



1861 International Drive, Suite 501  
McLean, VA 22102  
571-382-0020  
[www.Andersen.com](http://www.Andersen.com)

## **Investment Consulting Services Brochure**

Dated: March 29, 2024

### **Item 1 – Cover Page**

This brochure provides information about the qualifications and business practices of Andersen Tax LLC (“Andersen”). If you have any questions about the contents of this brochure, please contact your Andersen investment consultant directly or contact us at 571-382-0020 or [compliance@Andersen.com](mailto:compliance@Andersen.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 Andersen also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

The following material changes have been made to this brochure since the prior annual update dated March 30, 2023:

- Revised Item 5 to clarify some nuances of our billing practices.
- Revised Item 8 to disclose redemption gate and liquidity risk when investing in interval funds.
- Revised Item 12 to describe potential service limitations if a client elects to use a custodian other than those we recommend.

Please note that while the above-mentioned disclosures have been revised in this brochure, there have been no material changes to our investment methods, business practices, or service provided to clients.

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## **Item 4 – Advisory Business**

### **Our Firm**

Andersen (formerly known as WTAS LLC) was formed in 2002 to provide a wide range of tax, valuation, financial advisory and related consulting services to individuals and entities. Andersen Tax Holdings LLC wholly owns Andersen Tax LLC. MD Investment LLC is the principal owner of Andersen Tax Holdings LLC. Our Managing Directors are also the owners of our parent company.

### **Our Investment Consulting Services**

This brochure primarily describes our investment consulting services business. Our investment consultants provide individualized investment advice tailored to the needs of each client. As such, the range of services and advice we provide can vary from client to client. We primarily offer three types of services: Full-service investment consulting, limited professional consulting, and performance measurement and reporting. Each of these is offered as a stand-alone service or can be integrated with our tax consulting and other services as part of a comprehensive wealth management service. The exact services provided are agreed to and detailed in a written engagement letter. As a non-discretionary, non-custodial advisor, we do not directly make investments without clients' prior knowledge and authorization. Clients are free to implement all, some, or none of our investment recommendations.

### **Full-Service Investment Consulting and Comprehensive Wealth Management**

In a typical full-service investment consulting engagement, we first work with a client to develop an overall investment strategy. We initially analyze the client's financial goals, investment objectives, time horizon, income and cash flow requirements, investment risk tolerance and other preferences. For some clients, this includes advice regarding capital sufficiency and cash flow, retirement planning, tax planning, estate planning, education funding, insurance needs, and employer benefit decisions. The result of this overall analysis serves as the foundation for the client's strategic investment plan.

Next, we help design a portfolio consistent with the client's strategic investment plan. We create an asset allocation plan that seeks to provide a target rate of return without exposure to levels of risk in excess of that needed to attain the client's financial goals. We seek to reduce overall risk by diversifying across major asset classes and across investment styles within each asset class.

Our recommendations vary based on each client's financial goals and portfolio size. For example, in a relatively smaller or more conservative portfolio we might recommend specific allocations to cash equivalents, municipal and taxable bonds, and U.S. and non-U.S. equities. For a larger or more aggressive portfolio we might additionally recommend specific allocations to non-U.S. fixed income, Treasury Inflation Protected debt, high yield debt, emerging markets debt and equity, real estate, commodities, and alternative investments. To further diversify a portfolio, we typically recommend allocations to various investment styles or strategies within an asset class. A common example is splitting the large capitalization domestic equity allocation among growth, core, and value investment styles.

After formalizing the client's strategic investment plan and asset allocation plan in a written investment policy statement, we recommend unaffiliated separate account managers, mutual funds, and other registered or unregistered investment vehicles that we believe will perform well in their respective asset class and investment style. (See Item 8 for more on how we select managers and funds.)

