



## Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of Blue Shores *Capital*, a division of Independent Portfolio Consultants, Inc. (“IPC”). If you have any questions about the contents of this brochure, please contact IPC at the address listed above, call us at (800) 346-4570, or send us an email at [customerservice@ipcanswers.com](mailto:customerservice@ipcanswers.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about IPC, an SEC-registered investment adviser, also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an investment adviser does not imply a certain level of skill or training.

## **Summary of Material Changes**

The Securities and Exchange Commission (“SEC”) has adopted amendments to Part 2 of Form ADV and related rules under the Investment Advisers Act of 1940, as amended, (the “Adviser Act”), which significantly alters the disclosures that registered investment advisers must provide to clients. This Brochure is provided in accordance with the new rules.

The following are summaries of material changes to the BSC Form ADV Part 2A Disclosure Brochure that have occurred since the March, 2016 version that was previously provided.

The following section of the Disclosure Brochure has been revised:

Item 8      Methods of Analysis, Investment Strategies and Risk of Loss  
Specifically, the Risk Information Subsection

This Brochure or any IPC Brochure may be requested by either downloading it from the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or you may contact Independent Portfolio Consultants, Inc. (“IPC”) at 561-912-1040 or [customerservice@ipcanswers.com](mailto:customerservice@ipcanswers.com) to request an updated copy of this Brochure.

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## **4. ADVISORY BUSINESS**

### **Principal Owners**

Blue Shores *Capital* (“BSC”), a pioneer in alternative separate account management, was established as a proprietary investment management division of Independent Portfolio Consultants Inc. (“IPC”), an SEC-registered investment adviser, in 2007. IPC specializes in providing investment advisory, consulting and investment management services through managed accounts (“wrap-fee”) programs to wealth management companies (“Wealth Management Companies”) and their clients. The Wealth Management Companies that IPC services include nationally recognized insurance companies, registered investment advisers, brokerage firms, and financial/estate planning organizations. IPC has provided these services since 1989.

BSC provides discretionary investment advisory services to individual and institutional investors as well as to investors through wrap-fee programs. BSC seeks to offer a value-added investment management service utilizing an active management approach that BSC believes is not widely offered in the investment industry. BSC believes their process offers more transparency and liquidity than a traditional alternative investment managed portfolio.

IPC is an independent corporation and is employee-owned by directors Alan D. Bush, Frederick S. Joyce, Jr. and David R. Koburger. IPC’s corporate headquarters are located in Boca Raton, Florida.

### **Types of Advisory Services**

BSC provides investment advisory services to high net worth individuals and institutional clients (collectively the “Clients”) using a global investment approach. Normally, accounts are fully discretionary and managed in accordance with the Client’s risk and return objectives and portfolio constraints including investment time horizon, liquidity needs, tax considerations, unique circumstances and other reasonable guidelines established by Client and accepted by BSC. The investment strategies offered by BSC are described below.

#### ***Global Long/Short Core Equity***

The Global Long/Short Core Equity Portfolio consists of a diversified group of strategic individual equity holdings, in addition to, various tactical positions. An individual company is purchased for the portfolio primarily on the basis of the portfolio management team perceiving the business to possess some form of competitive advantage, in addition to, its stock trading at attractive absolute valuation levels. Tactical positions take into account ever-changing global business and market conditions and are implemented via the use of traditional and alternative Exchange-Traded Products (“ETPs”). Exchange-Traded Products include Exchange-Traded Funds (“ETFs”) and Exchange-Traded Notes (“ETNs”). Such securities often

include, but are not limited to, synthetic short equity positions, as well as, long and short currency and commodity positions.

Typically, when the portfolio management team has a neutral outlook on global equity markets, the portfolio will have an approximate 60% net long exposure to broad stock market movements. This exposure may be adjusted between 0%-100% as market conditions evolve with the goal of participating in up markets, while avoiding substantial losses in large corrections and bear markets.

### ***Global Multi-Strategy Income***

The Global Multi-Strategy Income Portfolio invests in a diversified group of income-producing asset classes which include Real Estate Investment Trusts (“REITs”), Sovereign, Municipal and Corporate Bonds, Mortgages, Master Limited Partnerships (“MLPs”), Bank Loans, Preferred Equity and Equity. The strategy seeks to deliver the highest income opportunities that are attractive on a risk-adjusted basis and will do so only through investments in Exchange-Traded Products (ETFs and ETNs) to implement the strategy.

The strategy begins with a top-down macro assessment of the income landscape by assessing each of its key asset categories across an integrated framework. The assessment includes an analysis of absolute yield levels, credit and spread risks and a forecast yield and total return target for each asset class. Based on the top down-assessment and the BSC team’s asset forecast, a group of Exchange Traded Products (“ETPs”) will be selected. A bottom-up assessment is then made on each qualifying ETP. This assessment will include an analysis of the portfolio holdings, current country and industry exposures, expected yield and duration, issuer quality, technical analysis and certain qualitative characteristics that are important in choosing an exchange-traded product. The team will then select the individual ETFs that maximize yield and provide adequate trading liquidity, while maintaining the targeted risk budget. If market risk levels are elevated or if the portfolio’s forecast risk is too high, the strategy will hedge, via inverse ETPs, or utilize cash holdings in order to satisfy its risk budget.

### ***Concentrated Equity Opportunities***

The Concentrated Equity Opportunities (“CEO”) Strategy’s investment objective is to seek long-term growth of capital. The CEO Strategy attempts to achieve its investment objective by investing in a concentrated portfolio of equity securities, while attempting to find non-correlated positions with specific catalysts that offer a high expected return that also attempt to minimize potential losses. The equity securities in which the CEO Strategy may invest include common and preferred stock (including convertible preferred stock), partnership interests, business trust shares, interests in REITs, MLPs, warrants, and depository receipts. The CEO Strategy may invest in equity securities without regard to the jurisdictions in which the issuers of the securities are organized or situated and without regard to the market capitalizations or sectors of such issuers.

Ideas are generated through the review of companies' price momentum, valuations, profitability and competitive advantage. The CEO Strategy uses fundamental analysis to identify certain attractive characteristics of companies. Such characteristics may include: free cash flow margins; sensible capital allocation policies; strong competitive positions; solid balance sheets; stress-tested owners/managers; participation in stressed industries having reasonable prospects for recovery; potential for long-term growth; significant tangible assets in relation to enterprise values; high returns on invested equity and capital; and the production of essential services and products. Free Cash Flow is defined as the cash a company would generate annually from operations after all cash outlays necessary to maintain the business in its current condition.

The CEO Strategy may invest in "special situations" to achieve its objective. A special situation arises when the securities of a company are expected to appreciate within a reasonable time due to company-specific developments rather than general business conditions or movements of the market as a whole. Such developments and situations include liquidations, reorganizations, recapitalizations, mergers, spin-offs, management changes, and technological developments.

Although the CEO Strategy normally holds a concentrated portfolio of equity securities, the strategy is not required to be fully invested in such securities and may maintain a significant portion of its total assets in cash and securities generally considered to be cash equivalents, including U.S. Government securities, money market funds, and other quality money market instruments. The CEO Strategy may maintain a certain amount of cash or cash equivalents in a portfolio to take advantage of potentially new investment opportunities. Under adverse market conditions or when the CEO Strategy is unable to find sufficient investments meeting its criteria, cash and cash reserves may comprise a significant percentage of the CEO Strategy's total assets. However, when the CEO Strategy holds a significant portion of assets in cash and cash reserves, it may not meet its investment objective.

### ***Balanced***

Balanced accounts generally have an allocation to the Global Long/Short Core Equity Strategy and a Fixed Income Strategy as described below. However, a balanced strategy may include or have a separate allocation to the Global Multi-Strategy Income Strategy. Such accounts seek a balance between capital growth, capital preservation, and current income. The amount of Client assets allocated to fixed income securities is determined based upon each Client's unique return and risk objectives. Currently, BSC will only use fixed income ETFs for the portion of the portfolio to be allocated to fixed income and will not use bonds or debt securities.

## ***Fixed Income***

The fixed income strategy seeks to provide low-risk current income and limited capital appreciation utilizing an intermediate fixed income investment strategy. The strategy also seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the generally investment grade credit sector of (1) the United States Bond Market and the intermediate United States Treasury Market as defined by the Barclays Capital U.S. Intermediate Government/Credit Bond Index for taxable investments and (2) the U.S. Municipal Bond Market, as defined by the Barclays Capital U.S. Five Year Municipal Bond Index for tax-exempt investments.

The fixed income positions of the portfolio may be repositioned from time-to-time to adjust for certain interest rate scenarios based upon BSC's research and analysis of the yield curve. BSC uses research by select economists and/or market strategists for interest rate forecasts. Proprietary technical analysis (the use of price and volume patterns to forecast security price movements) is used to confirm any interest rate forecast before changes to the fixed income strategy security allocations are implemented.

