



## **PART 2A OF FORM ADV: FIRM BROCHURE**

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This Brochure provides information about the qualifications and business practices of Hancock Investment Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at 314-997-3191 or [clewis@hsgstl.com](mailto:clewis@hsgstl.com). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Hancock Investment Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by an identifying number, known as a CRD number. Our firm's CRD number is 117958.

## **Item 2. Material Changes**

This Brochure provides you with a summary of Hancock Investment Advisors, LLC's services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest.

This Brochure is required to be updated at least annually, or sooner when material changes to our business take place. Each year we will deliver to you, by no later than April 30th, either: (i) a free updated Brochure that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes and an offer to provide a free copy of the updated Brochure and how to obtain it.

This Brochure contains no material changes since our last annual update to our Brochure dated March 26, 2013.

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## **Item 4. Advisory Business**

Hancock Investment Advisors, LLC (“Adviser”) is a SEC-registered investment adviser with its principal place of business located in St. Louis, Missouri. Adviser began conducting business in 2001.

Manchester Holdings, LLC, the sole owner of Adviser, is owned by the following individuals: Clinton J. Lewis, Steven M. Rull and Joseph D. Garea.

Adviser offers the following advisory services to its clients:

### **PORTFOLIO MANAGEMENT**

#### ***Investment Process***

Adviser provides financial advisory services to individuals, families, and businesses, each with diverse investment goals and objectives. You and your Hancock adviser collaborate throughout the investment process to work towards your financial goals. The following steps detail a typical investment process:

##### **1. Consultation Meeting**

At the beginning of the advisory relationship, your Hancock adviser holds consultation meetings to gather information needed to establish an investment strategy that best suits you, your family and any related businesses. Topics discussed generally include background, age, health, family situation, existing investments, financial expectations, legal, social or regulatory concerns and your overall views on the world of investing. Your Hancock adviser walks you through the steps to ensure that you are comfortable and confident with your portfolio and investment choices throughout the process.

##### **2. Creation of the Investment Policy Statement (IPS)**

A summary of this information, as well as the proper allocation and distribution of your assets, is included in your Investment Policy Statement (“IPS”). Your IPS provides the foundation for making disciplined investment decisions. While long-term in nature, your IPS will be reviewed and modified as necessary.

##### **3. Portfolio Implementation**

Your Hancock adviser then creates a portfolio tailored to the guidelines set forth in your IPS. Adviser combines external research with internal evaluations to determine the appropriate selection of investments. Investments may include common and preferred stocks, fixed income securities (including government, municipal, mortgage-backed and corporate bonds), open- and closed-end mutual funds, ETFs, money market funds and alternative investments.

##### **4. Portfolio Monitoring**

Following the investment of assets, your Hancock adviser regularly monitors your portfolio for adherence to the objectives established in your IPS. Should a change in guidelines or investments be warranted, Adviser will discuss the possibility of amending your IPS or rebalancing your asset mix.

## **5. Portfolio Reporting**

Adviser's advisory clients receive customized portfolio summary reports on a quarterly basis, directly from Adviser. These reports include portfolio-specific details, including performance, holdings, asset allocation, and market value. Depending on a client's preferences, Hancock advisers are also available on a more frequent basis for portfolio and market updates.

### ***Conservative Equity Strategy***

The Conservative Equity Strategy serves as the core, or foundation, of Adviser's clients' portfolios. The Strategy's objective is to provide stable growth and income, intended to outperform the risk-free rate of return plus inflation over time. Target investments include companies with both a history and future likelihood of increasing earnings and dividends. Turnover is expected to be in the lower range of normal activity.

A typical Conservative Equity Strategy portfolio will be invested in a concentrated portfolio of 20-30 companies. No security will comprise more than 5% of the portfolio at initial purchase. No more than 20% of the portfolio will be invested in a single industry. Options may be used to protect and/or augment returns, by selling covered calls against established positions. To the extent investments that Adviser considers to be attractive are unavailable, the portfolio will hold cash. Should any security trade at or above an amount that Adviser believes to be the maximum fair market value for that security, it will generally be sold. Adviser typically sells the security of any issuer that reduces its dividends.

