

Disclosure Brochure  
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PRINCIPIUM INVESTMENTS, LLC  
DBA VINOY CAPITAL



PRINCIPIUM  
INVEST IN PURPOSE

*This brochure provides information about the qualifications and business practices of Principium Investments, LLC dba Vinoy Capital.*

*If you have any questions about the contents of this brochure, please contact us at (303) 351-5353 or by email at: [michael.tracy@principium.co](mailto:michael.tracy@principium.co).*

*The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Principium Investments, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*The CRD number for Principium Investments is: 124989*

## **Item 2      Material Changes**

In this Item, Principium Investments, LLC, dba Vinoy Capital, is required to discuss any material changes that have been made to the Disclosure Brochure since the Firm's last annual amendment dated December 17, 2013. The following material changes have occurred:

ITEM 1:      The investment advisory registration and business of Vinoy Capital, LLC has been succeeded by a new legal entity known as Principium Investments, LLC. Principium Investments, LLC is a Colorado Limited Liability Corporation. In a succession all registration file numbers and "CRD" numbers will remain the same. Vinoy Capital LLC will cease doing business as a registered investment adviser. The new legal entity Principium Investments, LLC will principally do business as Principium Investments, LLC although it may do business as Vinoy Capital. Michael Patrick Tracy remains the Principal and Chief Compliance Officer of Principium Investments LLC as he was with Vinoy Capital, LLC.

ITEM 4:      Principium Investments, LLC may refer clients to outside investment managers.

ITEM 5:      Principium Investments, LLC has revised its fee schedule. This revision does not affect the fee billings of any current clients, whose contracts predate March 1, 2014. Fees charged by outside investment managers, if chosen, will have a different management fee schedule, which will be disclosed in the investment management contract with that manager.

ITEM 8:      Additional investment strategies have been introduced.

ITEM 10:     One staff member of Principium Investments, LLC is dually registered as an investment adviser representative of another registered investment adviser.

ITEM 12:     Foliofn Investments, Inc. has been added as an additional Custodian of client assets.

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## **Item 4      Advisory Business**

On March 27, 2014 Principium Investments, LLC succeeded to the registration and business of Vinoy Capital, LLC. Principium Investments, LLC (Principium Investments), dba Vinoy Capital, is a fee-only, SEC-registered investment adviser, principally owned by Managing Member Michael P. Tracy, CFP®. Vinoy Capital began conducting business in April 2008 as a combination of two previously established investment advisory firms – Global Capital Advisors, LLC and Sarasota Asset Management, Inc. – both of which had been in operation since 2003.

Principium Investments offers a range of investment advisory services, which includes investment supervisory and management services, as well as financial planning and investment consulting. As of December 31, 2013, Principium Investments had approximately \$219,768,000 million in assets under management, all of which was managed on a discretionary basis. Prior to the rendering of the foregoing advisory services, clients are required to enter into a written agreement with Principium Investments setting forth the relevant terms and conditions of the advisory relationship (the “Agreement”).

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

### **Investment Management Services**

Principium Investments manages client investment portfolios on a discretionary or (in certain circumstances) non-discretionary basis, by actively allocating assets between one or more of its five model investment portfolios: 1) Preservation; 2) Conservative; 3) Moderate; 4) Assertive; and 5) Aggressive. In managing each of these model portfolios, the Firm uses a variable mix of 16 distinct, globally diversified investment strategies, which seek to obtain asset class exposure through mutual funds and, to a lesser extent, exchange-traded funds (ETF’s), and individual securities such as equities and bonds and hybrids.

Principium Investments may also provide advice with regard to certain investment products that are not maintained at their primary custodian, such as assets held in employer-sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Principium Investments directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the custodian designated by the product’s provider.

