon the complexity of each account under management, as well as the other responsibilities of each member. The members of the research department will make specific buy and sell recommendations, but the final discretionary investment decisions (e.g., asset allocation and security decisions) are made primarily by Richard Moroney, Horizon's Chief Investment Officer. Horizon reviews its asset allocation recommendations, including the mutual funds that comprise those recommendations, for 401(k)/profit-sharing plan clients on an ongoing basis.

Horizon provides clients with quarterly and annual written reports that display, among other things, specific account performance and market value for each portfolio holding. Horizon meets periodically with 401(k)/profit-sharing clients to discuss plan funds, performance, and asset allocation models.

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

Horizon may enter into testimonial or endorsement arrangements with individuals or companies (solicitors), in accordance with the requirements of Rule 206(4)-1 under the Advisers Act (the “Marketing Rule”), including to pay cash referral fees to solicitors who refer prospective clients to Horizon. In these cases, there will be a written agreement between Horizon and the solicitor(s), which will describe the scope of the agreed-upon activities and the terms of compensation for those activities. In addition, each prospective client will receive written disclosure that meets the requirements of the Marketing Rule. Among other required disclosures, this written disclosure will clearly and prominently explain to the prospective client the terms under which the solicitor is working with Horizon, including whether the solicitor is a current client or investor of Horizon, and the fact that the solicitor is being compensated for the referral activities, including the type of compensation received by the solicitor and a brief statement of material conflicts of interest as a result of the relationship with Horizon.

As part of providing services to the sponsor/purveyor of a specific index, Horizon has entered into a revenue-sharing arrangement with an entity that assisted in the creation of the index.

Horizon works with representatives of unaffiliated financial intermediaries to provide investment management services to their clients. From time to time, Horizon will provide or sponsor investment-related seminars or conferences for the representatives of such intermediaries with the primary purpose to introduce Horizon’s investment philosophy, strategies, and process. As an incentive for those representatives, Horizon pays for giveaways to attract representatives to participate in Horizon’s seminars or visit Horizon’s conference booth and to collect data for future marketing purposes.

## **Item 15 – Custody**

Clients receive monthly statements from Charles Schwab or other qualified custodians that hold and maintain clients’ assets. Horizon urges clients to carefully review such statements and compare such official custodial records to the account statements that Horizon provides to clients. Horizon’s statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. With respect to the third-party platform used to facilitate management of held away assets, as described in Item 12, Horizon does not have custody of client funds since Horizon does not have direct access to client log-in credentials to effect trades.

As a matter of policy and practice, Horizon does not permit employees or the firm to accept or maintain custody of client assets. It is Horizon’s policy that it will not accept, hold, directly or indirectly, client funds or securities, or have any authority to obtain possession of them, except that Horizon will direct debit advisory fees from client custodial accounts or enter into standing letters of authorization with certain clients. Horizon will not intentionally take custody of client cash or securities.

## **Item 16 – Investment Discretion**

Horizon usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and restrictions for the particular client account. When selecting securities and determining amounts, Horizon observes the investment policies, limitations, and restrictions of the client for which it advises, which are typically set forth in the investment advisory agreement.

Investment guidelines and restrictions must be provided to Horizon in writing.

## **Item 17 – Voting Client Securities**

Horizon exercises voting authority for certain clients’ securities, typically pursuant to an investment advisory agreement. When voting proxies, Horizon will make voting decisions in the best interest of clients. Horizon has adopted proxy voting policies and procedures, which are available to clients at any



time upon request.

Horizon generally votes in accordance with proxy voting guidelines that it has established. For a matter where the application of the guidelines is unclear, is not covered by the guidelines, or where the guidelines call for case-by-case review, the Chief Executive Officer will review the matter. The Chief Executive Officer is also responsible for identifying possible conflicts between a client's interests and Horizon's interests with respect to a proxy vote, in order to ensure that Horizon votes solely in the best interest of clients.