Conservative Equity Strategy accounts are managed by Adviser on a discretionary basis. Once a client's account has been established, Adviser reviews the portfolio quarterly, and if necessary, rebalances the portfolio based on the Conservative Equity Strategy.

### ***Mutual Fund Asset Allocation Strategies***

- Income Generation Strategy
- Income Focus with Growth Strategy
- Income and Growth Strategy
- Growth Focus with Income Strategy
- Asset Growth Strategy

Each Strategy is available in three risk levels: Conservative, Moderate and Aggressive.

Each Strategy is an actively managed, globally diversified portfolio of 8 to 20 mutual funds and ETFs. Adviser begins with a strategic allocation to the major asset classes. Each Strategy is designed to capture capital gains and/or income in pursuit of a client's long-term investment goals. Efficient, low cost funds typically are utilized. Clients will be asked to complete a Risk Tolerance Questionnaire to determine the appropriate risk level. Fund shares will be purchased on a "no load" basis through Pershing, LLC, clearing broker to Hancock Securities Group, LLC ("Hancock Securities"). Any mutual fund distribution or "12b-1 fees" received by Adviser or its affiliated broker-dealer will be credited against, and will reduce, clients' advisory fees.

Adviser has partnered with Spouting Rock Wealth Advisors, LLC ("Spouting Rock"), a registered investment adviser in which Adviser owns a minority interest, to conduct due diligence on funds recommended by Adviser to its clients. Spouting Rock receives a portion of the advisory fees paid to Adviser pursuant to a consulting agreement between the parties.

### ***Information About All Strategies***

To ensure that a particular investment Strategy remains suitable for a client and continues to be managed in a manner consistent with the client's financial circumstances, Adviser will:

- send written requests, on a quarterly basis, to participating clients requesting updated information regarding changes in the client's financial situation and investment objectives;
- contact each participating client, at least annually, to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions; and
- ensure that a portfolio manager who is knowledgeable about the management of client's portfolio is reasonably available to consult with participating clients.

### ***Alternative Investment Strategies***

For Adviser's high net worth clients, Adviser may recommend an investment in a private investment partnership that in turn invests in hedge funds and other alternative investments. The private partnership is managed by Spouting Rock. Adviser has owns a minority interest in Spouting Rock, and Adviser has entered into a non-discretionary investment consulting agreement with Spouting Rock. For its consulting services to Spouting Rock, Adviser receives a fee equal to 37.5% of the management fee paid by the partnership.

In addition to advisory fees paid to Adviser for providing investment supervisory services, including with respect to client's assets invested in the partnership, the partnership pays its own management fees, which may be duplicative, and operating expenses as outlined in its offering documents, copies of which will be provided to clients in advance of investing. In an effort to mitigate the conflict of interest outlined above, Adviser will reduce the asset-based advisory fee that it charges with respect to clients' assets invested in the partnership by the amount of consulting fees that Adviser receives from Spouting Rock.

## **BROKERAGE SERVICES**

Hancock's advisers are separately registered representatives of Hancock Securities, a registered broker-dealer and member FINRA/SIPC. Adviser will assist clients in establishing a brokerage account with Hancock Securities. Securities transactions will be executed for clients' accounts on an agency basis through Hancock Securities, which introduces clients on a fully disclosed basis to Pershing, LLC. You will pay brokerage commissions, per ticket or clearing charges and other securities transaction fees on trades executed by Adviser's affiliated broker-dealer. You will receive a brokerage confirmation for each securities transaction in your account that states the total dollar amount paid. Your Hancock adviser will receive a usual and customary portion of these brokerage commissions.

Clients may establish a brokerage relationship with any bank, broker-dealer or trust company selected by Client, subject to acceptance by Adviser.

## **INSURANCE SERVICES**

Hancock advisers are separately licensed insurance brokers through Hancock Securities, and they also are licensed agents of various insurance companies. Your Hancock adviser may provide advice on and sell life insurance policies, variable annuities and other insurance products. You will pay commissions on these insurance products. Your Hancock adviser will receive a usual and customary portion of these insurance commissions.

