



March 29, 2024

## **TAYLOR HOFFMAN WEALTH MANAGEMENT, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Taylor Hoffman Wealth Management, LLC (“THWM” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. 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 the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, THWM is required to discuss any material changes that have been made to the brochure since the last annual amendment, on March 27, 2023. THWM has the following change to report:

- Various items have been amended to reflect the services THWM provides to retirement-plan clients.

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## **Item 4. Advisory Business**

THWM offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to THWM rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with THWM setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

THWM filed for registration as an investment adviser in September 2017 and is owned by Taylor Hoffman, Inc. As of December 31, 2023, THWM had \$304,339,242 in assets under management, \$231,825,009 of which was managed on a discretionary basis and \$72,514,233 of which was managed on a non-discretionary basis.

While this brochure generally describes the business of THWM, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees, or any other persons who provide investment advice on THWM’s behalf and are subject to the Firm’s supervision or control.

### **Financial Planning and Consulting Services**

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THWM offers clients a broad range of financial planning and consulting services, which includes any or all of the following services:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Tax Return Preparation
- Retirement Planning
- Risk Management
- Charitable Giving
- Distribution Planning
- Tax Planning
- Manager Due Diligence

While financial planning and consulting services are available on a stand-alone basis, certain of them can also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, THWM is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants) and is expressly authorized to rely on such information. THWM recommends certain clients engage the Firm for additional related services and/or

other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage THWM or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by THWM under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising THWM's recommendations and/or services.

### **Wealth Management Services**

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THWM provides clients with wealth management services that include a broad range of comprehensive financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

THWM primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, alternative instruments (including private funds), and independent investment managers ("Independent Managers") in accordance with their stated investment objectives.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios. Clients can engage THWM to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance, annuity contracts, assets held in employer-sponsored retirement plans, and qualified tuition plans (i.e., 529 plans). In these situations, THWM directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

THWM tailors its advisory services to meet the needs and objectives of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. THWM consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints, and other factors relevant to the management of their portfolios. Clients are advised to promptly notify THWM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if THWM determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### **Use of Independent Managers**

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As mentioned above, in limited circumstances, THWM selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an

Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

THWM evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves, and other third-party analyses the Firm believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance, and risk results in relation to its clients' individual portfolio allocations and risk exposure. THWM also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing, and research capabilities, among other factors.

THWM continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. THWM seeks to ensure that the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

### **Retirement-Plan Services**

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In limited circumstances, THWM provides consulting services to qualified employee benefit plans and their fiduciaries. Each engagement is individually negotiated and customized and may include services such as consulting on plan design, preparation of an investment policy statement, selection of plan menu options, and education services for plan participants.

In limited circumstances, THWM also provides portfolio management services to eligible retirement plans and exercises discretion in managing the assets of such plans.

### **Management of Collective Investment Vehicle**

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THWM's affiliate, Taylor Hoffman Capital Management, LLC ("THCM"), serves as the general partner of and investment adviser to an affiliated private investment fund, the Hadleigh Fund LP (the "Fund"). Securities in the Fund are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended ("Securities Act"). The Fund currently relies on an exemption from registration as an investment company pursuant to the Investment Company Act of 1940, as amended ("Company Act"). To invest in the Fund, an investor must qualify as both a "qualified client," as defined in Rule 205-3(d) under the Investment Advisers Act of 1940, as amended ("Advisers Act"), and an "accredited investor," as defined in Rule 501(a) under the Securities Act. Investors must make their own independent decision as to whether to invest in the Fund. An investment in the Fund involves a significant degree of risk. Information relating to the Fund, including information relating to investment objectives and strategies, investment terms, risk factors, and potential conflicts of interest, are set forth in the Private Placement Memorandum ("PPM"), Second

Amended and Restated Limited Partnership Agreement (“LPA”), and/or Subscription Agreement (together with the PPM and LPA, the “Offering Documents”), which each investor is required to receive and/or execute prior to being accepted as an investor in the Fund.

THWM may recommend that certain of its clients invest a portion of their assets in the Fund. While THWM waives any investment management fees with respect to any client assets invested in the Fund, THWM nonetheless has an incentive to recommend an investment in the Fund because THWM could potentially earn more in compensation as a result of managing the client’s assets through the Fund than THWM could earn by investing the client’s assets in other investments, which ultimately benefits THWM. Nonetheless, THWM has an obligation to ensure that any recommendation of an investment, including an investment in the Fund, is suitable for the client.