As noted above, BSC provides investment advice on a discretionary basis. The basis for BSC's recommendation of a particular investment strategy is based upon information gathered while developing an investment policy for a Client, specifically information provided by a Client on an investor profile form ("Investor Profile Form"). The Investor Profile Form seeks to obtain information about the purpose of the account, a Client's primary investment objective, tolerance for risk, liquidity needs, age, occupation, income, net worth and other special considerations that would impact how a Client desires the account to be managed. BSC's investment professionals are responsible for making investment decisions with respect to an investment strategy, including the selection of securities to be held in a portfolio, subject to a Client's investment objectives and account restrictions. BSC may recommend a change in strategy should a Client communicate a change in their financial situation or investment objectives, or if a Client wishes to modify their investment objectives or account restrictions.

For each account, an agreement is signed between the Client and IPC that outlines the terms by which the Client's account is to be managed ("Investment Advisory Agreement"). Attached to the Investment Advisory Agreement is the Statement of Investment Policy, which is prepared based on responses to the Investor Profile Form and outlines the Client's investment objectives. On a quarterly basis, BSC provides a reminder to Clients to provide BSC with any information regarding significant changes to their financial condition and other information that may change their investment objectives. If a Client communicates a significant change in their investment policy or investment strategy, this information may require the completion of another Investor Profile Form and typically requires an update to the Client's Statement of Investment Policy.



Clients should promptly notify BSC when a Client's financial situation or investment objectives change or if a Client wants to modify their investment objectives and/or account restrictions at any time.

BSC or IPC or a Client may terminate the Investment Advisory Agreement upon 30 days' prior written notice. In addition, a Client has the right to terminate the agreement at no cost (excluding market fluctuations), upon written notice to BSC, any time within five business days after the date on which the Client signed the Investment Advisory Agreement. If the Investment Advisory Agreement is terminated either by BSC or the Client, a pro-rata fee from the date of termination through the end of the previous billing period will be billed.

BSC and IPC, and their various relationships, provide a broad range of financial services to Clients. In offering such services, IPC, BSC, its employees, officers and affiliates may give advice and take action in the performance of their duties to certain of their Clients which may differ from advice given, or the timing and nature of action taken, with respect to other advisory Clients' accounts.

In periods of market volatility, BSC may be unable to invest new money contributed to an account, or proceeds from the sale of securities, as quickly as it might have been able to do under normal market conditions. BSC may be unable to sell securities to raise cash, or to accommodate a terminating Client's request to sell securities, as quickly, or at favorable prices, as it might have been able to do under normal market conditions. Depending on market movements, such delays could have an adverse impact on Client accounts.

## **Client Investment Objectives and Restrictions**

As discussed above, prior to a Client retaining BSC to manage all or part of their financial assets, BSC conducts a careful review to determine the Client's objectives and risk tolerances. BSC then develops an investment plan or Statement of Investment Policy for the Client based upon the Client's investment goals, objectives and financial circumstances. Once the Client accepts the Statement of Investment Policy, the Client enters into the Investment Advisory Agreement. Under the Investment Advisory Agreement, BSC has full discretion in the management of the investments of a Client account and the Client authorizes BSC, without prior consultation with, or approval from, the Client, to invest and reinvest the assets of the Client's account. Client input is primarily limited to decisions about the targeted allocation to equity, fixed income and cash equivalents in the Client's portfolio and individual security restrictions. If a Client's financial situation or investment objectives change, Client should promptly notify BSC.

Both cash and securities may be used to fund accounts. However, it is the intent of BSC that all securities received to fund accounts be liquidated prior to, or simultaneous with, the purchase of securities for the account.

## **Wrap-Fee Programs**

The services provided by BSC are provided to Clients in a wrap-fee arrangement. In a wrap-fee arrangement, Clients pay a single fee for advisory, brokerage and custodial services.

### **Third Party Wrap-Fee and Model (“UMA”) Programs**

BSC has entered into agreements with wrap-fee and UMA program sponsors (collectively “Program Sponsors”). BSC either participates on a discretionary basis or in a sub-advisory relationship where the Program Sponsors provide investment supervisory services to its clients, including making recommendations concerning an investment adviser to render certain investment advice with respect to a client’s portfolio. The client either enters into an agreement with the Program Sponsors only or also enters into an agreement with BSC. In both situations, the Program Sponsors have a separate master agreement with BSC.

For wrap-fee program accounts, BSC may effect transactions through other broker-dealers that are not associated with a wrap-fee Program Sponsor, but it is expected that most of the transactions will be executed through the Program Sponsors’ broker-dealer because part of the Program Sponsors’ negotiated fee with the client includes brokerage commissions and trading costs. BSC manages the wrap-fee program accounts on a discretionary basis.

BSC receives a portion of the wrap-fee from the Program Sponsor as an investment adviser to these programs. In these relationships, BSC may not have direct contact with the underlying client, as BSC does with their direct accounts. BSC attempts to manage these accounts in the same manner as their direct accounts. The management styles offered by BSC to client participants in these wrap-fee programs may vary among the different programs.

For UMA program accounts, BSC provides a model to the Program Sponsors and the Program Sponsors effect transactions in the client accounts. UMA accounts are managed by BSC on a non-discretionary basis and BSC has no contact or information on the Program Sponsors’ clients whose accounts utilize BSC’s model recommendations.

## **Assets Under Management**

As of February 28, 2017, BSC is actively managing approximately \$52,124,000 of assets under management in discretionary assets. As of February 28, 2017, IPC’s total assets under management were approximately \$2,048,671,000 (comprised of approximately \$378,260,000 in discretionary assets and \$1,670,411,000 in non-discretionary assets).

## 5. FEES AND COMPENSATION

BSC's advisory fees are based on a percentage of assets under management. BSC reserves the right, in its sole discretion, to negotiate and charge different advisory fees for certain accounts based on factors such as the Client's particular needs, as well as overall financial condition, objectives, goals, risk tolerances, and other factors. Such other factors would be unique to the Client's particular circumstances such as pre-existing relationship(s), related accounts, amount of assets under management, or the anticipated level of transactions. BSC's fees are calculated on the total market value of a Client account, recorded in BSC's portfolio management/accounting system reports and reconciled with the Client custodian's reports on a daily basis, generally.

### Advisory Fees

#### *BSC Annual Fee Schedule:*

| <u>Market Value</u><br><u>Of Account</u> | <u>Client Fee</u> |
|--|-------------------|
| First \$ 250,000                         | <b>1.250%</b>     |
| Next \$ 250,000                          | <b>0.750%</b>     |
| Thereafter                               | <b>0.750%</b>     |

BSC, fees are generally negotiable on a case-by-case basis.

### Advisory Fees for Wrap-Fee Program Accounts

For accounts offered through wrap-fee programs, BSC's fee is determined by agreement between the wrap-fee Program Sponsor and BSC. Generally, the agreement between the wrap-fee Program Sponsor, or the Client, and BSC provides for BSC to offer continuous investment management advice to Clients based on the individual needs of each Client. BSC generally maintains exclusive investment discretion as to which securities shall be purchased or sold in a Client's account in a manner consistent with the Client's selected management style, investment objectives, policies and restrictions (if any) and the capabilities of the Client's selected custodian.

The annual fee paid by the Client to a wrap-fee Program Sponsor will typically range from 2% to 3% of the Client's assets under management. Under the agreement, the Program Sponsor usually pays BSC a monthly or quarterly fee for its investment advisory services. The fee is generally at an annual rate between 0.30%-1.25% of the assets BSC manages under the program depending on the size of the wrap-fee program, services performed by the Program Sponsor and the management style selected. These agreements may be terminated, generally, at the written request of the Client, the Program Sponsor or BSC. In the event of termination, the advisory fee will, if necessary, be pro-rated.

## **Model (UMA) Programs**

Fees paid by Program Sponsors of model programs may be less than fees paid by Program Sponsors of wrap-fee account programs due to the differing levels of services provided by BSC, including trading, tax sensitive trading, and other portfolio advice tailored to the specific objectives, risk tolerance and portfolio constraints of the clients of wrap-fee account programs. For model programs, BSC solely provides portfolio recommendations and does not execute transactions for the clients of such programs. These model programs are notified of recommendations to the portfolio in conjunction with BSC trading for the Program Sponsors that also follow the same model portfolio. The determination of which order the Program Sponsors will be notified/traded to reflect recommendations is randomized through a computer-generated program.

Under the agreement, the Program Sponsor usually pays BSC a monthly or quarterly fee for its model portfolio. The annual fee is generally between 0.30% - 0.75% of the assets BSC manages under the model portfolio program. The services provided by BSC to wrap-fee accounts, Managed Account Program accounts and Model Programs generally differ from services provided to other accounts, which are typically larger and/or engage BSC directly, in that BSC provides a higher degree of client service to its other accounts. For example, BSC generally has little, if any, contact with the clients of the foregoing programs.

## **Other Advisory Fee Arrangements**

BSC may also provide investment services to its and IPC's Employees and their family members without charging a fee or a reduced fee. Special circumstances may cause fees to vary from the above schedule. BSC may group multiple accounts of one Client relationship together for purposes of calculating the fee. Alternatively, BSC may not charge a fee to small accounts of a Client because of the fee the Client is paying on the total relationship. BSC may charge lower fees than those described above.