Principium Investments tailors its advisory services to accommodate the needs of its individual clients, and continuously seeks to ensure that its clients’ portfolios are managed in a manner consistent with their specific investment profiles. Principium Investments consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other factors relevant to the management

of their portfolios. Clients are advised to promptly notify Principium Investments if there are changes in their financial situation, or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Principium Investments determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts. Principium Investments does not limit its advice to any specific types of investments.

These investment management services do not include securities brokerage services, as Principium Investments does not serve as the sponsor or manager to a wrap fee program (i.e., an arrangement where brokerage commissions and transaction costs are absorbed by the Firm).

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

Principium Investments may also offer clients a variety of financial planning and consulting services, including any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Asset Allocation
- Retirement Planning
- Estate Planning
- Financial Reporting
- Insurance Needs Analysis
- Charitable Giving
- Risk Management
- Distribution Planning

In performing these services, Principium Investments is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Principium Investments may recommend the services of itself, and/or other professionals to implement its recommendations.

Clients are advised that a conflict of interest exists if Principium Investments recommends its own services. Clients are under no obligation to act upon any of the recommendations made by Principium Investments under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Principium Investments itself. Clients retain absolute discretion over all such implementation decisions. Clients are advised that it remains their responsibility to promptly notify Principium Investments if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Principium Investments' previous recommendations and/or services.

### **Selection of Other Advisers**

Principium Investments may direct clients to third party money managers. Principium Investments will be compensated via a fee share from the advisors to which it directs those clients. The fees shared will not exceed any limit imposed by any regulatory agency. Before selecting other advisors for clients, Principium Investments will always ensure those other advisors are properly licensed or registered as an investment advisor.

## Item 5 Fees and Compensation

Principium Investments offers its services on a fee basis, which generally entails a fee based upon a percentage of assets under management for investment management relationships, as well as a fixed and/or hourly fee for certain financial planning and consulting engagements.

### Investment Management Fees

Principium Investments generally charges an annual asset-based fee in accordance with the following blended fee schedule:

<u>ASSETS UNDER MANAGEMENT</u>	<u>ANNUAL FEE</u>
The First \$1,000,000	1.2%*
The Next \$2,000,000	0.95%
The Next \$2,000,000	0.75%
The Next \$5,000,000	0.55%
The Next \$10,000,000	0.35%
The Next \$80,000,000	0.25%
Over \$100,000,000	0.20%

\*A client relationship valued at less than \$500,000 will incur a 1.50% annual fee, replacing the tiered fee schedule above. When such relationship exceeds \$500,000 at the end of a calendar quarter, it will be subject to the tiered fee schedule above.

Principium Investments' annual fee is prorated and charged either quarterly or monthly in advance depending on the custodial relationship where the account resides, and is based upon the market value of the assets being managed by the Firm on the last day of the previous quarter or month. Clients retain the ability to make account deposits or withdrawals at any time, provided that investment management fees will be adjusted to reflect partial inflows of more than \$100,000 that occur after the inception of a billing period. For the initial term of an engagement, the fee is calculated on a pro rata basis. In the event the Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the unearned portion is refunded to the client, as appropriate.

Principium Investments' annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses that are incurred by the client. Principium Investments does not, however, receive any portion of these commissions, fees, and costs.

### Financial Planning and Consulting Fees

Principium Investments may charge a fixed fee and/or hourly fee to provide clients with stand-alone financial planning and consulting services. These fees are largely determined by the scope and complexity of the agreed upon services and generally range from \$250 to \$500 on an hourly basis, and \$2,500 to \$25,000 on a fixed fee basis.

The specific terms and fee structure are negotiated in advance and set forth in the Agreement with Principium Investments. Generally, Principium Investments requires one-half of the financial planning or consulting fee payable upon execution of the Agreement and the balance due at the time the financial plan is delivered or the underlying services are rendered to completion. Depending on the arrangement, if the client engages Principium Investments for additional investment advisory services, Principium Investments may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

**Selection of Other Advisers Fees**

Principium Investments may direct clients to third-party money managers. Principium Investments will be compensated via a fee share from the advisors to which it directs those clients. This relationship will be disclosed in each contract between Principium Investments and each third party adviser. The fees shared will not exceed any limit imposed by any regulatory agency. The third party manager will be determined based on the client's investment goals, time horizon, risk tolerance, and investment objectives.