Clients may request information from Horizon about how Horizon voted any proxies on behalf of their account(s).

Clients retain the right to direct vote on any security or issue concerning that security. If the client wishes to exercise that right on any security, they must contact Horizon in writing.

If voting authority is not granted to Horizon, the client is responsible for voting proxies. These clients will receive their proxies or other solicitations directly from their custodians. Clients may contact Horizon with questions about a particular solicitation.

### **Item 18 – Financial Information**

Horizon does not have any financial condition or impairment that would prevent it from meeting its contractual commitments to clients. Horizon did not receive any funds through the Paycheck Protection Program. Horizon does not take physical custody of client funds or securities, or serve as a trustee or signatory for client accounts, and, Horizon does not require the prepayment of more than \$1,200 in fees six or more months in advance nor has Horizon filed a bankruptcy petition at any time in the past ten years. Therefore, Horizon is not required to include a financial statement with this brochure.

### **Item 19 – Requirements For State Registered Advisers**

Horizon is a federally registered investment adviser; therefore, Horizon is not required to respond to this item.

### **Item 20 – Additional Information**

#### **Privacy**

Horizon views protecting clients' private information as a top priority. Pursuant to applicable privacy requirements, Horizon has instituted policies and procedures to ensure that personal information is kept confidential and secure. Horizon does not disclose any nonpublic personal information about its clients to any non-affiliated third parties, except as permitted by law. In the course of servicing client accounts, Horizon will share some information with service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys. Horizon restricts internal access to clients' nonpublic personal information to employees who need that information in order to provide products and services to clients. Horizon maintains physical and procedural safeguards that comply with regulatory standards to guard clients' nonpublic personal information and to ensure Horizon's integrity and confidentiality. Horizon will not sell information about clients or their accounts to anyone. Horizon does not share clients' information unless it is required to process a transaction, at a client's request, or as required by law. Clients receive a copy of Horizon's privacy policy prior to or at the time an advisory agreement is signed. Thereafter, Horizon delivers a copy of the current privacy policy to clients on an annual basis.

#### **Trade Errors**

In the event a trading error occurs in a client's account, Horizon's policy is to restore the account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

Horizon Investment Services, LLC  
Form ADV, Part 2B — Brochure Supplement  
Dated March 13, 2024

Cover Page

For

Charles Carlson, Richard Moroney,  
David Wright, David Walle, and Robert Sweet

Horizon Investment Services, LLC  
7412 Calumet Avenue  
Hammond, IN 46324  
(800) 711-7969

**This Brochure Supplement provides information about Charles Carlson, Richard Moroney, David Wright, David Walle, and Robert Sweet, that supplements the Horizon Investment Services, LLC Brochure. You should have received a copy of that Brochure. If you did not receive the Horizon Investment Services, LLC Brochure or if you have any questions about the contents of this Brochure Supplement, please contact us at (800) 711-7969. 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 Charles Carlson, Richard Moroney, David Wright, David Walle, and Robert Sweet is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Information for Chuck Carlson is on Page 1 of this Supplement

Information for Richard Moroney is on Page 2 of this Supplement

Information for David Wright is on Page 3 of this Supplement

Information for David Walle is on Page 4 of this Supplement

Information for Robert Sweet is on Page 5 of this Supplement



## **Charles Carlson, CFA**

### **Educational Background and Business Experience**

Born 1960

B.S., Northwestern University; MBA, University of Chicago

Awarded Chartered Financial Analyst® designation, 1986.<sup>1</sup>

Mr. Carlson has served as Chief Executive Officer and Portfolio Manager of Horizon Investment Services, LLC (“Horizon”) since its inception in 1997. Mr. Carlson has overall responsibility for the oversight of advisory and investment management services at Horizon.

### **Disciplinary Information**

There is no disciplinary information to report for Mr. Carlson.