Upon recommending separate account managers or funds and obtaining client consent, we arrange for the execution of the approved investment. In some cases, clients need to enter into an agreement directly with the separate account managers we recommend. We assist with setting up these arrangements, as well as other client-approved transactions such as transferring assets between accounts. We also help the client select and coordinate third party custodial and brokerage services and assist in selecting the appropriate account structure for holding investment assets.

Once the investment plan has been implemented, we regularly and continuously monitor the client's portfolio and the separate account managers, mutual funds, and other registered or unregistered investment vehicles that we recommended. We advise the client whenever we no longer recommend a manager, fund, or other investment vehicle and suggest a replacement. We prepare consolidated performance reports that compare the client's portfolio to the strategic investment plan and target allocation. We also compare the selected managers and funds to appropriate market indices and peers within each asset class and investment style. We meet with the client periodically to review the plan and the separate account managers, funds, and other investments in the portfolio. We recommend transactions to rebalance the portfolio back toward its target asset allocation.

As of December 31, 2023, our assets under advisement for this type of service was approximately \$4,963,236,000.

### **Limited Professional Consulting**

For some clients, we perform only certain portions of the full-service investment consulting described above, such as developing an investment policy statement or strategic asset allocation. Other common examples of the types of limited professional consulting we provide include:

- Performing a limited portfolio review or providing a second opinion of an existing portfolio managed by another financial advisor
- Analyzing and conducting due diligence on a separate account manager, fund, or other investment that the client is considering or has invested in
- Providing financial counseling services to key executives of a company, or providing financial planning seminars and other educational services to groups of employees
- Advising in a Co-Advisory arrangement in which we provide ongoing strategic investment planning and overall portfolio monitoring while an unaffiliated third-party advisor has full discretion as to selection of separate account managers, funds, and securities

In these limited engagements, although we are providing investment advice as to matters such as financial planning, asset allocation and performance comparisons, the underlying investments are generally not based on our recommendations. As such, we are not providing regular and continuous oversight or recommendations about the merits of the underlying investments unless specifically agreed to.

### **Performance Measurement and Reporting**

For some clients, we provide only periodic investment reporting. We provide performance reports that consolidate client holdings and accounts held across multiple custodians. The separate account managers or other investments underlying the portfolio are generally not based on our recommendations. Instead, our advice is limited to providing commentary on the client's consolidated asset allocation and comparing managers or mutual funds to appropriate benchmarks and peers. Like the limited professional consulting service described above, we are not providing regular and continuous oversight or recommendations about the merits of the underlying investments unless specifically agreed to.

## Limits on Types of Investments We Recommend

Clients may place reasonable restrictions on investing in certain securities or types of securities. These restrictions, if any, are documented in the investment policy statement.

We generally do not recommend individual stocks or bonds (other than shares of registered or unregistered funds) or specific industry sectors. We focus on recommending separate account managers and registered investment vehicles such as mutual funds and exchange traded funds. These separate account- and fund managers select individual securities within their agreed upon investment mandate. They invest on a discretionary basis and have their own limitations on the types of investments in which they invest. You can review the separate account- and fund managers' limits on the types of investments in which they invest in their disclosure brochures or offering documents.

Although we generally do not recommend individual securities or industry sectors, we are available to assist clients with a broad array of investments, including options, equity and debt securities, and alternative investments. Individual security or sector recommendations are prompted by a client's particular needs, such as planning for income, capital gains, estate and gift taxes, portfolio diversification, or hedging of concentrated positions. For example, we may recommend that a client sell, or donate to charity, a specific security for financial or tax planning reasons. As another example, we may express an opinion on a manager, fund, or other security that a client independently identified or bought. Such investment advice and recommendations are often based primarily on asset allocation or financial and tax planning considerations and do not reflect a view as to the intrinsic merits of the specific security as an investment unless specifically agreed to.

## Item 5 – Fees and Compensation

### Our Fees

Andersen's fees are agreed upon in writing and in advance. Fees are negotiable and can vary based upon factors such as the overall complexity of a client's financial affairs, the types of investments, the number of investing entities, and the extent to which other financial and tax planning services are incorporated.