**Fee Discretion**

Principium Investments, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and pro bono activities. Lower fees for similar services may be available elsewhere.

**Additional Fees and Expenses**

In addition to the fee paid to Principium Investments, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

**Fee Debit**

The Firm's Agreement and the separate agreement with any Financial Institutions generally authorize Principium Investments to debit its clients' accounts for the amount of the management fee and to directly remit that fee to Principium Investments. Any Financial Institutions recommended by Principium Investments have agreed to send statements to clients not less than quarterly indicating all amounts disbursed from the account, including the amount paid directly to Principium Investments. Alternatively, Principium Investments may, in its sole discretion and under limited circumstances, agree to send clients invoices for direct payment.



**Account Additions and Withdrawals**

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

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

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

**Item 7 Types of Clients**

Principium Investments provides its services to individuals, other investment advisors, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities.

**Minimum Account Requirements**

Principium Investments does not impose a stated minimum portfolio value for starting and/or maintaining an investment advisory relationship.

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

Principium Investments generally utilizes a combination of largely fundamental and technical methods of analysis.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For Principium Investments, this process typically involves an analysis of a fund's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact



the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Principium Investments will be able to accurately predict such a reoccurrence.

### **Investment Strategies**

Principium Investments uses a unique and flexible investment process, which actively allocates client accounts into a customized mix of 16 distinct, globally diversified investment strategies. The Firm uses a mixture of these 16 strategies in varying percentages to make up its five model investment portfolios: 1) Preservation; 2) Conservative; 3) Moderate; 4) Assertive; and 5) Aggressive.

To run our strategies, we utilize mutual funds as our primary investment vehicle of choice, although we will also use individual securities such as equities, bonds, or hybrid securities in order to achieve client objectives.

We believe in using only the most statistically superior managers available to fill in our 16 investment strategies, and we are committed to managing only ethical portfolios. We primarily select mutual funds that belong to mutual fund families that are signatories to the United Nations Principles for Responsible Investing (UNPRI). We then further investigate the fund families and the individual funds to determine the degree to which these UN Principles are being adhered to and incorporated into the investment process. Furthermore, we utilize leading Environmental, Societal, Governance (ESG) and Socially Responsible Investing (SRI) research and analysis service providers to grade our mutual funds, exchange-traded funds (ETFs), and individual securities to meet minimum thresholds for ESG and SRI criteria. We will also invest in mutual funds whose portfolio holdings meet those ESG and SRI criteria, but whose fund families have not signed the UNPRI.

Inside each of the 16 strategies, Principium Investments selects mutual funds whose managers have demonstrated the ability to consistently outperform their peer groups and their appropriate market indices, as well as provide superior risk return and capture ratios versus their peer group and their corresponding indices, so that we can be confident to provide our clients with superior performance in a variety of market environments.

The Firm then closely monitors these holdings and constantly makes adjustments as market conditions warrant. While Principium Investments' process is built with the objective of maximizing performance, the Firm's goal is also to achieve that performance using the minimum levels of risk and volatility. As part of this investment process, clients

generally complete a scientifically based investment volatility analysis. When used in conjunction with a personal interview, this analysis helps Principium Investments to develop a portfolio that reflects the client's psychological feelings toward risk and returns, in addition to addressing their financial needs for income and capital appreciation. The Firm then develops a plan for each client to invest their accounts into one or several of its five model allocations, in order to achieve an overall portfolio that is consistent with the client's needs and comfort levels.

Below is further detail on the 16 globally diversified strategies that Principium Investments uses to construct client portfolios.