## AMOUNT OF MANAGED ASSETS

As of February 28, 2014, Adviser managed \$146,925,744 of clients' assets on a discretionary basis and \$7,114,910 on a non-discretionary basis.

### Item 5. Fees and Compensation

Adviser's annual fee for each Strategy is based upon a percentage of assets under management, according to the following schedule:

<u><i>Assets Under Management</i></u>	<u><i>Annual Fee</i></u>
Up to \$199,999	1.50%
\$ 200,000 - 499,999	1.25
\$ 500,000 - 1,999,999	1.00
\$ 2,000,000 - 3,999,999	0.75
\$ 4,000,000 - 6,999,999	0.65
\$ 7,000,000 and above	0.50

A minimum of \$50,000 of assets under management is required to establish an account. Account sizes may be negotiable under certain circumstances. Adviser may aggregate certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

**General Fee Information:** Although Adviser has established the above fee schedules, Adviser retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include, among other things, the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition and reports. The annual fee schedule applicable to each client is identified in the Investment Advisory Agreement between Adviser and the client (the "Advisory Agreement").

Adviser's advisory fees are billed quarterly in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value) of the client's account at the end of the previous quarter. Fees will be debited from clients' accounts in accordance with their authorization in the Advisory Agreement.

**Affiliated Compensation and Commissions.** Management personnel and other related persons of Adviser are licensed as registered representatives, and/or licensed as insurance brokers, of Hancock Securities, Adviser's affiliated broker-dealer and licensed insurance broker. In such capacities, these individuals may implement investment recommendations for advisory clients through Hancock Securities for usual and customary compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation) or purchase insurance products for advisory clients. This presents a conflict of interest to the extent that these individuals receive brokerage or insurance commissions for such purchases in addition to advisory fees. Adviser's advisory fees are not reduced by the amount of compensation received by Hancock Securities.

Adviser receives a portion of the management fees paid by a private limited partnership recommended by Adviser, under its consulting agreement with Spouting Rock, the partnership's investment manager.

Adviser may share its advisory fees with an affiliated adviser that provides fixed income portfolio management services to clients. Adviser shares its advisory fees received on Mutual Fund Asset Allocation Strategies with Spouting Rock.

Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. Clients may purchase investment products Adviser recommends through other brokers or agents not affiliated with Adviser. The implementation of any or all recommendations is solely at the discretion of the client.

***Termination of the Advisory Relationship.*** An Advisory Agreement may be canceled at any time, by either party, for any reason upon written notice. As disclosed above, Adviser's advisory fees are paid in advance of services provided. Upon termination of any client's account, any prepaid, unearned fees will be promptly refunded by Adviser. In calculating a client's reimbursement of fees, Adviser will pro rate the reimbursement according to the number of days remaining in the billing period.

***Fees of Other Investment Companies.*** All fees paid to Adviser for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, closed-end funds and ETFs. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without Adviser's services. In that case, the client would not receive the services provided by Adviser which are designed, among other things, to assist the client in determining which fund or funds are most appropriate for each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and Adviser's advisory fees to fully understand the total amount of fees paid in connection with the advisory services Adviser provides.

***Additional Fees and Expenses.*** In addition to Adviser's advisory fees, clients are also responsible for the fees and expenses charged by custodians and securities transaction fees and ticket or clearing charges imposed by executing broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). A copy of the current commission schedule for Hancock Securities/Pershing is available upon client request.

***Grandfathering of Minimum Account Requirements.*** Pre-existing advisory clients are subject to Adviser's minimum account requirements and advisory fees that were in effect at the time the client entered into the Advisory Agreement. Therefore, Adviser's minimum account requirements may differ among clients.

***ERISA Accounts.*** Adviser is deemed to be a fiduciary to advisory clients that are employee benefit plans pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, Adviser is subject to specific duties and obligations under ERISA that include among other things, restrictions concerning certain forms of compensation. For clients subject to ERISA, Adviser may not charge fees for investment advice about products for which Adviser and/or Adviser's related persons receive any commissions or 12b-1 fees, unless such fees are offset against Adviser's advisory fees.

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

Adviser does not charge performance-based fees or manage separate accounts or private funds on a side-by-side basis.