Our fees for full-service investment consulting are typically based on a percentage of assets under advisement. Our basic asset-based fee schedule is as follows:

ASSETS	ANNUALIZED
First \$10 million	1.00%
Next \$10 million	0.75%
Next \$15 million	0.50%
Next \$15 million	0.35%
Amount over \$50 million	Negotiable

**\*Note:** The fee percentages are applied according to each asset-level increment. For example, an account of \$25 million would pay an annualized fee of 1% on the first \$10 million, plus 0.75% on the next \$10 million, plus 0.50% on the remaining \$5 million, for an annual total of \$200,000.

We calculate asset-based fees due based on the market value of the account(s) at the close of the prior quarter. Market values are provided by the custodian, a fund's administrator, or our performance reporting service provider. In the case of assets that are not priced daily, we will use the most recent prices or valuations provided by the custodian or fund administrator. Market values include accrued interest and dividends and other income. Should we determine to apply our own valuation to an asset when calculating fees, we will inform you of the reason and our valuation method. Related accounts may be aggregated when we calculate asset-based fees in certain circumstances, such as for the members within one household.

In an asset-based fee arrangement, our fees increase as your assets that we advise increase. This poses a conflict of interest because we are incentivized to provide advice or recommendations that maintain or increase the asset base upon which we calculate our fee.

To the extent a client uses a margin investing strategy to leverage his or her portfolio, our asset-based fee calculation will include the additional invested assets. This poses a conflict of interest in that we have a financial incentive to recommend leveraged investing. (This conflict does not arise when a client uses margin loan proceeds for purposes outside of the advised accounts.)

For some clients, we charge fees on an hourly or a fixed fee basis. Hourly charges vary depending upon the nature of the work performed, sophistication of the services provided, and the professional level of the personnel required. Generally, hourly charges range from \$400 to \$1,100 per hour.

Fees are typically applied to all investments for which we provide ongoing financial planning, asset allocation and rebalancing, performance reporting and portfolio monitoring services, irrespective of whether the client selected a particular underlying asset from our list of recommended managers and funds.



When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interests ahead of yours.

We generally bill quarterly in advance in asset-based or fixed fee arrangements. We bill quarterly in arrears in hourly arrangements. Clients can choose to authorize us to automatically deduct fees due from one or more of their securities accounts or pay for fees due upon receipt of an invoice.

Any individually negotiated fee arrangements as described in a client's engagement letter - including fee schedule to be used, assets to be excluded from application of fees, householding of accounts, and treatment of large mid-billing cycle cash flows - will supersede the foregoing fee disclosures. Either party may terminate the investment consulting agreement without penalty upon five business days' written notice. If an agreement is terminated before the end of a billing period, we will promptly refund any prepaid asset-based or fixed fees on a pro-rata basis based upon the number of calendar days remaining in the billing period.

### **Other Fees and Expenses**

In addition to the fees paid to Andersen, clients will incur fees and expenses charged by their selected separate account managers, funds and co-advisers. Clients will incur brokerage and transaction costs and other administrative fees from brokers, managers, or custodians (see Item 12 – Brokerage Practices). These fees and expenses may include investment management fees, fund fees and expenses, custodial and administrative fees, commissions, sales charges, margin interest, Unified Managed Account fees, and management and performance fees. We do not receive any compensation from the sales of securities, and we do not share in any fees charged by a client's selected separate account managers, funds, co-advisers, brokers, or custodians.

For some clients, we will collect from the clients' accounts certain performance reporting fees levied by our performance reporting vendors on behalf of the vendors. We remit all these proceeds to the vendors; we do not share in these fees.

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

An investment adviser charging performance-based fees to some clients but not others faces a variety of conflicts of interest requiring disclosure. We do not charge a performance-based fee (i.e., fees based on a share of capital gains on or capital appreciation of assets) to any client.