### **Other Business Activities**

Mr. Carlson serves as an officer and in an editorial role to newsletters published by Horizon Publishing Company, LLC (“HPC”), an affiliate of Horizon. In that capacity, Mr. Carlson provides impersonal investment advice through print or electronic media. HPC publishes newsletters that provide impersonal investment advice that is not tailored to the particular needs of any subscriber. For certain existing or prospective clients, Horizon pays for a subscription to a newsletter that HPC publishes. Horizon also has entered into several agreements with HPC whereby HPC provides to Horizon a variety of services and products including: access to newsletter subscription lists, the use of the Quadrix stock-rating system, and the use of HPC personnel.

HPC makes recommendations in its newsletters to buy or sell small-company securities, and these recommendations can affect the securities’ market prices after being made available to HPC subscribers. Horizon also holds these securities in its client portfolios. To reduce potential conflicts that may arise as a result of Horizon knowing that HPC’s small-company recommendations might affect the market, Horizon’s policy is to trade client accounts no earlier than the beginning of the second full day after HPC makes its recommendations available to subscribers. There is no delay in trading small-capitalized securities in client accounts if HPC’s change in recommendation is based on widely available public information such as earnings reports, earnings warnings, takeover announcements or other similar news.

### **Additional Compensation**

There is no additional compensation to report for Mr. Carlson.

### **Supervision**

Mr. Carlson has overall responsibility for the oversight of Horizon’s advisory and investment management services and has no direct supervisor. Mr. Carlson regularly reviews portfolio reports and meets with portfolio managers and analysts. He may be reached at (800) 711-7969.

<sup>1</sup> CFA®: Chartered Financial Analyst®. The Chartered Financial Analyst designation is a professional designation awarded by CFA Institute. A CFA Program candidate must pass three exams in the following areas: portfolio management, accounting, ethics, money management, and security analysis. CFA charterholders are subject to rigorous ethics rules. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

## **Richard Moroney, CFA**

### **Educational Background and Business Experience**

Born 1966

B.S., Northwestern University; MBA, University of Chicago

Awarded Chartered Financial Analyst® designation, 1992.<sup>1</sup>

Mr. Moroney has been the Chief Investment Officer and Portfolio Manager of Horizon Investment Services, LLC (“Horizon”) since its inception in 1997. Mr. Moroney is responsible for Horizon’s investment methodology that generates its stock recommendations and portfolio management. Mr. Moroney is the developer of Quadrix, Horizon’s proprietary stock-rating system. Quadrix is an integral part of Horizon’s investment methodology and portfolio management. Mr. Moroney manages a team of analysts who, through research projects, provide stock recommendations for inclusion in client portfolios. While the team will make specific buy and sell recommendations, Mr. Moroney has the final say on all investment decisions.

### **Disciplinary Information**

There is no disciplinary information to report for Mr. Moroney.

### **Other Business Activities**

Mr. Moroney serves as an officer and in an editorial role to newsletters published by Horizon Publishing Company, LLC (“HPC”), an affiliate of Horizon. In that capacity, Mr. Moroney provides impersonal investment advice through print or electronic media. HPC publishes newsletters that provide impersonal investment advice that is not tailored to the particular needs of any subscriber. For certain existing or prospective clients, Horizon pays for a subscription to a newsletter that HPC publishes. Horizon also has entered into several agreements with HPC whereby HPC provides to Horizon a variety of services and products including: access to newsletter subscription lists, the use of the Quadrix stock-rating system, and the use of HPC personnel.

HPC makes recommendations in its newsletters to buy or sell small-company securities, and these recommendations can affect the securities’ market prices after being made available to HPC subscribers. Horizon also holds these securities in its client portfolios. To reduce potential conflicts that may arise as a result of Horizon knowing that HPC’s small-company recommendations might affect the market, Horizon’s policy is to trade client accounts no earlier than the beginning of the second full day after HPC makes its recommendations available to subscribers. There is no delay in trading small-capitalized securities in client accounts if HPC’s change in recommendation is based on widely available public information such as earnings reports, earnings warnings, takeover announcements or other similar news.