## **Deduction of Fees**

BSC's fees are billed either monthly or quarterly, depending on the type of Client or wrap-free program. Fees are generally based upon the market value of the assets under management without reduction for any margin debit and including accrued interest. Fees are charged in arrears. Fee practices may differ for certain wrap-fee programs.

Fees will be automatically debited from the account in accordance with the Client authorization as described in the BSC Investment Advisory Agreement. However, a Client may request that they be billed directly for the fees.

No fee adjustment will be made to a Client's fee schedule during any billing period for contributions or withdrawals, nor shall any adjustment or refund be made with respect to partial withdrawals or deposits by a Client during any billing period.

In the event an account does not maintain a sufficient cash or money market fund balance to cover BSC's fee, a Client may deposit additional funds (subject to certain restrictions for IRA and qualified retirement plan accounts) within five days, or the program sponsor or broker-dealer may, at its discretion, sell securities held in the account sufficient to cover fees.

## **Other Non-Advisory Fees and Expenses**

Clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by other managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

A Client's portfolio may include positions in mutual funds or exchange-traded products which also charge internal management fees and administrative fees and other expenses. Additionally, the cash that is in a Client's account awaiting investment may be placed in money market funds with management expenses and distribution fees which are paid under distribution plans adopted by the funds pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "1940 Act"). Any fee paid to BSC by a Client does not cover the management, distribution and other fees and expenses incurred by mutual funds, money market funds, unit trusts, exchange-traded products or closed-end funds held in a Client's account. These fees are described in each of the respective investment product's prospectus and statements of additional information, which are paid to the fund's investment advisers and other service providers, but ultimately are borne by all shareholders. When BSC invests Client assets in funds, the Client will bear its proportionate share of fees and expenses as a shareholder in the fund in addition to BSC's advisory fee.

Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by BSC. In a wrap-fee arrangement, Clients pay a single fee for advisory, brokerage and custodial services. Clients' portfolio transactions may be executed without commission charge in a wrap-fee arrangement. In evaluating such an arrangement, the Client should also consider, the level of the wrap-fee charged by a wrap-fee Program Sponsor, the level of activity (trading volume or frequency) in a Client account, the value of custodial and other services under a wrap-fee program, and the associated costs of trading. A wrap-fee Client should consider whether the wrap-fee charged is more or less than the aggregate cost of such services if they were to be provided separately and BSC were free to consider trading with non-wrap-fee program broker-dealers. A Client should also recognize the brokerage transactions are made "net" of commissions (i.e., without commissions) and a portion of the wrap-fee is generally considered as being in lieu of commissions. Similarly, a Client in a separate account paying separate fees should consider whether the fees charged by different parties for custody, advisory services, portfolio management services, securities execution and other services would exceed the aggregate cost of such services if they were provided in a wrap-fee arrangement.

In wrap-fee programs that permit BSC to trade away from the wrap-fee Program Sponsor or its broker-dealer affiliate when such sponsor or its affiliate cannot provide best price or execution under the circumstances, BSC may trade away from such parties. In such cases,

Clients may incur transaction and other costs and fees in addition to the wrap-fee. Wrap-fee Clients in fixed income strategies generally incur mark-ups and mark-downs in securities transactions in addition to the wrap-fee payable to the wrap-fee Program Sponsor. Additional information about BSC's brokerage practices and brokerage costs can be found under Item 12.

Wrap-fee program Clients should review all the materials related to their program (including the program brochure) regarding the program's terms, conditions and fees, and consider the advantages, disadvantages and overall appropriateness of the program in light of the Client's particular circumstances.

## **Compensation for the Sale of Securities**

IPC employees do not receive compensation for the sale of securities in wrap-fee program accounts. Many IPC employees who offer advisory services are also registered securities representatives of a broker-dealer, Managed Account Services, LLC ("MAS"), with which IPC has entered into an agreement to execute Client transactions. Such employees may execute trades for Clients who also participate in IPC's wrap-fee programs or other advisory programs, including BSC, but they do not receive separate compensation for the execution of these trades. IPC anticipates that most trades will be placed through certain broker-dealers because of their trading execution capabilities or because a wrap-fee program paid by Clients covers trade charges only when trades are executed through these broker-dealers or their agents. See Item 12.

Clients have the option to purchase BSC and IPC's investment advisory services through other brokers besides MAS.

## **6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

BSC does not charge any performance-based fees, which are fees based upon a share of the capital gains on, or capital appreciation of, the assets in a Client's account. As a result, BSC does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, BSC provides investment management services based upon a percentage of assets under management. However, accounts that are managed in the same style (*e.g.*) may not be managed the same way due to the Client's overall investment objective, discretion of BSC, asset size and account restrictions.



## **7. TYPES OF CLIENTS**

BSC provides advisory services to a wide variety of individual and institutional clients, including, but not limited to, pension funds, high-net worth individuals, corporations, trusts, nonprofit organizations, endowments, foundations and wrap-free program clients.

BSC has been retained as an investment manager under a number of “wrap-fee” arrangements by Program Sponsors. Under such wrap-fee arrangements, Program Sponsors may recommend that a Client retain BSC as an investment adviser, pay investment advisory fees on behalf of the Client, monitor and evaluate BSC’s performance, execute the Client’s portfolio transaction without commission charges, and provide custodial services for the Client’s assets, all for a single fee paid by the Client to the Program Sponsor. Generally, the Client under a wrap-fee arrangement enters into an investment advisory agreement with the Program Sponsor and BSC enters into a sub-advisory agreement with the Program Sponsor. In some instances, the Client under a wrap-fee arrangement enters into an investment management agreement directly with BSC and a separate agreement with the Program Sponsor.

BSC relies on the Program Sponsor’s information on the prospective Client in determining the suitability of the investment style selected by the wrap-fee program Client. This information may come from, among other things, a personal interview with the Client and a written questionnaire completed by the Client that provides certain financial and other relevant data including the Client’s investment objectives, risk tolerance and investment restrictions, if any. Once the account has been established, BSC may communicate directly with the Client.

Generally, the minimum initial account size managed by BSC is \$200,000, although wrap-fee program sponsors may have lower minimums. Although BSC’s general business practice is not to terminate accounts based on reduction in account value, BSC reserves the right to terminate an account that drops below the required minimum. Specific minimum investments and account sizes may vary by wrap-fee program.

BSC also offers investment advisory services to Program Sponsors in the form of model portfolios based on one or more of its investment strategies. Program Sponsors utilize the model portfolios to provide investment services to their clients in the same manner as the wrap-fee arrangements described above.

## **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Investment analysis is conducted and strategies are implemented by the BSC Investment Strategy Committee for the investment strategies. BSC manages a Global Long/Short Core Equity, Global Multi-Strategy Income and Fixed Income investment strategies.

## **Global Long/Short Core Equity**

BSC's Global Long/Shore Core Equity Strategy employs two primary methods of analysis. First, BSC uses a top-down approach that examines global macroeconomic data and technical market security data. The second method focuses on individual security selection for the Client portfolios.

The top-down macroeconomic analysis consists of reviewing the broad business conditions and market cycles in an attempt to determine target market exposure. To implement hedges to reduce market exposure, BSC increases the cash allocation and/or purchases inverse ETFs, which have the effect of reducing total long exposure.

BSC also applies technical analysis to multiple asset classes and markets to assist in the timing of the implementation of investment decisions that lead to portfolio changes.

The BSC security selection process uses a discounted free cash flow model to determine the valuation of stocks. BSC attempts to purchase securities when they are below their fair value estimate and sell when they are at or above their fair value estimate. Attractively valued securities are then screened based upon fundamental characteristics to determine a security's style alignment (i.e., growth or value) for proper representation in a portfolio based upon BSC's top-down macroeconomic analysis.

In some situations, a global investment theme may be implemented using ETFs. This may occur when BSC, through its research, does not find sufficient individual stock opportunities that meet their criteria as good candidates to implement the global macro investment theme. Additionally, this process is supplemented with the use of technical analysis to assist in the timing of purchase and sell decisions.

When the portfolio management team has a neutral outlook on the global equity market, the portfolio typically maintains a 60% exposure to broad equity market movements. This exposure is increased and decreased as warranted by the portfolio management team's interpretation of current market conditions. Oftentimes, broad market or sector ETFs may be purchased as temporary allocations until individual stock opportunities present themselves. At times, ETFs or exchange-traded notes ("ETNs") that track the performance of commodities or currencies may be used. There is the risk that BSC's hedging (or market timing) may be untimely, as the portfolio is hedged when markets go up, or not, when markets go down, thus resulting in portfolio values that are less than what they may have been otherwise. BSC may also invest in real estate investment trusts.

## **Fixed Income**

Fixed income allocations are managed based entirely on the top-down approach described above and implemented with fixed income ETPs. Fixed income allocations generally are intermediate in term structure and generally investment grade. Adjustments to duration and credit quality are made based on the top-down analysis approach.