## **Item 7 – Types of Clients**

We provide investment consulting services generally to successful individuals and families, and their related trusts, foundations, endowments, charitable organizations, family partnerships, family-owned corporate pension and profit-sharing plans, and other closely held entities. We also advise endowments for not-for-profit organizations.

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

### **Financial Planning Strategy and Risks**

As described in Item 4, we formulate our investment advice based first and foremost on each client's individual circumstances. After considering the client's unique situation, we develop a strategic investment plan and target asset allocation that seeks to achieve the rate of return necessary to achieve the client's financial goals without exposure to unnecessary levels of market risk.

Developing a strategic investment plan requires certain long-term assumptions, such as future income and spending, savings rate, rate of inflation, and taxation policies. Changes in a client's individual situation, or external factors such as inflation and taxation policy, may cause investment results materially different than projected. Clients should understand that there can be no assurance that financial goals or investment objectives will be obtained.

### **Portfolio Strategy and Risks**

When developing a recommended asset allocation, we combine Modern Portfolio Theory with the client's personal investment philosophy to construct a portfolio designed to accomplish the client's financial goals. Portfolios are designed to include asset classes that react differently to the same economic factors such that relative underperformance in some asset classes is offset by relative outperformance in other classes. We use the results from asset allocation

software that analyzes asset class returns, volatility, and correlations to generate a target portfolio expected to have potentially the lowest overall volatility and risk characteristics required to achieve the projected return. The result is a portfolio that is optimized to either enhance the expected return for a given level of risk, or to reduce the risk assumed to achieve a target rate of return.

Portfolio optimization is based on our forward-looking assumptions as to the expected return of various asset classes over the long term, the historical volatility of each asset class, and the degree to which the historical returns of different asset classes correlate with one another. There can be no assurance that these capital market assumptions will hold true in any given performance period or over the long term. Should one or more asset class's historical volatility and correlations fail to persist, or forward-looking expected return not be achieved, actual investment results may be materially different than projected. Expected return is statistical in nature and is not a guarantee of performance.

We define an asset class as the universe of possible investments within a given set of broad characteristics, such as security type, capitalization, geography, etc., that we believe has a distinguishable level of correlation to other asset classes over the long term. Investing in securities involves risk of loss that clients should be prepared to bear, and all asset classes carry market and volatility risks that cause the value of your assets to fluctuate over time. Additionally, each asset class carries unique risks, some of which are briefly noted below:

**Money Markets & Cash Equivalents** – interest rate and reinvestment rate risk; inflation risk; liquidity risk; default risk

**Municipal Fixed Income** – interest rate and reinvestment rate risk; default risk; taxation policy risk; call risk; extension risk; negative convexity risk

**Taxable Fixed Income** – interest rate and reinvestment rate risk; default risk; call risk; extension risk; negative convexity risk

**U.S. Equities** – company risk

**Small Cap Equities** – company risk; liquidity risk

**Non-U.S. Equities** – company risk; country risk; currency rate risk; liquidity risk

**Non-U.S. Fixed Income** – interest rate and reinvestment rate risk; default risk; country risk; currency rate risk; liquidity risk

**Treasury Inflation Protected Debt** – interest rate and reinvestment rate risk; inflation rate risk

**High Yield Debt** – interest rate and reinvestment rate risk; default risk; liquidity risk

**Real Estate** – liquidity risk, company risk

**Commodities** – sector risk; country risk; currency rate risk; weather risk; margin call risk

**Private Equity and Hedge Funds** – liquidity risk, company risk

**Interval Funds** – redemption gate risk, liquidity risk

Using margin accounts in your portfolio – whether for personal cash flow needs, financial planning purposes, options investing, or investment leveraging – entails additional risks such as margin calls, increased volatility, and forced sales. Your custodian will provide a margin risk disclosure if you choose to open a margin account.

## **Manager/Fund Selection Strategy and Risks**

For most asset classes and investment styles in a recommended asset allocation, we provide the names of at least two separate account managers to manage that portion of your portfolio. For some clients, we recommend mutual funds or other registered or unregistered funds in addition to or in lieu of separate account managers.