## Item 7. Types of Clients

Adviser typically provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Charitable, non-profit organizations
- Other investment advisers
- Corporations or other businesses not listed above

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

### METHODS OF ANALYSIS

Adviser uses the following methods of analysis in formulating its investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, Adviser reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** Adviser attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if a company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** Adviser analyzes past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Quantitative Analysis.** Adviser uses mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** Adviser subjectively evaluates non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predicts changes to share price based on that data. A risk in using qualitative analysis is that Adviser's subjective judgments may prove incorrect.

**Asset Allocation.** Rather than focusing primarily on securities selection, Adviser attempts to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular

security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Risks for all forms of analysis.** Adviser's securities analysis methods rely on the assumption that the companies whose securities Adviser recommends, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. There is always a risk that Adviser's analysis may be compromised by inaccurate or misleading information. Investing in securities involves risk of loss that clients should be prepared to bear.

## INVESTMENT STRATEGIES

Adviser may use the following strategies to manage client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** Adviser purchases securities with the view to hold them in a client's account for a year or longer. Typically, Adviser employs this strategy when:

- it believes the securities are currently undervalued, and/or
- it is seeking exposure to a particular asset class over time, regardless of the current projection for this class.

The risk of a long-term purchase strategy is that by holding the security for the long-term, Adviser may not take advantage of short-term gains that could be profitable to a client. Moreover, if Adviser's predictions are incorrect, a security may decline sharply in value before Adviser makes the decision to sell.

**Short-term purchases.** When utilizing this strategy, Adviser purchases securities with the view to sell them within a relatively short time (typically a year or less). Adviser employs this strategy to take advantage of conditions that it believes will soon result in a price swing in the securities Adviser purchases.

**Option writing.** Adviser's Strategies may involve the use of options. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the owner the right to buy a security at a certain price within a specific period of time. Adviser may buy a call if it has determined that the stock will increase substantially before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. Adviser may buy a put if it believes that the price of the stock will fall before the option expires.

Adviser may use options to "hedge" the purchase of an underlying security in a client's portfolio by limiting the potential upside and downside of a security.

Adviser may seek to reduce the volatility of clients' portfolios by selling covered call options. Adviser's option strategy is commonly referred to as "hedging." When a client sells a covered call option, the purchaser of the option has the right to buy that stock at a predetermined price (exercise price) during the

life of the option. If the purchaser exercises the option, the client must sell the stock to the purchaser at the exercise price. The option is “covered” because the client owns the stock at the time it sells the option. As the seller of the option, the client receives a premium from the purchaser of the call option, which may provide additional income to the client. The selling of covered call options may tend to reduce volatility of the client’s portfolio because the premiums received from selling the options will reduce any losses on the underlying securities, but only by the amount of the premiums. However, selling the options will also limit the potential for gain on the underlying securities.

## RISKS OF LOSS

Investing in securities involves risk of loss that clients should be prepared to bear. Based on certain of the specific securities that Adviser may recommend, below are some more specific risks of investing:

- **Equity Risk.** Equity securities tend to be more volatile than other investment choices. The value of an individual security can be more volatile than the market as a whole. This volatility affects the value of the client’s overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies.
- **Fixed Income Risk.** The issuer of a fixed income security may not be able or willing to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security may decline because investors demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.
- **Investment Company Risk.** Mutual funds, closed-end funds and ETFs (“funds”) invest in a broad range of equity and fixed income securities, including foreign securities and securities of issuers located in emerging markets. Funds may also invest in equity securities of any market capitalization including micro-, small- and mid-cap companies, real estate, commodities-related assets, fixed income securities of any maturity or credit quality, including high-yield, high-risk debt securities, and may engage in leveraged or derivative transactions. Adviser has no control over the investment strategies, policies or decisions of the underlying funds and, in the event of dissatisfaction with such a fund, Adviser’s only option would be to liquidate clients’ investments in that fund. Funds charge their own management fees and expenses, which may be duplicative.
- **Foreign Securities Risk.** Funds in which clients invest may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- **Municipal Securities.** Municipal securities carry different risks than those of corporate government and bank-sponsored debt securities described above. These risks include the

municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer are domiciled.