The fixed income strategy seeks to provide low-risk current income and limited capital appreciation utilizing an intermediate fixed income investment strategy. The strategy also seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the generally investment grade credit sector of (1) the United States Bond Market and the intermediate United States Treasury Market as defined by the Barclays Capital U.S. Intermediate Government/Credit Bond Index for taxable investments and (2) the U.S. Municipal Bond Market, as defined by the Barclays Capital U.S. Five Year Municipal Bond Index for tax-exempt investments.

The fixed income positions of the portfolio may be repositioned from time-to-time to adjust for certain interest rate scenarios based upon BSC's research and analysis of the yield curve. BSC uses research by select economists and/or market strategists for interest rate forecasts. Proprietary technical analysis (the use of price and volume patterns to forecast security price movements) is used to confirm any interest rate forecast before changes to the fixed income strategy security allocations are implemented.

## **Global Multi-Strategy Income**

The Global Multi-Strategy Income Portfolio employs a multi-disciplinary approach to investing utilizing macro, fundamental, technical and quantitative considerations. The strategy seeks to be style neutral in its decision-making while pursuing high-yield return opportunities that are attractive on a risk-adjusted basis. The portfolio management team initiates its view with a top-down macro assessment of the income landscape by assessing each of its key asset categories across an integrated framework. The macro assessment includes an analysis of credit items such as absolute yield levels, interest rate risk, curve analysis, credit and spread risk; as well as equity specific items such as the equity risk premium, earnings growth estimates and dividend growth and coverage ratios.

Additionally, an assessment may include an integrated cross-asset class analysis reviewing inter-market relationships such as stock/bond, stock/mortgage, stock/bank loan or bond/REIT, bond/MLP etc., as well as a review of economic, political or regulatory considerations. The macro lens will also analyze opportunities across the capital structure and look for potential mispricing within such a framework.

The fundamental assessment involves an ongoing review and analysis of each of the investment opportunities available at a security level. Factors examined to determine initial portfolio positioning includes what securities constitute "core holdings", maximum exposures, sector and regional exposures, duration, expected yield, issuer quality and other qualitative characteristics that are important in choosing an exchange-traded product.

The technical analysis includes a review of price action, sentiment, trade volume behavior, tracking error versus the underlying and specific measures of trading liquidity.

Quantitative metrics include multi-asset class return forecasts across short-, medium- and long-term time frames, as well as many aspects of the risk management function. Key

metrics within the risk management function include past performance analysis, variance, drawdown, asset class and security covariance and ongoing assessment of changes in trend or behavior across correlations and relative price movements such as beta or tracking error versus key asset classes.

In summary, a broad multi-factor process ensures that the strategy does not rely on a narrow group of explanatory variables for market behavior, but rather the process relies on the “weight of evidence” to prevail within its investment decision-making framework.

The asset classes targeted are generally income producing and a typical portfolio contains a minimum of 4 and a maximum of 11 different asset classes. Each asset class may represent a maximum of 25% of the portfolio. The hedge ratio typically ranges between 0% to 30% and cash allocations range from 0% to 30%. Foreign currency exposure typically will not exceed 50%.

## **Concentrated Equity Opportunities**

The Concentrated Equity Opportunities Strategy will rely primarily on deep-dive, bottoms-up microeconomic analysis, at the company level, to assess investment opportunities. The strategy will rely on proprietary multi-factor models and security screening models to help identify potential investment securities. Selected securities will then be subjected to rigorous analysis of potential risks and various upside and downside catalysts.

Fundamental analysis is used to identify certain attractive characteristics of companies. Such characteristics may include: high levels of Free Cash Flow; strong management teams; consistent, investor-friendly capital allocation policies; robust balance sheets, with attractive ratios of cash flow to debt service requirements; participation in recently challenged industries that present reasonable prospects for cyclical recovery; potential for long-term growth; significant tangible assets in relation to enterprise values; high returns on invested equity and capital; high operating margins; a strong business competitive moat; long-term market pricing power for the company’s goods and/or service; and the production of essential services and products. Free Cash Flow is defined as the cash a company would generate annually from operations after all cash outlays necessary to maintain the business, as a going concern.

The CEO Strategy’s preference is to own a core group of quality securities available at a discount to estimated intrinsic value. The strategy seeks to find securities which offer the opportunity of long-term compounded gains, while also providing a quantifiable margin of safety. These investments will be monitored via a multi-factor model and potentially reviewed if deemed to be at risk. Additionally, investments would be reviewed upon reaching fair value targets or sold if superior investment opportunities are found.

All new investment opportunities will be evaluated in the context of their historical correlations to the existing portfolio in an effort to reduce risk. The microeconomic analysis used in security selection will also be complimented by the macroeconomic capabilities of

the BSC investment team, in both to assess macroeconomic risks and opportunities, as well as in the investment review/candidate for sale selection process.

To help offset the concentration risk, investments will be designed to capitalize on the alpha of the differentiated investment thesis (i.e., security specific catalysts), rather than on market beta. Examples of CEO investment catalysts and opportunities include, but are not limited to; spin-offs, turn-around investments, deleveraging situations, merger and acquisition take-out candidates, reorganizations, dividend changes, misunderstood product launches, company-specific cyclical opportunities, roll-ups, management change, industry consolidation plays, disruptive technology opportunities, secular change opportunities, etc.

In the event the portfolio manager believes that there are not adequate investment opportunities available, the Concentrated Equity Opportunities Strategy would be able to hold a significant amount of cash. It is the belief of the portfolio manager that the investment set of available opportunities should not only include securities available today at current prices but also the securities that are available in the future at future prices. The Concentrated Equity Opportunities Strategy portfolio manager will, in that way, view the available investment opportunity set along a time continuum to take advantage of differences of security prices over time, as the market conditions change.

Additionally, the Concentrated Equity Opportunities will seek to be geographically opportunistic by investing in liquid foreign securities (primarily U.S. Traded ADRs). Under normal market conditions, the CEO Strategy would preferentially invest the majority of its investments in U.S. based companies. However, in the event that few U.S.-based investment opportunities were available for a protracted period, the CEO Strategy could opportunistically seek a greater proportion of its concentrated portfolio in foreign ADRs.

## **Balanced**

Balanced accounts generally have an allocation to the Global Long/Short Core Equity Strategy and a Fixed Income Strategy as described below. However, a balanced strategy may include or have a separate allocation to the Global Multi-Strategy Income Strategy. Such accounts seek a balance between capital growth, capital preservation, and current income. The amount of Client assets allocated to fixed income securities is determined based upon each Client's unique return and risk objectives. Currently, BSC will only use fixed income ETFs for the portion of the portfolio to be allocated to fixed income and will not use bonds or debt securities.

## **Risk Information**

All investments are subject to inherent risks, and accordingly, you may lose money by investing in a strategy as investments will fluctuate, reflecting day-to-day changes in market conditions, interest rates, and numerous other factors that cause markets to fluctuate which may cause your portfolio to decline over short- or long-term periods.

Risk may be defined as the chance that an investment's or investment strategy's actual return will be different than expected. Risk includes the possibility of losing some or all of the original investment. A fundamental idea in finance is the relationship between risk and return. The greater the amount of risk that an investor is willing to take on, the greater the potential return. The reason for this is that investors need to be compensated for taking on additional risk.

**Market risk** is defined as the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices, and other relevant market rate or price changes (e.g., equity prices). The price of a stock, bond or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.

There can be no assurance that any investment, investment strategy or the investment asset allocation selected will be profitable or successful in achieving its investment objectives. Clients should understand the primary risk of investing in securities involves a loss of capital and should be prepared to bear such a loss. Investment in securities comes with inherent risks in exchange for a return on that investment. In general, an investor may lose all or a portion of their principal and experience volatility in the value of that principal over time for various reasons as outlined below. This list is representative of many risks and is not necessarily a complete indication of all the risks a Client may assume.

### ***1. Fixed Income Securities (Bonds)***

Fixed income securities are debt obligations of the issuer. The market value (price) of those obligations can vary over time for various reasons such as those listed below:

- a. **Fixed Income Securities:** An investment strategy that invests in fixed income securities includes corporate bonds, government bonds, municipal bonds, other debt instruments, and ETFs and mutual funds that invest in these securities. Issuers generally pay a fixed, variable or floating interest rate and must also repay the amount borrowed at maturity. Some debt instruments, such as zero-coupon bonds, do not pay current interest, but are sold at a discount from their face value. Prices of fixed income securities generally decline when interest rates rise and rise when interest rates fall.

Investment strategies that invest in U.S. Government securities include securities issued or guaranteed by the U.S. Treasury, issued by a U.S. Government agency, or issued by a Government-Sponsored Enterprise ("GSE"). U.S. Treasury securities include direct obligations of the U.S. Treasury (i.e., Treasury bills, notes and bonds). Securities issued by a U.S. Government agency are backed by the full faith and credit of the U.S. Government or guaranteed by the U.S. Treasury (such as securities of the Government National Mortgage Association ("GNMA" or "Ginnie Mae")). GSE securities are issued by certain federally-chartered but privately-owned corporations, but are neither direct obligations of, nor backed by the full faith and credit of, the U.S.