Our method of analyzing a separate account manager or fund varies to some extent depending on the investment strategy, portfolio mandate, vehicle for investment, and other risk factors. In all cases, we seek to identify managers with a proven record and who we perceive to be capable of continuing to fulfill their investment mandate going forward. Typical areas to which we give strongest consideration include:

- Compelling philosophy and repeatable investment process
- Performance record relative to benchmark and peers
- Reputation and continuity of investment team and management
- Assets under management and capacity for new investors
- Discipline in managing risk
- Transparency and willingness to work with us and you
- Fees and other investment terms
- Protection of your assets and mitigation of conflicts of interest
- The current economic environment

We use outside research consultants to assist us in developing our recommended list and performing initial and ongoing due diligence. We may also review information provided by rating and tracking organizations, business publications

and other sources. Our investment committee evaluates and decides which outside research consultants we use to form our recommended list.

In some cases, a client may engage us to assist with evaluating separate account managers, funds, or investments other than those on our recommended lists. Similarly, a client may carry investment positions acquired separately from or before engaging Andersen, including the underlying investment options in a 401(k) plan or variable annuity. While we may provide advice as to those investments with respect to asset allocation, fund selection, rebalancing, performance, and tax or financial planning, the basis for our evaluation - including the nature of due diligence performed and ongoing monitoring - differs from how we select managers and funds to include in our recommended lists unless specifically agreed to.

The separate account managers and registered or unregistered funds purchase individual securities on clients' behalf, subjecting those assets to market, selection, tracking error, and timing risks. Each manager has methods of analysis, investment strategies and risks of loss that are unique to its portfolio mandate and investment philosophy. Clients should review those characteristics in the managers' or funds' own disclosure brochures or offering documents before implementing our recommendations.

Although we regularly monitor the separate account managers and funds we recommend, there can be no assurance that a separate account manager or fund will provide the investment returns expected for that asset class or investment style. To the extent a separate account manager or a registered or unregistered fund employs a primary strategy involving frequent trading of securities, the increased brokerage and other transaction costs and taxes can affect investment performance.

## **Item 9 – Disciplinary Information**

We are required in this item to disclose any legal or disciplinary events that would be material to your evaluation of our investment consulting services or the integrity of Andersen or its management. We have no information applicable to this item.

## Item 10 – Other Financial Industry Activities and Affiliations

Andersen is independently owned and operated and is unaffiliated with any other financial institution. We are not compensated by the separate account managers, funds, co-advisers or other investments we recommend in return for recommending them.

As a national provider of a wide range of tax, valuation, financial advisory and related consulting services, we occasionally perform tax-related services for financial services companies. On rare occasions these companies, or their affiliates or subsidiaries, own or manage a separate account manager, registered or unregistered fund, or other investment vehicle that we have recommended to our clients. These tax-related engagements are coincidental, and each represents less than 1% of our annual revenue. Our investment committee does not take them into consideration when we render due diligence or approve investments to include on our recommended list. We monitor for potentially conflicting tax engagements and have other mechanisms in place to ensure our recommendations are not predicated on or influenced by receipt of tax engagements. We could in the future seek or obtain tax engagements with other financial service providers or products that we consider or recommend.

Andersen employs David Bollis, Edwin Roberts, JeAnna Parker, and Jason Graham in our Dallas and Houston offices. These employees are also partners of an accounting firm licensed to practice in Texas. Andersen does not control, is not controlled by, and is not under common control with this accounting firm, and we do not anticipate any arrangements that would present a material conflict of interest with our Investment Consulting Services clients.

Andersen employs Matt Juffer and Jeff Bratz in our Des Moines office. These employees are also affiliated with an investment adviser registered in Iowa. Andersen does not control, is not controlled by, and is not under common control with these entities, and we do not anticipate any arrangements that would present a material conflict of interest with our Investment Consulting Services clients.