## **Item 5. Fees and Compensation**

### **Wealth Management Fees**

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THWM offers wealth management services for fees based upon the client’s assets under management. This management fee varies in accordance with the following fee schedule:

<b>Assets</b>	<b>Annual Fees</b>
Up to \$500,000	1.25%
From \$500,001–\$25,000,000	1.00%
Over \$25,000,000	Negotiable

Once client assets under management cross the thresholds above, all assets are billed at the corresponding rate, not just the incremental assets.

For asset-management services provided with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments), or where management of a client’s assets involves more extensive work than with other clients, the Firm may negotiate a fee rate that differs from the range set forth above.

Annual fees are prorated and charged quarterly, in advance, based upon the market value of the assets being managed by THWM on the last day of the previous billing period. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a pro-rata basis. In the event the Advisory Agreement is terminated, the fee for the final billing period

is prorated through the effective date of the termination, and the outstanding or unearned portion of the fee is credited.

Additionally, THWM charges separate fees for financial planning and consulting services, including tax-preparation services, that are provided on a stand-alone basis. In general, the Firm charges an hourly rate, ranging from \$250–\$500 per hour, for financial planning and consulting services. For tax-preparation services, however, the fee ranges based on the complexity of the tax return(s). Any fees for stand-alone services will be individually negotiated with each client, clearly delineated in the client’s Advisory Agreement, and charged by invoice.

For retirement-plan consulting services, the Firm charges a fee based on assets under advisement. These fees vary, based on the scope of the services to be rendered, and range from 30–100 basis points per annum. In those situations where THWM has agreed to manage a plan’s assets, the Firm charges an annual asset-based fee based on its schedule for investment management fees, as described above. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement with each sponsor.

Certain legacy clients have fee arrangements that are different from those described above.

### **Fee Discretion**

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THWM may, in its sole discretion, negotiate to charge lower or higher fees based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention, and pro bono activities.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to THWM, clients also incur certain charges imposed by third parties, such as broker-dealers, custodians, trust companies, banks, and other financial institutions (collectively “Financial Institutions”). These additional charges include securities brokerage commissions; transaction fees; custodial fees; margin costs; fees related to private fund investments; fees charged by Independent Managers (including any platform fees, manager fees, etc.); charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses); deferred sales charges; odd-lot differentials; transfer taxes; wire transfer and electronic fund fees; and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12.

### **Direct Fee Debit**

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Clients provide THWM and/or certain Independent Managers with the authority to directly debit their accounts for payment of investment advisory fees. The Financial Institutions that act as the qualified custodians for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to THWM.

### **Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their accounts at any time, subject to THWM's right to terminate accounts. Additions can be in cash or securities, subject to the Firm's right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients can withdraw account assets on notice to THWM, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. THWM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges), and/or tax ramifications.

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

THWM does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

However, THCM receives performance-based compensation in connection with investment management services rendered to the Hadleigh Fund, as described in more detail in the Fund's Offering Documents.

## **Item 7. Types of Clients**

THWM offers advisory services to individuals, trusts, estates, and retirement plans. THWM does not impose a minimum portfolio size or minimum fee for establishing an advisory relationship with the Firm.

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

### **Methods of Analysis and Investment Strategies**

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*Investment Philosophy:* THWM is a passionate, enthusiastic participant in the efficient and intelligent allocation of capital for clients. The Firm endeavors to diversify clients' capital across multiple asset classes including, but not limited to, U.S. stocks in all size categories, international stocks, emerging market stocks, and all classifications of both U.S. and international bonds. There is no attempt to use technical analysis or



economic forecasting, as all investment decisions are based exclusively on strategic asset allocation and fundamental, bottom-up analysis of individual businesses.

The following methods are used in client portfolios:

*Index Funds:* THWM believes index funds are a low-cost, tax-efficient means to earn the aggregate returns of all businesses that the Firm anticipates will deliver satisfactory results over long periods of time. The primary disadvantage is the fact that indexes may lead to less price discovery over time, and all corporate governance decisions are outsourced to third parties who may or may not vote proxy statements in a way that reflects the values of the Firm. THWM indexes a portion of client funds in areas of the market that it believes are most efficient, where it believes it has few proprietary research advantages, and where its investment through individual securities would be small enough to have no expected benefit of influencing corporate governance.