Government. GSE securities include: bonds issued by Federal Home Loan Banks (“FHLB”), Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”) and the Federal National Mortgage Association (“FNMA” or “Fannie Mae”).

- b. **Duration Risk:** Duration is a measure of sensitivity of the change in market value to a given change in interest rates over time. Longer duration bonds, which typically have longer maturities, have more sensitivity to interest rate changes than short duration bonds. Additionally, longer-term debt and zero-coupon bonds are more sensitive to interest rate changes than debt instruments with shorter maturities.
- c. **Convertible Security Risk:** Securities that may be converted into other securities may be subject to the market risks of equity securities, the risks of debt securities, and other risks. The market value of securities tends to decline as interest rates increase. Their value also tends to change whenever the market values of underlying securities fluctuate.
- d. **Credit Risk:** Fixed income securities are also subject to credit risk, which is the chance that an issuer will fail to pay interest and/or principal on time. Many fixed income securities receive credit ratings from Nationally Recognized Statistical Rating Organizations (“NRSROs”). These NRSROs assign ratings to securities by assessing the likelihood of issuer default. Changes in the credit strength of an issuer may reduce the credit rating of its debt investments and may affect their value. High-quality debt instruments are rated at least AA or its equivalent by any NRSRO or are unrated debt instruments of equivalent quality. Issuers of high-grade debt instruments are considered to have a very strong capacity to pay principal and interest. Investment-grade debt instruments are rated at least Baa or its equivalent by any NRSRO or are unrated debt instruments of equivalent quality. Baa-rated securities are considered to have adequate capacity to pay principal and interest, although they also have speculative characteristics. Lower-rated debt securities tend to pay higher interest and are more likely to be adversely affected by changes in economic conditions than higher-rated debt securities.

An issuer suffering an adverse change in its financial condition could cause a lowering of the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security’s liquidity, making it more difficult to sell. Investment strategies investing in lower quality debt securities, although generally having a higher yield, are more susceptible to these problems and their value may be more volatile.

**Non-Investment Grade Debt Risk:** Credit risk is more pronounced for investments in fixed-income securities that are rated below Investment Grade or which are of comparable quality. The risk of default may be greater and the market for these securities may be less active, making it more difficult to sell the securities at reasonable prices, and also making valuation of the securities more difficult.

**Additional Risks Associated with Municipal Securities:** Income from municipal bonds could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. Certain municipal bonds may generate income that is subject to the alternative minimum tax.

## **2. *Equity Securities (Stocks)***

Stocks generally represent an ownership share in a company. The market value (price) of equity securities can vary over time for various reasons such as those listed below:

- a. **Equity Securities Risk:** Equity securities include common stocks and preferred stocks, as well as convertible securities and mutual funds and ETFs that invest in equity securities. Equity markets can be volatile. Stock prices rise and fall based on changes in an individual company's financial condition and overall market conditions. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.
- b. **Loss of Capital:** An owner of stock can lose some or all of their investment.
- c. **Risk Related to Company Size:** Investment strategies that include investing in mid, small and micro capitalization companies generally involves greater risks than investment strategies investing in larger, more established companies, and possibly have a higher probability of experiencing a loss of principal in exchange for potentially higher growth. The market may value companies according to size or market capitalization rather than financial performance. As a result, if mid-cap, small-cap or micro-cap investing is out of favor, these holdings may decline in price, even though their fundamentals are sound. They may be more difficult to buy and sell, subject to greater business risks and more sensitive to market changes than larger capitalization securities. However, the pattern of their volatility may be different than those of larger stocks; and, therefore, may have diversification benefits, possibly reducing the overall portfolio volatility.
- d. **Foreign Securities Risk:** Investments in foreign securities involve certain risks that differ from the risks of investing in domestic securities. Adverse political, economic, social or other conditions in a foreign country may make the securities of that country difficult or impossible to sell. It is more difficult to obtain reliable information about some foreign securities. The costs of investing in some foreign markets may be higher than investing in domestic markets.
  - However, some of this investment risk may be reduced by investing in foreign securities typically through ADRs. ADRs are certificates deposited with a U.S. bank that represent the right to own a foreign security. Since ADRs are traded in U.S. markets and the issuers are subject to the same auditing, accounting and financial reporting standards



as domestic securities, owning ADRs has advantages over owning other foreign securities.

- Other risks an investor should be aware of when selecting an investment strategy that invests in foreign or international securities are:
  - i. **Currency Risk** – the risk that the U.S. Dollar's exchange rate versus other currencies may change, thus increasing or decreasing the value of the stock once exchanged back into U.S. Dollars.
  - ii. **Political or Sovereign Risk** – Countries outside the U.S. have different legal, economic and political structures that can affect the value of investments in those countries.
  - iii. **Emerging Markets** – Investment strategies that invest in emerging international markets may experience additional risks beyond those listed above. Emerging markets may have less developed legal, economic and political structures that are in the process of emerging, and, therefore, may experience additional volatility beyond that of more economically developed countries.

Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been, and may continue to be, affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been, and may continue to be, affected adversely by economic conditions in the countries in which they trade. Because of the special risks associated with investing in Emerging Markets, investments in such securities should be considered speculative. Investors in such strategies are advised to consider carefully the special risks of investing in emerging market securities.

The risk also exists that an emergency situation may arise in one or more developing markets, as a result of which trading of securities may cease or may be substantially curtailed and prices for an investment strategy's securities in such markets may not be readily available. Investors should note that changes in the political climate in Emerging Markets may result in significant shifts in the attitude to the taxation of foreign investors. Such changes may result in changes to legislation, the interpretation of legislation, or the granting to foreign investors the benefit of tax exemptions or international tax treaties. The effect of such changes can be retrospective and can (if they occur) have an adverse impact on the investment return of the investment strategy.

- e. **Concentration Risk and Non-Diversification Risk:** A strategy is considered to be “non-diversified,” which means that the strategy can invest a greater percentage of its assets in the securities of fewer issuers than a diversified portfolio. The strategy may also have a greater percentage of its assets invested in particular industries than a diversified portfolio, exposing the portfolio to the risk of unanticipated industry conditions, as well as risks particular to a single company or the securities of a single company. Additionally, a non-diversified portfolio generally is more volatile, and the portfolio may have a greater risk of loss if the portfolio redeems shares during a period of high volatility. Lack of broad diversification also may cause the portfolio to be more susceptible to economic, political, regulatory, liquidity or other events than a diversified portfolio.
- f. **Special Situation Risk:** Investments in special situations may involve greater risks when compared to other strategies due to a variety of factors. Mergers, reorganizations, liquidations or recapitalizations may not be completed on the terms originally contemplated, or may fail. Expected developments may not occur in a timely manner, or at all. Transactions may take longer than originally anticipated, resulting in lower annualized returns than contemplated at the time of investment. Furthermore, failure to anticipate changes in the circumstances affecting these types of investments may result in permanent loss of capital.

### 3. *REITs*

- a. REITs are entities that invest in different kinds of real estate or real estate related assets, including shopping centers, office buildings, hotels, and mortgages secured by real estate. There are three types of REITs:
  - Equity REITs, the most common type of REIT, invest in or own real estate and potentially make money for investors from rents they collect as well as from price appreciation;
  - Mortgage REITs lend money to owners and developers or invest in financial instruments secured by mortgages on real estate; and
  - Hybrid REITs are a combination of equity and mortgage REITs.

The Internal Revenue Code lists the conditions a company must meet to qualify as a REIT. For example, the company must pay 90% of its taxable income to shareholders every year. It must also invest at least 75% of its total assets in real estate and generate 75% or more of its gross income from investments in, or mortgages on, real property.

Investing in real estate and REITs involves special risks, such as: limited liquidity, changes in tax laws, tenant turnover or defaults, competition, casualty losses and use of leverage. Real estate values may fluctuate based on economic and other factors.



REITs are dependent upon management skills and are not diversified. When interest rates decline, the value of a REITs investment in fixed-rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REITs investment in fixed-rate obligations can be expected to decline. Mortgage REITs may be affected by the quality of any credit extended to them. An investment in real estate or REITs may not be suitable for all investors, and there are no assurances that the investment objectives of any real estate program or strategy will be attained.