### Income Strategies

- A1. Focused Bond: Mutual funds, ETFs and individual securities focused on individual bond sectors such as government, investment grade, high yield, floating rate, mortgage, municipal, TIPS, etc., as well as derivatives. Index is 100% Barclays Capital Aggregate Bond Composite Index.
- A2. Multiple Bond: Mutual funds, ETFs and individual securities focused on active allocation strategies, such as multi-sector and unconstrained, as well as hedging for both asset protection and potential capital gain. Index is 100% Lipper Multi-Sector Inc. Index.
- A3. Global Bond: Mutual funds, ETFs and individual securities focused on non-U.S.-issued foreign bond and currency strategies and derivatives, which can also include some U.S.-issued securities based on market conditions. Index is 100% Barclays Capital Global Aggregate Bond Index.
- A4. Hybrid Securities: Mutual funds, ETFs and individual securities focused on Convertible Securities, Preferred Securities, and Income Real Estate. Indices are 50% Lipper Convertible Securities, 25% Merrill Lynch Preferred Stock Hybrid Securities, 25% Merrill Lynch Preferred Stock REITS Trust.

### Allocation Strategies

- B5. Hedging: Mutual funds, ETFs and individual securities focused on dynamic allocation strategies to reduce risks or accelerate performance, such as market neutral and absolute return, long/short hedging, and managed futures. Indices are 50% Lipper Long/Short Equity IX, 50% IQ Hedge Multi Strategy.
- B6. Income: Mutual funds, ETFs and individual securities taking a balanced approach, but focused more on income-producing assets and lesser of capital appreciation assets. Indices are 60% Barclays Capital Aggregate Bond Composite Index, 40% S&P 500 Total Return Index.

- B7. Total Return: Mutual funds, ETFs and individual securities taking a balanced approach, but focused roughly equally on income producing assets and capital appreciation assets. Indices are 40% Barclays Capital Aggregate Bond Composite Index, 60% S&P 500 Total Return Index.
- B8. Capital Appreciation: Mutual funds, ETFs and individual securities taking a balanced approach, but focused lesser on income-producing assets and more on capital appreciation assets. Indices are 20% Barclays Capital Aggregate Bond Composite Index, 80% S&P 500 Total Return Index.

### Equity Strategies

- C09. U.S. Total Return: Mutual funds, ETFs and individual securities focused on income-producing equities issued in the U.S. Index is 100% Dow Jones U.S. Select Dividend Total Return Index.
- C10. Global Total Return: Mutual funds, ETFs and individual securities focused on income-producing equities issued globally. Index is 100% Dow Jones Global Select Dividend Total Return Index.
- C11. U.S. Capital Appreciation: Mutual funds, ETFs and individual securities focused on capital appreciation-producing equities issued in the U.S. Index is 100% S&P 500 Total Return Index.
- C12. Global Capital Appreciation: Mutual funds, ETFs and individual securities focused on capital appreciation-producing equities issued globally. Index is 100% MSCI Developed World Total Return Index.

### Real Assets Strategies

- D13. U.S. Real Estate: Mutual funds, ETFs and individual securities focused on capital appreciation-producing U.S. real estate-related equities, REITs, housing manufacturers and material producers. Index is 100% Dow Jones U.S. Select Real Estate Securities.
- D14. Global Real Estate: Mutual funds, ETFs and individual securities focused on capital appreciation-producing global real estate related equities, REITs, housing manufacturers, and material producers. Index is 100% Dow Jones Global Select Real Estate Securities.
- D15. Natural Resource & Commodity: Mutual funds, ETFs and individual securities focused on natural resource and commodity markets, material producers, mining, and clean energy. Indices are 50% Dow Jones/UBS Commodity Total Return Index, 50% S&P GSCI Natural Resources Total Return Index.
- D16. Resource & Manufacturing Economies: Mutual funds, ETFs and individual securities focused on specific sectors of manufacturing and finished products, as well as the countries and areas where the products are produced, and from which the natural resources are

extracted. Index is 100% MSCI Emerging Markets Total Return Index.