*Mutual Funds and Separately Managed Accounts:* THWM allocates funds to money managers that actively manage client funds. The Firm invests client funds with outside money managers via mutual funds or separately managed accounts in areas where the Firm does not have a research advantage or when it would like to pair them with index funds. The selection process includes firms that THWM believes are lower cost and tax efficient, have a sound investment philosophy with a proven track record of investment excellence, and are most likely to vote proxy statements in a way that reflects the values of the Firm.

*Individual Stocks:* THWM uses proprietary original research to uncover opportunities within publicly traded securities to invest in client accounts. The Firm's primary methods of analyzing companies is through public information such as annual reports, proxy statements, and articles in leading financial magazines and newspapers. The Firm is a bottom-up, fundamental investor looking for businesses it can reasonably understand, with strong returns on invested capital, run by management teams with demonstrated competence and integrity, and available at an attractive price.

## **Risk of Loss**

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*Market Risks:* Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of THWM's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds, and other asset classes. There can be no assurance that THWM will be able to predict those price movements accurately or capitalize on any such assumptions.

*Mutual Funds and ETFs:* An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro-rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

As stated above, THWM selects certain Independent Managers to manage a portion of its clients' assets. In these situations, THWM continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, THWM does not have the ability to supervise the Independent Managers on a day-to-day basis.

*Risks Associated with Private Funds:* The Firm recommends that certain eligible clients invest in private investment vehicles (e.g., hedge funds). The managers of these vehicles have broad discretion in selecting the investments. There are often few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because such investment vehicles are not registered as investment companies and their securities are not registered under federal securities laws, such funds (and their sponsors) may be subject to less regulation than other types of funds. There are numerous other risks in investing in the securities of such private investment vehicles. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

*Cyber Risk:* As with any entity that conducts business through electronic means in the modern marketplace, THWM and its service providers may be susceptible to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally; denial-of-service attacks on websites; unauthorized monitoring, release, misuse, loss, destruction, or corruption of confidential information; unauthorized access to relevant systems; compromises to networks or devices that THWM and its service providers use to service their operations;

operational disruption or failures in the physical infrastructure or operating systems that support THWM and its service providers; and various other forms of cybersecurity breaches. Cyberattacks affecting THWM or any of its intermediaries or service providers may adversely impact THWM's clients, potentially resulting in, among other things, financial losses or the inability to transact business.

For instance, cyberattacks may impact the release of private client information or confidential business information, impede trading, subject THWM to regulatory fines or financial losses, and/or cause reputational damage. THWM may also incur additional costs for cybersecurity risk management purposes designed to mitigate or prevent the risk of cyberattacks. Such costs may be ongoing because threats of cyberattacks are constantly evolving, as cyber attackers become more sophisticated and their techniques become more complex. Similar types of cybersecurity risks are also present for issuers of securities in which clients are invested, which could result in material, adverse consequences for such issuers and cause investments in such companies to lose value. There can be no assurance that THWM, its service providers, or the issuers of the securities in which clients invest will not suffer losses relating to cyberattacks or other information security breaches in the future.

## **Item 9. Disciplinary Information**

THWM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

### **Related Investment Adviser**

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THCM is an investment adviser under common control with THWM. THCM provides asset management services on behalf of its clients through separately managed accounts. In addition, as noted in Item 4, THCM serves as general partner of the Fund.

More information concerning THCM and the Fund can be found in Item 4 and in the Offering Documents.

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

THWM has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. THWM's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices, such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of THWM's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited

offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household) a transaction in that security unless:

- the transaction for the client has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements, and other high-quality short-term debt instruments; (iii) shares issued by open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds.

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

## **Item 12. Brokerage Practices**

### **Recommendation of Broker-Dealers for Client Transactions**

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THWM requires that clients utilize the custody, brokerage, and clearing services of Charles Schwab & Co, Inc., through its Schwab Advisor Services division ("Schwab") for investment management accounts. THWM is independently owned and operated and not affiliated with Schwab. Schwab provides THWM with access to its institutional trading and custody services, which are typically not available to retail investors.