#### **4. *Exchange-Traded Products***

- a. **Exchange-Traded Products (“ETPs”)** are a type of security that is derivatively-priced and which trades intra-day on a national securities exchange. Derivatively-priced ETPs means the value is derived from other investment instruments such as a commodity, currency, share price or interest rate. Generally, Exchange-Traded Products are benchmarked to stocks, commodities, indices or they can be actively managed funds. Exchange-Traded Products include Exchange-Traded Funds (“ETFs”), Exchange-Traded Vehicles (“ETVs”), Exchange Traded Notes (“ETNs”) and certificates.
- b. **Exchange-Traded Funds (“ETFs”) Risk:** ETFs are open-end investment companies, unit investment trusts or depository receipts that may hold portfolios of bonds, stocks, commodities and/or currencies that are commonly designed, before expenses, to closely track the performance and/or yield of (i) a specific index, (ii) a basket of securities, commodities or currencies, or (iii) a particular commodity or currency. The types of indices sought to be replicated by ETFs most often include domestic equity indices, fixed income indices, sector indices and foreign or international indices. ETF shares are traded on exchanges and are traded and priced throughout the trading day. ETFs permit an investor to purchase a selling interest in a portfolio of stocks throughout the trading day. Because ETFs trade on an exchange, they may not trade at net asset value (“NAV”), which is the value of the underlying securities after expenses. Sometimes, the prices of ETFs may vary significantly from the NAVs of the ETFs’ underlying securities. Additionally, if an investor decides to redeem ETF shares rather than selling them on a secondary market, the investor may receive the underlying securities which must be sold in order to obtain cash.

Investment style risk is the chance that returns from ETFs that represent large-capitalization stocks will trail returns from the overall stock market. ETFs, as well as large-cap stocks, tend to go through cycles of doing better – or worse – than other segments of the stock market or the stock market in general. These periods have, in the past, lasted for as long as several years.

Because ETF Shares are traded on an exchange, they are subject to additional risks:

- S&P 500 ETF Shares as listed for trading on NYSE Arca (New York Stock Exchange Archipelago Exchange – an exchange on which both stocks and options are traded). ETF Shares are bought and sold on the

secondary market at market prices. As discussed above, the NAV may differ from the market price. Thus, one may pay more or less than NAV when one buys S&P 500 ETF Shares on the secondary market, and may receive more or less than NAV when those shares are sold.

- Although S&P 500 ETF Shares are listed for trading on NYSE Arca, it is possible that an active trading market may not be maintained.
- Trading of S&P 500 ETF Shares on NYSE Arca may be halted by the activation of individual or market-wide “circuit breakers” (which halt trading for a specific period of time when the price of a security or overall market price decline by a specified percentage). Trading of S&P 500 ETF Shares may also be halted if:
  - The shares are delisted from NYSE Arca without first being listed on another exchange; or
  - NYSE Arca officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

Also, ETFs consisting of bonds and bond funds will generally decrease in value as interest rates rise. ETFs and Exchange-Traded Notes (“ETNs”), particularly those consisting of commodities exhibit their own unique potential risk as these markets have historically been extremely volatile. For example, an ETN’s indicative price is calculated by the issuer and could differ “sometimes significantly” from the market value. Inverse ETF funds should lose money when their benchmark indexes rise – a result that is opposite from traditional mutual funds.

Inverse ETF funds also entail certain risks, including inverse correlation, leverage, market price variance and short sales risks. Generally, such an exchange-traded fund (ETF) is constructed by using various derivatives for the purpose of profiting from a decline in the value of an underlying benchmark. Investing in these ETFs is similar to holding various short positions, or using a combination of advanced investment strategies to profit from falling prices. Inverse ETFs are also known as a “Short ETF” or “Bear ETF.” One advantage is that these ETFs do not require the investor to hold a margin account as would be the case for investors looking to enter into short positions. As part of the strategies described above, BSC will use inverse ETFs as part of its hedging strategy dependent upon BSC’s view of the markets. See Item 8 above for more information on the BSC investment strategy.

## ***5. Master Limited Partnerships***

Master Limited Partnerships is an ownership unit in a publicly traded limited partnership or master limited partnership (“MLP”). This trust gives the unit holder a stake in the income generated by the partnership company. An MLP often distributes

all available cash flow from operations to unit holders after the deduction of maintenance capital.

Partnership units are beneficial to investors because the MLP allows the company's cash distributions to circumvent the double taxation that would normally be imposed, which generally means greater distributions for partnership unit holders. In an MLP, the cash distributions of the company are taxed only at the unit holder level and not at a corporate level. Another benefit of this type of investment is that because the units are publicly traded, there is much more liquidity for investors compared to a traditional partnership.

MLPs do present some risk. For example, MLP returns can be impacted if there is a slide in the commodity or underlying business that supports the MLP. This means that MLPs go up and down with the market and with commodity prices. MLPs don't always offer the same easy liquidity prominent with stocks, mutual funds, and exchange-traded funds.

#### ***6. Political, Economic and Regulatory Risk***

Changes in economic and tax policies, high inflation rates, government instability, war or other political or economic actions or factors may have an adverse effect on a strategy's investments. Governmental and regulatory actions, including tax law changes, may have unexpected or adverse consequences on particular markets, strategies, or investments. Legislation or regulation may also change the way in which the strategy itself is regulated. The Investment Manager cannot predict the effects of any new governmental regulation that may be implemented on the ability of the strategy to invest in certain assets, or affect the Investment Manager's ability to access financial markets, and there can be no assurance that any new governmental regulation will not adversely affect the a strategy's ability to achieve its investment objective.

#### ***7. Management Risk***

Management Risk is the risk the strategy may not fully replicate the underlying index. It is subject to the risk that IPC's investment management strategy may not produce the intended results.

### **9. DISCIPLINARY INFORMATION**

Neither BSC nor IPC has any legal or disciplinary events that are material to a Client's or prospective client's evaluation of their advisory business or the integrity of their management.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Certain management persons of BSC are registered, or have an application pending to register as registered representatives and associated persons of a broker-dealer.

## **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

IPC has adopted a code of ethics, in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 (“Code of Ethics”). The Code of Ethics sets forth the rules for business conduct and personal investing activities of IPC’s employees. The Code of Ethics, among other things, sets ethical standards and requires compliance with the securities laws, safeguards material, nonpublic information about Clients’ transactions and portfolio holdings, and requires initial and annual reports of securities holdings for access persons.

A copy of the Code of Ethics may be obtained by a Client or prospective client upon request in writing to: Independent Portfolio Consultants, Inc., Attention: Compliance, 5002 T-Rex Avenue – Suite 225, Boca Raton, FL 33431.

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

IPC’s employees and officers may maintain positions in, or buy or sell the same securities or related options as Clients buy or sell. In cases such as this, employees and officers of IPC would have an interest in the success of a security that may be recommended to, owned by, sold for or purchased for a Client.

Employee trades are reviewed, so that no employee’s trade execution receives a better execution price than a Client’s for the same security traded on the same day in a BSC account. IPC employees are not permitted to buy or sell any securities that are included on an “IPC Restricted Security List” (security trades placed by IPC acting in the capacity of a portfolio manager) for a 24 hour period. However, this restriction does not apply to employee accounts under contract with, and managed by, a professional investment manager. IPC will distribute the “IPC Restricted Security List” daily via an office-wide e-mail prior to trading securities for a BSC managed investment account. The time stamp and date on the e-mail begins the 24 hour restriction. Employee trades will be reviewed at least monthly and, if an employee traded a security on the “IPC Restricted Security List,” the employee trade may, on a case-by-case basis, be busted to an error account, except as noted above. The intent of such a restriction and corrective action is to avoid potential conflicts of interest that may arise in the trading activities on behalf of Clients.

BSC’s policy is to not engage in principal or agency cross-transactions.

## **12. BROKERAGE PRACTICES**

Generally, BSC has the authority to determine the securities which are bought and sold in a Client's account and the amount of securities to be bought or sold. For separate account Clients, BSC has the authority to determine the broker dealer to be used and the brokerage commissions, dealer spreads (for fixed income securities) and other fees to be paid. For wrap-fee program Clients, BSC is generally free to consider the trading capability of and use broker-dealers other than that broker-dealer associated with the wrap-fee program sponsor, if BSC believes that it can achieve best execution through such other broker-dealers. However, BSC anticipates that most trades for wrap-fee program Clients will be placed with the program sponsor or its broker-dealer affiliate because of their execution capabilities and because the wrap-fee paid by Clients includes costs of trading.

For securities invested for a Client's account, BSC, as a matter of policy seeks to obtain best execution for Client transactions, *i.e.*, seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. Best execution means not only seeking to achieve the best price but also the consideration of many factors, such as the characteristics of specific trades, the stock being traded, specific needs of BSC Clients, conditions in the market at the time the order is placed and the overall efficiency of market structure. When choosing broker-dealers, BSC will also consider execution capability, commission rate, the likelihood of price improvement, the speed of execution and likelihood of execution for limited orders, the ability to minimize market impact, the maintenance of confidentiality orders, and responsiveness of broker-dealers. In addition, for wrap-fee program accounts, BSC takes into account the fact that the Client's fees include the cost of trades executed with the wrap-fee Program Sponsor or its broker-dealer affiliate.

IPC's policy is to not accept an advisory Client's instructions for directing a Client's brokerage transactions to a particular broker-dealer.