- ***U.S. Government Securities.*** Adviser may recommend securities issued by the U.S. Government and by U.S. Government agencies and instrumentalities. Some U.S. Government securities are not backed by the full faith and credit of the United States, such as federal agency bonds, and are thus subject to higher credit risk.
- ***Alternative Investments in Private Funds.*** Hedge funds, as well as private equity, venture capital, private real estate and other private partnerships typically engage in highly speculative trading strategies. These private funds are illiquid, their assets may also be illiquid and their performance results can be extremely volatile. Alternative funds may rely substantially on fair valuation techniques, which are subjective, and there is no guarantee that the client would realize proceeds equal to fair value upon the sale of a security. Investments in alternative funds are illiquid, and the assets of the funds also may be illiquid. Private funds typically charge higher management fees and performance fees, and these funds also incur their own operating expenses, which may be substantial.

## **Item 9. Disciplinary Information**

Adviser is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of Adviser's advisory business or the integrity of Adviser's management.

The following disciplinary event is related to Adviser's affiliated broker dealer, Hancock Securities. The event did not involve Adviser or its clients. Clint Lewis was disciplined by FINRA in 2010 for failure to properly supervise an independent contractor registered representative who was acting alone in converting client funds through that contractor's outside business activity. The contractor acted without the knowledge of Mr. Lewis and was terminated in March 2008. Mr. Lewis was fined \$5,000 and suspended from acting in any principal capacity except as options principal for 10 business days. Mr. Lewis was not part of the registered representative's fraudulent activities.

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

Management personnel and related persons of Adviser are separately licensed as registered representatives of Hancock Securities, Adviser's affiliated broker-dealer. In such capacity, these individuals may effect securities transactions for which they will receive usual and customary compensation. While Adviser and these individuals endeavor at all times to put the interest of Adviser's clients first as part of its fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Clinton Lewis, Steven Rull, and Joseph Garea, the Managing Directors of Adviser, also provide advisory services to Hancock Institutional Advisors, LLC ("Hancock Institutional Advisors"), a SEC-registered investment adviser. Currently, there are no referral arrangements for compensation between Adviser and Hancock Institutional Advisors. No client of Hancock Institutional Advisors is obligated to use the advisory services of the Adviser, as no client of Adviser is obligated to Hancock Institutional Advisor's advisory services.

Adviser occasionally trades the same securities in client portfolios that are traded by Hancock Institutional Advisors in its clients' portfolios. When this occurs, Adviser's clients may receive a better or worse price or execution than Hancock Institutional Advisors depending on the order of trade execution, the type of security traded and the broker-dealer used. In order to minimize the potential for any systematic disadvantage to clients, when trades are placed by or at the direction of Clinton Lewis, Steven Rull or Joseph Garea in the same security on the same day for both Adviser's clients and the clients of Hancock Institutional Advisors, these individuals will seek to obtain best execution by rotating the order of execution or giving all clients the same or average price for any such trades.

As mentioned above, Adviser is affiliated and under common control with Hancock Securities and Hancock Institutional Advisors (the "Related Companies"). Where appropriate, Adviser and its employees may recommend the various investment and investment-related and insurance services of the Related Companies to its advisory clients. The Related Companies and their employees may also recommend the advisory services of Adviser firm to their clients. The services provided by the Related Companies are separate and distinct from Adviser's advisory services, and are provided for separate and additional compensation.

There may also be arrangements among Adviser and these Related Companies where Adviser and/or the Related Companies or their employees receive payment in exchange for client referrals. No client of Adviser is obligated to use the services of any of the Related Companies.

In addition, the management persons and other employees of Adviser are: (i) management persons and registered representatives of Hancock Securities, a registered broker-dealer and member FINRA/SIPC; and (ii) management persons and insurance brokers of Hancock Securities, a licensed insurance broker. These individuals may also be insurance agents for one or more insurance companies. In their separate capacities as registered representatives and/or insurance agents, these individuals may effect securities transactions and/or purchase insurance and insurance-related investment products for clients of Adviser, for which these individuals may receive separate and additional compensation or commissions. Clients, however, are under no obligation to engage these individuals when considering the purchase/sale of securities or insurance.