### **Additional Compensation**

There is no additional compensation to report for Mr. Moroney.

### **Supervision**

Mr. Moroney manages a team of research analysts who, through research projects, provide stock buy and sell recommendations for client portfolios. Mr. Moroney reviews the team’s recommendations on an ongoing basis and has the final decision on which securities will be bought for and sold from client portfolios. Charles Carlson, Horizon’s Chief Executive Officer, has overall responsibility for overseeing Horizon’s advisory and investment management services. Mr. Moroney may be reached at (800) 711-7969.

<sup>1</sup> CFA®: Chartered Financial Analyst®. The Chartered Financial Analyst designation is a professional designation awarded by CFA Institute. A CFA Program candidate must pass three exams in the following areas: portfolio management, accounting, ethics, money management, and security analysis. CFA charterholders are subject to rigorous ethics rules. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

## **David Wright, CFA**

### **Educational Background and Business Experience**

Born 1968

B.A., Indiana University; MBA, DePaul University

Awarded Chartered Financial Analyst® designation, 2001.<sup>1</sup>

Mr. Wright has been a research analyst and a client account manager of Horizon Investment Services, LLC (“Horizon”) since its inception in 1997. Mr. Wright performs stock research projects as part of Horizon’s investment team. Mr. Wright’s stock buy recommendations are reviewed by Horizon’s Chief Investment Officer for inclusion in client accounts. Mr. Wright also reviews certain client accounts to assure their compliance with Horizon’s investment strategy.

### **Disciplinary Information**

There is no disciplinary information to report for Mr. Wright.

### **Other Business Activities**

Mr. Wright serves in an editorial role to newsletters published by Horizon Publishing Company, LLC (“HPC”), an affiliate of Horizon. In that capacity, Mr. Wright provides impersonal investment advice through print or electronic media. HPC publishes newsletters that provide impersonal investment advice that is not tailored to the particular needs of any subscriber. For certain existing or prospective clients, Horizon pays for a subscription to a newsletter that HPC publishes. Horizon also has entered into several agreements with HPC whereby HPC provides to Horizon a variety of services and products including: access to newsletter subscription lists, the use of the Quadrix stock-rating system, and the use of HPC personnel.

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### **Additional Compensation**

There is no additional compensation to report for Mr. Wright.

### **Supervision**

Mr. Wright is managed by Richard Moroney, Horizon’s Chief Investment Officer. Mr. Moroney reviews all stock recommendations made by Mr. Wright. Charles Carlson, Horizon’s Chief Executive Officer, has overall responsibility for overseeing Horizon’s advisory and investment management services including reviewing all client accounts for compliance with its stated investment objective. Mr. Wright may be reached at (800) 711-7969.

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## David Walle, CFA

### **Educational Background and Business Experience**

Born 1978

B.A., Vanderbilt University; MA, University of Missouri-Columbia

Awarded Chartered Financial Analyst® designation, 2014.<sup>1</sup>

Mr. Walle has been a research analyst since 2008 and a client account manager of Horizon Investment Services, LLC (“Horizon”) since 2017. Mr. Walle performs stock research projects as part of Horizon’s investment team. Mr. Walle’s stock buy recommendations are reviewed by Horizon’s Chief Investment Officer for inclusion in client accounts. Mr. Walle also reviews certain client accounts to assure their compliance with Horizon’s investment strategy.

### **Disciplinary Information**

There is no disciplinary information to report for Mr. Walle.

### **Other Business Activities**

Mr. Walle serves in an editorial role to newsletters published by Horizon Publishing Company, LLC (“HPC”), an affiliate of Horizon. In that capacity, Mr. Walle provides impersonal investment advice through print or electronic media. HPC publishes newsletters that provide impersonal investment advice that is not tailored to the particular needs of any subscriber. For certain existing or prospective clients, Horizon pays for a subscription to a newsletter that HPC publishes. Horizon also has entered into several agreements with HPC whereby HPC provides to Horizon a variety of services and products including: access to newsletter subscription lists, the use of the Quadrix stock-rating system, and the use of HPC personnel.