Also, as a matter of policy, IPC does not have any formal or informal arrangements or commitments to use research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

### **Trade Aggregation and Allocation**

The aggregation or blocking of Client transactions allows BSC to execute transactions in a more timely, equitable and efficient manner. Blocking is done in an attempt to achieve a better overall price execution for a Client.

As a matter of policy, IPC's allocation procedures must be fair and equitable to all Clients, with no particular group or Client(s) being favored or disfavored over any other Clients. IPC's policy prohibits allocation of trades in a manner that favors IPC's proprietary accounts or any particular Client(s) or group of Clients.

IPC's policy with respect to the allocation and aggregation of trades is as follows: for Client accounts managed by BSC on a discretionary basis, IPC may aggregate Client trades,

provided that the following conditions are met: (1) IPC will not aggregate transactions, unless it believes that aggregation is consistent with its duty to seek best execution for its Clients; (2) no advisory Client will be favored over any other Client; (3) each Client that participates in an aggregated order will participate at the average share price for a given order, in a given security, on a given business day, and (4) if the aggregated order is not filled in its entirety, it will be allocated proportionately to receive the same allocation as the proportion of the total pre-trade allocation at the average price. For remaining portions that are filled on the following business day, Clients will receive the same allocation as the proportion of the total pre-trade allocation at the average price of the business day.

In evaluating the wrap-fee arrangement for third party wrap-fee Program Sponsors, a Client should recognize that brokerage commissions for the execution of transactions in the Client's account are generally not negotiated by BSC. Transactions are generally effected "net of" (i.e., without) commissions. A portion of the wrap-fee is generally considered as being in lieu of brokerage commissions. BSC will generally execute transactions for wrap-fee clients through the Program Sponsor. It has been BSC's experience that Program Sponsors generally provide best execution for wrap-fee program clients' transactions in equity listed securities and over-the-counter securities. Considerations in selecting broker-dealers other than the Program Sponsor (if and when the need should arise) include the ability of the Program Sponsor to provide best execution on equity and fixed income transactions. In addition to selecting broker-dealers other than the Program Sponsor, from time to time BSC may execute transactions for wrap-fee Clients on a "step-out" basis in order to seek to achieve best execution. In such cases, the commission would be included in the wrap-fee paid by the Client.

Consistent with the Manager's fiduciary obligation, the Manager may decide to trade away from MAS or PAS in certain circumstances when the Manager expects that the net cost to the Client (including all commissions and mark up and mark downs) will be lower than it otherwise would have been. Trading away (also known as "stepping out") entails the use of a broker other than MAS or PAS to execute the trade. Managers use trade away transactions in an effort to achieve the best net realized price when trading large blocks. Wrap-fee program accounts can benefit from these trade away transactions because the Manager or Sub-Adviser maintains control over the transaction from order placement through settlement.

When transactions are executed with other firms than MAS or PAS, the cost of execution is embedded in the price of the security. Any imbedded execution cost on trades done away from MAS or PAS are in addition to the Program fees.

## **Error Correction Practices**

In the event an error occurs in BSC's handling of any transactions, due to BSC's actions, or inaction, or actions of others, BSC's policy is to seek to identify and correct any errors as promptly as possible, without disadvantaging the Client. Losses that are incurred as a result of an error made by BSC are passed onto BSC to pay. Generally, gains resulting from a trade error are retained by BSC in an error account. Exceptions to this general rule can be made for ERISA accounts in which case gains, resulting from the error correction, may be awarded



to the Client. This is only permitted to the extent that the trade does not violate legal or Client guidelines. Trade error and resolution may be governed by certain wrap-fee program sponsors' policies and procedures.

### **13. REVIEW OF ACCOUNTS**

The allocation of Client assets to particular investment strategies and investments is subject to the risk/return objective set forth in a Client's Statement of Investment Policy. A BSC portfolio manager reviews the daily trades for Client accounts. Also, the portfolio manager reviews the accounts weekly to ensure appropriate security structure and cash level in relation to the BSC investment model. Equity holdings are reviewed in relation to the model. Additionally, account activity is reviewed on a daily basis for exceptions and restrictions under the supervision of the BSC's Manager of Advisory Operations. Each account is balanced and reconciled by IPC at least monthly versus the Client's custodian statement.

On a quarterly basis, a consultant of the IPC's Consulting Group reviews each actively managed account relationship. These individuals review accounts to look at asset allocation, holdings, performance, as well as industry, sector and issue concentrations and for general adherence to BSC's stated style. Any discrepancies will be noted and reviewed.

Clients will also receive a written quarterly performance report, which the Client can review with their BSC advisor or financial advisor as often as is determined to be necessary, but at least annually. The quarterly report includes portfolio performance, asset allocation, portfolio holdings, capital gains and losses and contributions, withdrawals and income transactions for the quarter. The quarterly reports are generated following the quarters ending March 31st, June 30th, September 30th, and December 31st. BSC follows industry standards in the calculation and presentation of performance information.

Although each client account is reconciled against the client's custodian statement, at least monthly, there may be a difference in account valuations between the statements. The differences may be attributed as follows:

- Individual security pricing differences may be attributed to the different pricing services utilized by IPC and the Custodian. This is particularly evident in the pricing of fixed income securities and International ADRs.
- Accrued Income is a factor as IPC statements include the accrued income in the valuation of the account. Not all custodians include accrued income in the account valuation. And, when they do, there may be a difference depending upon the pricing services used in the valuation of individual securities.
- IPC statements record trading transactions on the date the trade was transacted (trade date) versus some custodian, such as bank custodians, which generally record trading transactions on the day the trade settles (settlement date). For example, a manager may

place a trade on June 30. The trade does not settle until July 2. The IPC statement will record the trade on trade date and will include the security position as part of the account holdings as of June 30. However, some custodians, such as bank custodians, may record the trade on settlement date and does not include the security as part of the clients holding as of the June 30 month end report.

- Margin balances are reflected as part of the clearing entity's statement, such that the margin on the account is subtracted from the equity in the account to yield a net value for the account. IPC statements do not reflect the margin balance, as IPC is paid on the total value of the account that is being managed and not the net margin balance.
- Unsupervised Holdings are client assets where neither the manager nor IPC has discretion over such assets; however, client(s) may wish to see these assets as part of their overall holdings. Unsupervised Holdings are not managed nor does the client pay a management fee on such assets held in a portfolio. There are various reasons why clients utilize Unsupervised Holdings. For example, clients may hold low cost-basis stock, assets they do not intend to sell, restricted securities and so forth as Unsupervised Holdings.

## **Electronic Access of Communications**

Separate account Clients may consent to electronic delivery of account communications from IPC ("Account Communications"), at IPC's discretion. IPC will provide this delivery of Account Communications by giving Clients access to their IPC account information via IPC's internet site utilizing an access password and account number. This may include the quarterly performance reports described above, all current and future advisory account statements, trade confirmations, notices, disclosures, regulatory communications, and other information, documents, data, and records regarding Client's IPC account. However, IPC is not able to provide electronic access or delivery of the Client's custodian statements and information. This consent to electronic delivery, when given, will be effective immediately and will remain in effect unless and until revoked. Clients may revoke this consent at anytime and request paper copies by writing to: Independent Portfolio Consultants, Inc., Attention: Compliance, 5002 T-Rex Avenue – Suite 225, Boca Raton, FL 33431.

In third party wrap-fee programs, the Program Sponsor generally provides the Client reports.

## **14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **Referral Arrangements**

BSC, through IPC, may enter into referral arrangements with individuals, including independent financial planners, CPAs, registered investment advisers, Wealth Management Companies and broker dealers who are not employees or agents of IPC (collectively, "solicitors"). IPC has a written agreement with all paid solicitors. These arrangements are



done in compliance with the rules and regulations of 1940 Act, and the terms of the arrangements are fully disclosed to the Client at the time the referral is made.

## **Other Compensation**

IPC, and its various relationships, provide a broad range of financial services to Clients. In offering such services, IPC, its employees, officers and affiliates may give advice and take action in the performance of their duties to certain of their Clients which may differ from advice given, or the timing and nature of action taken, with respect to other advisory Clients' accounts.

## **Video Conferencing**

IPC provides a video conferencing unit to some wealth management companies at no cost. IPC believes that a video installation increases the effectiveness of the communication between IPC and the Client. The installation of a video conferencing unit to communicate with IPC may be considered an inducement for the wealth management company or an investment executive to recommend advisory services offered by IPC, including BSC, over other advisory services.

## **15. CUSTODY**

IPC does not maintain physical custody of Clients' funds or securities. Clients must select their own independent, third-party qualified custodian to maintain the Client's Account. Client funds and securities will be held with an unaffiliated bank, broker-dealer, or other independent, qualified custodian. The Client selects a custodian to have possession of the assets of the account, to settle transactions for the account, and to accept instructions from BSC regarding the assets in the account. In addition, these custodians provide BSC with information on the additions to, or withdrawals from, the account.

IPC will directly debit a Client's account(s) for the payment of advisory fees, as authorized by the Client. This ability to deduct advisory fees from a Client's accounts causes IPC to exercise limited custody over Client funds or securities. IPC is not a qualified custodian and IPC does not have physical custody of Clients' funds and/or securities. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period.