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

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

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

THWM periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

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

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THWM receives without cost from Schwab administrative support, computer software, and related systems support, as well as other third-party support as further described below (together "Support"), which allow THWM to better monitor client accounts maintained at Schwab and otherwise conduct its business. THWM receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The Support is not provided in connection with securities. Clients should be aware that THWM's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support, or services. In fulfilling its duties to its clients, THWM endeavors at all times to put the interests of its clients first and has determined that the recommendation of Schwab is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, THWM receives the following benefits from Schwab: (i) receipt of duplicate client confirmations and bundled duplicate statements; (ii) access to a trading desk that exclusively services its institutional traders; (iii) access to block trading, which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and (iv) access to an electronic communication network for client order entry and account information.

These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Advisor Services. Nonetheless, this arrangement creates a conflict of interest, as it provides an incentive for the Firm to recommend Schwab's services to its clients in order to continue receiving such services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research (including that in the form of advice, analyses, and reports), and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

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

Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional, or Firm-specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of THWM personnel by Schwab personnel, including meals, invitations to sporting events (including golf tournaments), and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist THWM in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information, and other market data; facilitate payment of the Firm's fees from its clients' accounts; and assist with back-office training and support functions, recordkeeping, and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to THWM other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. Although, as a fiduciary, THWM endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

### **Brokerage for Client Referrals**

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THWM does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third parties.



## **Directed Brokerage**

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

## **Trade Aggregation**

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Transactions for each client will be effected independently, unless THWM decides to purchase or sell the same securities for several clients at approximately the same time. THWM may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which THWM’s Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the SEC as well as its own internal policies and procedures. THWM does not receive any additional compensation or remuneration as a result of the aggregation.

## **Item 13. Review of Accounts**

### **Account Reviews**

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THWM monitors client portfolios on an ongoing basis and conducts regular account reviews on at least a yearly basis. Such reviews are conducted by the Firm’s relationship managers. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with THWM and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations.

### **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time to time or as otherwise requested, clients may also receive written or electronic reports from THWM and/or an outside service provider that

contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from THWM or an outside service provider.

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

Where appropriate, THWM will pay an unaffiliated third party compensation received in exchange for introducing potential advisory clients to THWM. The payment of compensation will not affect the amount being charged to the client.

## **Item 15. Custody**

In certain circumstances, THWM is deemed to have custody of client funds and securities, including:

- where the Firm is authorized to deduct its advisory fees directly from client accounts;
- where the Firm has standing letters of authorization to disburse funds from client accounts;
- where the Firm serves as trustee or executor of client trusts or estates;
- where the Firm pays tax bills on behalf of clients; and
- because THCM serves as general partner of the Fund.

As such, THWM is required to comply with the requirements set forth in the Custody Rule under the Advisers Act, which requires, among other things, that client funds and securities be maintained with a qualified custodian. The custodians or broker-dealers that serve as qualified custodians on behalf of the Firm's clients have agreed to send statements to the clients, at least quarterly, indicating all amounts disbursed from their accounts, including the amount of investment management fees paid directly to the Firm. In addition, as discussed in Item 13, the Firm may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the custodians or broker-dealers and compare them to the reports received from the Firm.

## **Item 16. Investment Discretion**

THWM is given the authority to exercise discretion on behalf of clients. THWM is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. THWM is given this authority through a power of attorney included in the agreement between THWM and the client. Clients may request limitations on this authority (e.g., no buying or selling of certain securities). THWM takes discretion over the following activities:

- the securities to be purchased or sold;
- the amount of securities to be purchased or sold;
- when to execute transactions; and



- the hiring and firing of Independent Managers.

## **Item 17. Voting Client Securities**

### **Acceptance of Proxy Voting Authority**

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THWM accepts the authority to vote a client's securities (i.e., proxies) on their behalf. When THWM accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully described in the Firm's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in THWM's Proxy Voting Policies and Procedures, as they may be amended from time to time. Clients may contact THWM to request information about how the Firm voted proxies for that client's securities or to obtain a copy of THWM's Proxy Voting Policies and Procedures. A brief summary of THWM's Proxy Voting Policies and Procedures follows:

- THWM will vote proxies according to THWM's then-current Proxy Voting Guidelines.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances.
- Clients cannot direct THWM's vote on a particular solicitation but can revoke the Firm's authority to vote proxies.

In situations where there is a conflict of interest in the voting of proxies due to business or personal relationships that THWM maintains with persons having an interest in the outcome of certain votes, the Firm takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## **Item 18. Financial Information**

THWM is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.