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### **Additional Compensation**

There is no additional compensation to report for Mr. Walle.

### **Supervision**

Mr. Walle is managed by Richard Moroney, Horizon’s Chief Investment Officer. Mr. Moroney reviews all stock recommendations made by Mr. Walle. Charles Carlson, Horizon’s Chief Executive Officer, has overall responsibility for overseeing Horizon’s advisory and investment management services including reviewing all client accounts for compliance with its stated investment objective. Mr. Walle may be reached at (800) 711-7969.

<sup>1</sup> CFA®: Chartered Financial Analyst®. The Chartered Financial Analyst designation is a professional designation awarded by CFA Institute. A CFA Program candidate must pass three exams in the following areas: portfolio management, accounting, ethics, money management, and security analysis. CFA charterholders are subject to rigorous ethics rules. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.

## **Robert Sweet, CFA**

### **Educational Background and Business Experience**

Born 1969

B.S., Northwestern University

Awarded Chartered Financial Analyst® designation, 2003.<sup>1</sup>

Mr. Sweet has been a research analyst for Horizon Investment Services, LLC (“Horizon”) since 1999 and a client account manager of Horizon Investment Services, LLC (“Horizon”) since 2019. Mr. Sweet performs stock research projects as part of Horizon’s investment team. Mr. Sweet’s stock buy recommendations are reviewed by Horizon’s Chief Investment Officer for inclusion in client accounts. Mr. Sweet also reviews certain client accounts to assure their compliance with Horizon’s investment strategy.

### **Disciplinary Information**

There is no disciplinary information to report for Mr. Sweet.

### **Other Business Activities**

Mr. Sweet serves in an editorial role to newsletters published by Horizon Publishing Company, LLC (“HPC”), an affiliate of Horizon. In that capacity, Mr. Sweet provides impersonal investment advice through print or electronic media. HPC publishes newsletters that provide impersonal investment advice that is not tailored to the particular needs of any subscriber. For certain existing or prospective clients, Horizon pays for a subscription to a newsletter that HPC publishes. Horizon also has entered into several agreements with HPC whereby HPC provides to Horizon a variety of services and products including: access to newsletter subscription lists, the use of the Quadrix stock-rating system, and the use of HPC personnel.

HPC makes recommendations in its newsletters to buy or sell small-company securities, and these recommendations can affect the securities’ market prices after being made available to HPC subscribers. Horizon also holds these securities in its client portfolios. To reduce potential conflicts that may arise as a result of Horizon knowing that HPC’s small-company recommendations might affect the market, Horizon’s policy is to trade client accounts no earlier than the beginning of the second full day after HPC makes its recommendations available to subscribers. There is no delay in trading small-capitalized securities in client accounts if HPC’s change in recommendation is based on widely available public information such as earnings reports, earnings warnings, takeover announcements or other similar news.

### **Additional Compensation**

There is no additional compensation to report for Mr. Sweet.

### **Supervision**

Mr. Sweet is managed by Richard Moroney, Horizon’s Chief Investment Officer. Mr. Moroney reviews all stock recommendations made by Mr. Sweet. Charles Carlson, Horizon’s Chief Executive Officer, has overall responsibility for overseeing Horizon’s advisory and investment management services including reviewing all client accounts for compliance with its stated investment objective. Mr. Sweet may be reached at (800) 711-7969.

<sup>1</sup> CFA®: Chartered Financial Analyst®. The Chartered Financial Analyst designation is a professional designation awarded by CFA Institute. A CFA Program candidate must pass three exams in the following areas: portfolio management, accounting, ethics, money management, and security analysis. CFA charterholders are subject to rigorous ethics rules. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.



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