## **Risks of Loss**

### General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear potential loss.

### Market Risks

The profitability of a significant portion of Principium Investments' recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that Principium Investments will be able to predict those price movements accurately or be able to capitalize on any correct assumptions or projections.

### Mutual Funds and Exchange-Traded Funds (ETFs)

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

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

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### Management Through Similarly Managed "Model" Accounts

Principium Investments manages certain accounts through the use of similarly managed “model” portfolios, whereby the Firm allocates all or a portion of its clients’ assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients’ net after tax gains. While the Firm seeks to ensure that clients’ assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions affected pursuant to a model investment strategy are usually done without regard to a client’s individual tax ramifications. Clients should contact Principium Investments if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

## **Item 9      Disciplinary Information**

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

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

Principium Investments is not engaged in any other financial industry activities and does not have any affiliations that are otherwise material to the firm’s advisory business.

### **Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither Principium Investments nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

### **Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Principium Investments nor its representatives are registered as to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Principium Investments succeeded to the registration and business of Vinoy Capital, LLC as discussed in Item 4. This material change does not create a conflict of interest and is a legal entity name change. Michael P. Tracy remains the Principal and Chief Compliance Officer of Principium Investments as he did with Vinoy Capital, LLC. Ritu L. Henningsen is an investment adviser representative of Principium Investments and is also an investment adviser representative of Better World Investments, Inc. Ms. Henningsen’s engagement with Principium Investments will be in a compliance function and it is not anticipated or intended that Ms. Henningsen will act in a solicitation or sales capacity with

any clients of Principium Investments in offering any services of Better World Investments, Inc. Any solicitation or sales activity by Ms. Henningsen will be pre-approved and monitored by the Chief Compliance Officer, Michael P. Tracy.

### **Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

Principium Investments may direct clients to third-party money managers. Principium Investments will be compensated via a fee share from the advisers to which it directs those clients. This relationship will be disclosed in each contract between Principium Investments and each third party advisor. The fees shared will not exceed any limit imposed by any regulatory agency. This creates a conflict of interest in that Principium Investments has an incentive to direct clients to the third party money managers that provide Principium Investments with a larger fee split. Principium Investments will always act in the best interests of the client, including when determining which third party manager to recommend to clients. Principium Investments will ensure that all recommended advisors or managers are licensed or notice filed in the states in which Principium Investments is recommending them to clients.

### **Item 11 Code of Ethics**

Principium Investments and persons associated with Principium Investments (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients, consistent with Principium Investments’ policies and procedures.

Principium Investments has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“Code of Ethics”). Principium Investments’ Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Principium Investments or any of its associated persons. The Code of Ethics also requires that certain of Principium Investments’ personnel (called “Access Persons”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When Principium Investments is engaging in or considering a transaction in any security on behalf of a client, no Access Person may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) a transaction in that security unless:

- The client transaction has been completed;
- The transaction for the Access Person is completed as part of a batch trade (as defined below in Item 12) with clients; or
- A decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds



or money market funds; (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds; and (v) shares of ETFs based on a broad market index.

This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by Access Persons to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

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

## **Item 12 Brokerage Practices**

### **Recommendation of Financial Institutions**

Principium Investments generally recommends that investment management clients utilize the brokerage and clearing services of Raymond James and Associates (“Raymond James”), Fidelity Investments, Inc. and, to a lesser extent, Charles Schwab & Co., Inc. (“Schwab”).

Principium Investments may only implement its investment management recommendations after the client has arranged for and furnished Principium Investments with all information and authorization regarding accounts held at their respective financial institutions. Factors that Principium Investments considers in recommending Raymond James, Fidelity Investments, Inc., Schwab, or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Raymond James, Fidelity Investments, Inc. and/or Schwab may enable Principium Investments to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Raymond James, Fidelity Investments, Inc. and/or Schwab may be higher or lower than those charged by other Financial Institutions.