Andersen is the founding member of Andersen Global, a Swiss verein comprised of legally separate, independent member firms located throughout the world providing services under their own name or the brand “Andersen” or “Andersen Tax & Legal” or “Andersen Legal.” Andersen Global does not provide any services and has no responsibility for any actions of the member firms, and the

member firms have no responsibility for any actions of Andersen Global or any other member firm.

## **Item 11 – Code of Ethics**

Andersen has adopted a Code of Ethics (the “Code”) that requires all employees to uphold the highest ethical standards and fundamental principles set forth in the Code, as well as the underlying policies and practices that are derived from those principles. The Code also has provisions requiring adherence to the law, prohibiting insider trading and misuse of material nonpublic information, and restrictions on outside business activities, acceptance of gifts and other conflicts of interest. The Code requires employees who have knowledge of a violation of the Code to promptly report the matter and provides assurances against retaliation for reporting. We will provide a copy of the Code to clients and prospective clients upon request.

Andersen employees may use the same separate account managers or invest in the same securities, or related securities, that we recommend to clients. To the extent employee purchases or sales are at or about the same time as client transactions or recommendations, an Andersen employee can potentially receive a more favorable transaction price than the client. However, due to the nature of the investment advice we provide, such events are coincidental. We do not believe a material conflict of interest arises, as our recommendation of separate account managers and registered or unregistered funds does not present an opportunity for employees to trade ahead of market-moving client transactions. Nonetheless, our designated access persons must report their personal securities transactions and must get certain transactions pre-approved. We monitor access persons’ personal securities holdings and transactions to ensure clients are not being disadvantaged.

Subject to the restrictions above, our employees and some clients may make investments that are not offered to other clients and may take, hold, or remove positions inconsistent with other client positions. Due to the nature of the investment advice we provide, we do not believe this presents a material conflict of interest.

## Item 12 – Brokerage Practices

### General

Andersen does not have authority to open brokerage accounts on clients' behalf. We can assist clients in opening one or more brokerage accounts directly with their chosen broker/custodian. Clients may authorize their broker/custodian to execute trades at the direction of Andersen. Alternatively, clients may require their written authorization to execute each trade, in which case we will assist in preparing and delivering the client-signed trade orders.

Due to the nature of our investment consulting services, we typically do not select brokers to execute individual securities transactions. Instead, the separate account- or fund managers independently select the brokers they want to execute individual securities transactions. We generally send approved mutual fund transactions and any individual securities transactions we occasionally recommend to the client's chosen broker/custodian to minimize trading costs.

### Recommended Brokers/Custodians

Clients are free to implement our investment advice through a custodian and broker of their choice. However, use of a custodian other than those we recommend will likely limit our ability to assist in effecting or arranging transactions, may affect the availability of funds or managers we recommend, and will not benefit from any pricing terms that we have negotiated with our recommended custodians. If a client requests assistance in selecting custodial and brokerage services, we will provide the names of at least two unaffiliated brokers. We seek to recommend brokers who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other providers and their services. We consider a wide range of factors, including:

- Custody services (generally free of charge)
- Capability to execute, clear, and settle trades
- Competitiveness of the price for services (commission rates, margin rates, interest rates, other fees, etc.) and the willingness to negotiate the prices
- Access to institutional trading desks
- Breadth of available investment products
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Quality of services



- Reputation, financial strength, and financial stability
- Prior service to us and our other clients
- Willingness to work with us and the separate account managers we recommend
- Access to mutual funds, including access to share classes with lower fees than for direct retail purchases, or with lower minimum purchase amounts
- Provision of or connectivity to data for consolidated performance reporting
- Availability of investment research and tools that assist us in making investment decisions and managing our business

### **Broker Compensation**

The broker/custodians we recommend generally do not charge separately for custody services but are compensated by charging commissions or other fees on trades that they execute or that settle into the account, earning interest on uninvested cash or margin loans, and receiving payment for order flow on trades. For some accounts, the client may elect to have the broker/custodian charge an asset-based fee in lieu of commissions. We can advise whether this asset-based pricing is appropriate.