Clients will receive account statements from the independent, qualified custodian(s) holding Client funds and securities at least quarterly. You should carefully review account statements for accuracy and should compare these statements to any account information provided by BSC. BSC urges Clients to carefully review the account statements from the Client's qualified custodian promptly on receipt to determine that it completely and accurately states all holdings in Client's account and all account activity over the relevant time period. If the Client has any questions or concerns, or if the Client notes any discrepancies between the custodian's and the

BSC's statements, BSC urges the Client to contact BSC and the Client's qualified custodian. Please note that the information on the statements from BSC and the statements from the Client's qualified custodian may differ slightly for reasons including: the use of different pricing sources; the use of trade-date versus settlement-date accounting and timing differences in the posting of trades, corporate actions, dividend payments and tax reclaims.

## **16. INVESTMENT DISCRETION**

Generally, BSC is retained to provide discretionary investment advisory services to Clients via equity, fixed income and balanced (equity and fixed income securities) accounts. Prior to a Client retaining BSC to manage all or part of their financial assets, a careful review is conducted to determine the Client's objectives and risk tolerances. BSC then develops an investment plan or Statement of Investment Policy for the Client based upon the Client's investment goals, objectives and financial circumstances. Once the Client accepts the Statement of Investment Policy, the Client enters into the Investment Advisory Agreement. Under the Investment Advisory Agreement, BSC has full discretion in the management of the investments of a Client account. The Client authorizes BSC, without prior consultation with, or approval from, the Client, to invest and reinvest the assets of the Client's account. A Client's input is primarily limited to decisions about the targeted allocation to equity, fixed income and cash equivalents in the Client's portfolio and individual security restrictions.

## **17. VOTING CLIENT SECURITIES**

BSC, as a matter of policy, has responsibility for voting proxies consistent with the best economic interests of the Clients. BSC uses a proxy voting service for corporate actions and Client proxies. Clients may retain the right to vote any proxies or take action relating to specified securities held in an account provided the Client gives timely, written prior notice to IPC. If a Client identifies a conflict of interest with BSC and notifies BSC to vote a certain way, BSC will execute the Client's voting instructions. Clients are provided the option to vote their proxies in the Investment Advisory Agreements. IPC makes the information available to Clients about the voting of proxies for their portfolio securities upon request. A copy of the Policy and voting information may be obtained by writing to: Independent Portfolio Consultants, Inc., Attention: Compliance, 5002 T-Rex Avenue, Suite 225, Boca Raton, FL 33431.

BSC may be unable to vote, or may decide not to vote, a proxy on behalf of one or more Clients. For example, a vote might not be entered because the shares are on loan as part of the Client's securities lending program. Certain countries require shareholders to stop trading securities for a period of time before and/or after a shareholder meeting ("share blocking"). Generally, BSC does not vote securities in countries that require share blocking because it potentially limits BSC from exercising BSC's investment discretion. In addition, BSC may be unable to complete a thorough and informed review of the proxy materials if the issuer does not provide the information in a timely fashion or if translated materials are not available. BSC may determine that the cost of executing the proxy exceeds the benefits to the Client's account. As a general

matter, BSC does not vote securities in countries that require the Client to execute a power of attorney.

## **18. FINANCIAL INFORMATION**

BSC does not require nor solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance and, therefore, has not included a balance sheet for its most recent fiscal year. BSC is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to Clients, nor has BSC been the subject of a bankruptcy petition at any time during the past ten years.

## **19. SERVICES AND COMPENSATION DISCLOSURE (ERISA)**

If the *Employee Retirement Income Security Act of 1974* (“ERISA”) governs IPC’s and BSC’s duties to a Client’s pension or retirement plan (the “Plan”), the Client must consider the disclosures described in this Brochure and the Client’s Letter Agreement signed with Independent Portfolio Consultants, Inc. which describes the services that IPC and BSC will provide to the Client for participating in the managed assets program. If the Client signs an Investment Management Agreement with the investment management firm the Plan selects to provide investment management for the Client’s Account, please refer to that document for additional disclosures. Also, if applicable, refer to the Investment Advisory Agreement signed with IPC for Clients electing to participate in the Multiple Manager Strategy Portfolio.

### **Services**

IPC and BSC services provided to the Plan are as stated by the Client’s Letter Agreement, Investment Management Agreement and/or Investment Advisory Agreement as described in the above paragraph. Additionally, please refer to the following sections in this disclosure brochure document for additional services provided: “Services, Fees and Compensation,” “Portfolio Manager Selection and Evaluation” and “Additional Information.”

### **Status**

IPC provides those services directly to the Plan as an investment adviser registered under the *Investment Advisers Act of 1940* and as a fiduciary (within the meaning of ERISA) pursuant to the terms and conditions and the services provided to the Plan as described in the Client’s Letter Agreement, Investment Management Agreement and/or Investment Advisory Agreement as described above at the beginning of this section.

## Direct Compensation

IPC's direct compensation is as stated in the Client's Letter Agreement signed with Independent Portfolio Consultants, Inc. which describes the services that IPC will provide to the Client for participating in the managed assets program. If the Client signs an Investment Management Agreement with the investment management firm the Plan selects to provide investment management for the Client's Account, please refer to that document for additional disclosures. Also, if applicable, refer to the Investment Advisory Agreement signed with IPC for Clients electing to participate in the Multiple Manager Strategy Portfolio. In addition, please refer to the following sections in this disclosure brochure document for additional services provided: "Services, Fees and Compensation" and "Evaluation" and "Additional Information."

## Indirect Compensation

Indirect sources of compensation is compensation IPC will receive from other parties that are not related to the Plan ("indirect" compensation). This section describes potential sources of indirect compensation that IPC may receive in connection with its provision of investment advisory services (i.e., those fees or other compensation that may be received by IPC from parties other than the Client's Plan, or the Plan Sponsor).

From time to time, IPC may receive marketing and training support payments, conference subsidies, and other types of financial and non-financial compensation and incentives from Investment Managers and other vendors to support the sale of IPC's products and services to IPC's clients, including IPC's ERISA Plan clients. However, based on IPC's historical experience, the aggregate value of these payments to IPC in any particular year has represented less than one basis point (0.0001) or 1/100ths of 1.0% of IPC's total customer assets. Note that the level of vendor support, is not dependent on, nor related to, the level of assets invested by the Plan or any of IPC's other clients invested in or with the products or services of the Investment Manager. A list of those Investment Manager(s) can be provided by contacting Independent Portfolio Consultants, Inc. ("IPC") at the address listed on the 1<sup>st</sup> page of this document or calling (800) 346-4570 or sending an e-mail to [customerservice@ipcanswers.com](mailto:customerservice@ipcanswers.com).

IPC employees may receive non-cash indirect compensation from time to time in the form of gifts of nominal value (i.e., having value less than \$250), occasional meal or entertainment (e.g., tickets to concert or sporting events), or reimbursement for certain expenses related to attendance at educational conferences or seminars that may be attended by plan sponsors and representatives. Based on historic trends, IPC does not expect to receive gifts in excess of the *de minimis* threshold under the regulations with respect to the Plan.

The services for which indirect compensation is received are the services provided to the Plan as described in the Client's Letter Agreement signed with Independent Portfolio Consultants, Inc. which describes the services that IPC will provide to the Client for participating in the managed assets program. If the Client signs an Investment Management

Agreement with the investment management firm the Plan selects to provide investment management for the Client's Account, please refer to that document for additional disclosures. Also, if applicable, refer to the Investment Advisory Agreement signed with IPC for Clients electing to participate in the Multiple Manager Strategy Portfolio.

### **Compensation Paid Among Related Persons**

Except as described by the preceding paragraph, IPC will not, concerning IPC's services under the Client's Letter Agreement, Investment Management Agreement and/or Investment Advisory Agreement as described above at the beginning of this section, pay to an affiliate or a subcontractor compensation that is set on a transaction basis or that is charged directly against the plan's investment and reflected in the net value of the investment.

### **Manner of Receipt**

In a separately managed account, IPC's direct compensation is billed and collected from the Plan's assets as provided by the terms and conditions in the Client's Letter Agreement, Investment Management Agreement and/or Investment Advisory Agreement as described above at the beginning of this section.

### **Compensation for Termination of Contract or Arrangement**

A Client's Letter Agreement, Investment Management Agreement and/or Investment Advisory Agreement as described above at the beginning of this section does not provide IPC with compensation that results because of either party's termination. IPC remains entitled to compensation that accrued before the effective time of the Client's Letter Agreement, Investment Management Agreement and/or Investment Advisory Agreement termination.

## **20. BROCHURE SUPPLEMENT**

Refer to IPC's and BSC's Part 2B of Form ADV ("Brochure Supplement") for information about each of IPC's and BSC's employees who formulate investment advice, have discretionary authority over Clients' assets or have direct Client contact ("Supervised Persons").