In addition to its affiliation with the Related Companies, Adviser has entered into a non-discretionary investment consulting agreement with Spouting Rock, an investment manager of a private investment partnership (the "Fund"). For its consulting services to Spouting Rock, Adviser receives a percentage of the management fee paid by the Fund. Adviser also owns a minority equity interest in Spouting Rock, and provides some business consulting to Spouting Rock. Adviser is not affiliated with the Fund or its general partner. Adviser may have an incentive to recommend that clients invest in the Fund, instead of other investments, as a result of its equity ownership interest in Spouting Rock and the consulting fees it will receive. The Fund pays its own management fees, which may be duplicative, and operating expenses as outlined in the Fund's offering documents. In an effort to mitigate the conflict of interest outlined above, Adviser typically reduces its asset-based advisory fee with respect to clients' assets invested in the Fund, by the amount of consulting fees from Spouting Rock that Hancock receives with respect to such clients.

From time to time, Adviser's employees may purchase securities for their own personal accounts which are also purchased on behalf of clients. Generally, Adviser's employee accounts may be invested in similar investment strategies as a client. In these instances, block trading is used and orders are allocated on a pro rata basis so as to treat all clients fairly.

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

Adviser has adopted a Code of Ethics which sets forth ethical standards of business conduct that Adviser requires of its employees, including compliance with applicable federal securities laws. Adviser and its personnel owe a duty of loyalty, fairness and good faith towards clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to its guiding principles.

Adviser's Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by Adviser's access persons. The Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. It also contains oversight, enforcement and recordkeeping provisions.

Adviser's Code of Ethics includes Adviser's policy prohibiting the use of material non-public information. While Adviser does not believe that it has any particular access to non-public information, all employees are reminded that this information may not be used in a personal or professional capacity. A copy of Adviser's Code of Ethics is available to its advisory clients and prospective clients. You may request a copy by email sent to [clewis@hsgstl.com](mailto:clewis@hsgstl.com), or by calling Adviser at 314-997-3191.

Adviser's Code of Ethics is designed to assure that the personal securities transactions, activities and interests of Adviser's employees 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.

Adviser and/or individuals associated with Advisor may buy or sell for their personal accounts securities identical to or different from those recommended to clients. In addition, related persons of Adviser may have an interest or position in a certain securities which may also be recommended to a client. Please refer to the "Other Financial Industry Activities and Affiliations" section in Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12. Brokerage Practices**

***Selection of Broker Dealers.*** Clients of Adviser may use any broker-dealer in connection with their accounts. However, Adviser typically recommends its affiliated broker-dealer, Hancock Securities, due to Hancock Securities' past track record of obtaining competitive pricing with timely and accurate execution of trades. Adviser weighs several factors in its selection of broker-dealers, and focuses on cost and trade execution. Adviser's affiliated broker-dealer introduces a potential conflict of interest due to the common ownership of both companies. Adviser reviews from time to time the cost of utilizing Hancock Securities as broker compared to commission rates and transaction fees charged by other independent broker-dealers to confirm that Hancock Securities remains competitive.

Adviser's discretionary clients are required to provide Adviser with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for these transactions. These clients must include any limitations on this discretionary authority in their written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to Adviser in writing.

Adviser effects transactions both on national securities exchanges and in over the counter (OTC) transactions, on an agency basis through Hancock Securities. Transactions may be placed directly with market makers who act as principals for their own account and include mark-ups in the price charged for

the securities or with broker-dealers who act as agents and charge brokerage commissions for effecting the transactions. Hancock Securities will not serve as a dealer in connection with OTC transactions for Adviser's clients, absent specific client consent to the particular transaction. Hancock Securities executes client transactions on fully disclosed basis through Pershing, LLC, a registered broker-dealer and member FINRA/SIPC.