If a client or selected separate account manager selects a different broker-dealer to execute a trade that is settled into the client's custodial account, our recommended brokers charge a flat dollar amount as a "prime broker" or a "trade away" fee. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. In our observation, separate account managers will typically execute the client's trades at the client's chosen broker/custodian to minimize overall trading costs.

### **Benefits Provided by Recommended Brokers**

Andersen does not share in the compensation earned by the brokers we recommend. However, the recommended brokers/custodians have programs in place that provide investment advisers with various support services to help manage or administer clients' accounts or help manage and grow business. These support services generally are available on an unsolicited basis at no charge to us and are not based on us giving particular investment advice, such as recommending particular securities for our clients. Support services we receive include:

- Use of tools that allow us to manage and monitor your accounts online
- Access to research, pricing, and other market data
- Facilitating payment of our fees due from your accounts (if you have given written authorization)
- Assistance with recordkeeping and reporting
- Compliance, legal, and business consulting
- Publications and conferences on practice management
- Educational events and occasional business entertainment

Our participation in these programs benefits our clients by providing access to products and services that are not typically available to retail customers. Examples include access to institutional trading desks, reduced pricing, and access to share classes or investment products which you might not otherwise have access to or at a lower minimum initial investment. Some of the support services assist us in servicing clients' accounts, such as research and reporting. Some of the support services generally only benefit us. These benefits are not contingent upon Andersen committing any specific amount of business to the recommended brokers. The support services may not benefit each client proportionately to the commissions or other fees they have paid. Some support services, such as research, may benefit clients who have selected a different broker/custodian.

Although we do not cause our clients to “pay up” a higher commission to receive any of these support services, we benefit from participating in these programs because we do not have to produce or pay for the support services ourselves. Our employees may benefit by receiving the same pricing and access to investments that we have negotiated for our clients. These benefits to us represent a conflict of interest in that we may have an incentive to recommend a broker-dealer based on our interest in receiving the benefits, rather than on our clients' interest in receiving most favorable execution. However, the support services that generally only benefit us are not a material factor in determining which brokers to recommend. Our primary considerations are the competitive pricing and other factors described above in the *Recommended Brokers/Custodians* section.

### **Directed Brokerage and Trade Aggregation**

We do not require, request, or recommend that clients direct us to execute their transactions through a particular broker-dealer. Should a client provide such direction, we may not be able to achieve most favorable execution of those transactions, which could cost more money in the form of higher commissions or less favorable prices. Likewise, separate account managers may not be able to

achieve most favorable execution if a client directs them to use a particular broker, unless such direction is stated “subject to best execution.”

Because we infrequently make recommendations of individual stocks and bonds, and only based on a client’s individual circumstances and prior approval, we do not have opportunities to aggregate various client orders. Selected separate account managers and fund managers have the opportunity to potentially improve pricing or reduce commissions by aggregating multiple trade orders. Subject to their duty to seek most favorable execution, separate account managers will often seek to minimize overall trading costs and avoid trade-away fees by using a client’s selected broker/custodian for transactions instead of aggregating multiple trades. We believe that the trading practices of the separate account managers on our recommended list, combined with the low commission rate and other services offered by our recommended brokers, are consistent with their duty to seek most favorable execution of your trades. Each separate account manager’s brokerage practices and potential conflicts of interest are disclosed in its disclosure brochure.

## **Item 13 – Review of Accounts**

### **Portfolio Reviews**

The exact frequency and process by which we review a client’s portfolio depends upon the nature and terms of each specific engagement. In a typical full-service investment consulting engagement as described in Item 4, a team of qualified investment consultants led by a Managing Director reviews the portfolio and monitors whether it remains in line with the investment policy statement and strategic investment plan and whether performance is on target to meet the client’s financial goals. Specific reviews generally include comparing selected separate account managers or funds to relevant benchmarks and peer groups, comparing actual asset allocation to target allocation, analyzing the portfolio’s estimated annual income and current yield, and reviewing realized and unrealized gains and losses.

We conduct reviews and may make recommendations due to changes in market or economic conditions, changes in anticipated or actual cash flow needs, deposits or withdrawals of assets, tax planning opportunities, changes in your investment objectives, or changes in our model portfolio strategies.

We monitor the separate account managers and funds on our recommended list as described in Item 8. When material events (e.g., changes in key personnel, investment style, etc.) or performance lead us to an unfavorable opinion of a

previously recommended separate account manager or fund, we review each affected portfolio and make appropriate recommendations.

We meet with clients periodically to review the performance of the portfolio and of each separate account manager or fund selected, and to discuss whether the client's financial situation or investment objectives require changes to the investment policy statement and strategic investment plan.

## **Performance Reports**

In a typical full-service investment consulting or performance reporting engagement, we prepare a performance report that consolidates all investments, calculates quarterly, year-to-date, and long-term investment performance, compares the current allocation to the target allocation, and compares the performance of each of the selected separate account managers and funds to their respective benchmarks. Some performance reports also compare against manager peer groups. The performance reports may also discuss recent market and economic activity, market outlook, and material events specific to the selected separate account managers and funds. We retain outside consultants to assist in preparing these reports. The type and frequency of written reports we provide to clients depend on the nature and terms of each specific engagement. Clients may prefer to receive these reports at our meetings, quarterly, and/or as otherwise agreed upon.

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

From time to time, we receive client referrals from and refer clients to outside professionals as client needs dictate. We do not pay or receive any compensation for such referrals. Should a client need tax or legal services in a foreign jurisdiction, we may refer the client to an appropriate member firm of Andersen Global.

We do not receive any compensation from any third parties for providing investment consulting services to our clients, including commissions, fees, or sales awards or other prizes. We receive an economic benefit from the broker/custodians we recommend in the form of support services made available to us as described in Item 12.

We may occasionally receive an economic benefit in the form of sponsorship to educational conferences or business entertainment from certain providers, including the separate account managers or funds we recommend. Such benefits are subject to our gifts and entertainment policy and are monitored to ensure

they are not of such value or frequency as to compromise our duty to place our clients' interests first.

## **Item 15 – Custody**

We do not maintain custody of the assets on which we advise. Client assets must be maintained in an account at a qualified custodian, generally a broker-dealer or bank. A limited number of our clients have selected an Andersen employee to be trustee for an advised trust account. Although the trusts' assets are maintained at a qualified custodian, we are considered to have custody of those assets due to the employee's status as trustee. In addition to our own internal controls, we annually engage a PCAOB-registered independent auditor to conduct a surprise asset examination to verify these assets. We are also deemed to have custody of your assets if you have authorized us to deduct our fees from your account, or if you have established a standing letter of authorization with your custodian to accept instructions from us to transfer assets between certain of your designated accounts or to disburse funds to designated third parties, such as your bank.

Clients receive account statements directly from their selected custodian at least quarterly. We urge clients to carefully review these statements and compare them to the performance reports that we may provide. Our performance reports or other statements may vary slightly from the custodial statements, usually due to different data sources or differences in accounting for accrued interest and dividends, corporate actions, or reporting dates.

## **Item 16 – Investment Discretion**

As non-discretionary investment consultants, we arrange for execution of investment recommendations or other transactional activity only after receiving client approval. We do not accept discretionary authority to manage securities accounts.

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

We do not vote on securities on clients' behalf. The selected separate account- and fund managers typically receive the proxy solicitations for clients' shares and retain responsibility for voting on them. Clients may also receive proxy materials and other actionable corporate communications directly.

## **Item 18 – Financial Information**

We are required in this item to disclose certain information about our financial condition when applicable. Andersen has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy petition.