Although Adviser believes that the commission rates charged by Hancock Securities are competitive, they may not be the lowest commission rates available to clients. For example, clients may be able to execute transactions at much lower rates available through a discount broker-dealer. In addition to commissions, Hancock Securities charges transaction fees and other fees, such as a service fee, and SEC and exchange fees. Fees may vary from client to client due to the particular circumstances of the transaction, additional or differing levels of servicing required, or as otherwise contractually agreed upon with clients. Pershing and Hancock Securities may change their commission schedule and transaction and service fees without advance notice to Adviser. Copies of current commission schedules are available upon request.

Clients will receive a confirmation upon the completion of every securities transaction directly from the executing broker-dealer, which discloses the dollar amount of the commission and transaction and other fees charged in connection with the transaction.

**No Soft Dollar Benefits.** Adviser does not enter into agreements to direct clients' brokerage transactions to broker-dealers who provide research services to Adviser, so-called "soft dollar arrangements." Brokers that Adviser selects to execute transactions may from time to time refer clients to Adviser. Adviser will not make commitments to any broker or dealer to compensate that broker or dealer through brokerage or dealer transactions for client referrals. However, a potential conflict of interest may arise between the client's interest in obtaining best price and execution and Adviser's in receiving future referrals.

**Block Trading.** Adviser will block trades where practicable and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading may allow Adviser to execute equity trades in a timelier, more equitable manner, at an average share price. For example, Adviser may block trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Block trades remain subject to minimum commissions or ticket charges, which may be higher than the actual transaction cost. For a free copy of Adviser's block trading policy, please contact Adviser at 314-997-3191 or [clewis@hsgstl.com](mailto:clewis@hsgstl.com).

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

**Reviews.** Client portfolios are monitored on a regular basis. Client accounts typically are reviewed quarterly. Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio as well as any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Client accounts are reviewed by Clinton Lewis, Adviser's Chief Compliance Officer, or by Julie Holloway, Compliance Operations Associate.

**Reports.** In addition to the monthly statements and confirmations of transactions that clients receive from their custodian, Adviser provides quarterly reports summarizing account performance, balances and holdings. These reports will also remind the client to notify Adviser if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions. Please compare quarterly reports received from the Adviser to account statements received from the custodian.

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

Adviser may pay referral fees to independent persons or firms (“Solicitors”) for introducing clients to Adviser. Whenever Adviser pays a referral fee, Adviser requires the Solicitor to provide the prospective client with a copy of Adviser’s Brochure and a separate disclosure statement that includes the following information:

- the Solicitor’s name and relationship with Adviser;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the referral fee; and
- whether the fee paid to Adviser by the client will be increased above Adviser’s normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to Adviser by clients referred by Solicitors are not increased as a result of any referral.

## **Item 15 Custody**

Adviser does not have actual or constructive custody of client accounts, funds, or securities, except that Adviser may deduct advisory fees directly from clients’ accounts with the clients’ prior written consent. Each client receives periodic account statements directly from the client’s custodian. Adviser urges clients to carefully review the information provided in these reports to ensure that all account transactions, holdings and advisory fees deducted are correct and current, and to compare them to any reports received from the Adviser.

## **Item 16 Investment Discretion**

Clients may hire Adviser to provide discretionary asset management services, in which case Adviser places all trades in a client’s account without contacting the client prior to each trade to obtain the client’s permission. Adviser’s discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell;
- determine the amount of the security to buy or sell; and/or
- determine the broker-dealer to be used for the purchase or sale of securities for a client’s account.

Clients give Adviser discretionary investment authority by executing a discretionary Advisory Agreement with Adviser, and they may limit this authority by providing Adviser with written instructions. Clients may also change/amend such limitations by once again providing Adviser with written instructions.

## **Item 17 Voting Client Securities**

As a matter of firm policy, Adviser does not vote proxies on behalf of clients. Clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (ii) making all elections relative to any mergers, acquisitions,



tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Each client is responsible for instructing its custodian(s) to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Adviser may provide clients with consulting assistance regarding proxy issues upon request.

## **Item 18 Financial Information**

Adviser does not require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, Adviser is not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, Adviser is required to disclose any financial condition that is reasonable likely to impair Adviser's ability to meet its contractual obligations. Adviser has no adverse financial circumstances to report.

## **Item 19 Requirements for State-Registered Advisers**

Because Adviser is registered with the SEC, this Item does not apply.