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

Transactions may be cleared through other Financial Institutions with whom Principium Investments and the Financial Institutions have entered into agreements for prime



brokerage clearing services. Principium Investments periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Brokerage for Client Referrals**

Principium Investments does not receive referrals from broker dealers in return for contracted brokerage services provided by those broker dealers.

### **Directed Brokerage**

A client may direct Principium Investments in writing to use a particular Financial Institution to execute some or all transactions for the client. As not all investment advisers require their clients to direct brokerage, the Firm does not routinely recommend, request or require a client do so. In direct brokerage situations, the client will negotiate terms and arrangements for the account with that Financial Institution, and Principium Investments will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by Principium Investments. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Principium Investments may decline a client’s request to direct brokerage if, in Principium Investments’ sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Trade Aggregation**

Transactions for each client generally will be effected independently, unless Principium Investments decides to purchase or sell the same securities for several clients at approximately the same time. Principium Investments may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Principium Investments’ clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. In this situation, transactions will generally be averaged as to price and allocated among Principium Investments’ clients pro rata to the purchase and sale orders placed for each client on any given day.

To the extent that Principium Investments determines to aggregate client orders for the purchase or sale of securities, including securities in which Principium Investments’ Supervised Persons may invest, Principium Investments generally does so in accordance with applicable rules and regulations. Principium Investments does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Principium Investments determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include:

- When only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings

- relative to other portfolios, with similar mandates;
- Allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts;
- If an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed);
- With respect to sale allocations, allocations may be given to accounts low in cash;
- In cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Principium Investments may exclude the account(s) from the allocation and the transactions may be executed on a pro rata basis among the remaining accounts; or
- In cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

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

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

Principium Investments may receive from Raymond James, Fidelity Investments, Inc. and/or Schwab, without cost to Principium Investments, computer software and related systems support, which allow Principium Investments to better monitor client accounts maintained at Raymond James and/or Schwab, respectively. Principium Investments may receive the software and related support without cost because Principium Investments renders investment management services to clients that maintain assets at Raymond James, Fidelity Investments, Inc. and/or Schwab. The software and related systems support may benefit Principium Investments, but not its clients directly. In fulfilling its duties to its clients, Principium Investments endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Principium Investments' receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Principium Investments choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Specifically, Principium Investments may receive the following benefits from Raymond James, Fidelity Investments, Inc. or Schwab:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services the institutional participants;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

## **Item 13      Review of Accounts**

### **Account Reviews**

Principium Investments monitors the portfolios of its investment management clients as part of a continuous and ongoing process, while regular account relationship reviews are conducted not less than annually. For those clients to whom Principium Investments provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. All such reviews are conducted by Michael P. Tracy, CFP®, Principal of the Firm. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Principium Investments and to keep Principium Investments informed of any changes thereto. Principium Investments contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in their financial situations and/or investment objectives.

### **Account Statements and Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time to time or as otherwise requested, investment management clients may also receive written or electronic reports from Principium Investments and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from Principium Investments or an outside service provider.

As a convenience to certain clients to whom Principium Investments provides financial planning and/or consulting services, the Firm may also generate reports summarizing its analyses and conclusions, which are typically delivered in electronic format.

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

### **Client Referrals**

Principium Investments does not currently provide compensation to third-party solicitors for client referrals.

### **Other Economic Benefit**

Principium Investments may receive an economic benefit from a third party (non-client) for providing investment advice to the Firm's advisory clients. Specifically, because Principium Investments generally recommends clients custody assets at Raymond James, Fidelity Investments, Inc. and/or Schwab, they may receive certain institutional benefits that are not otherwise available to retail investors. This relationship is further discussed in Item 12 (above).

### **Item 15 Custody**

Principium Investments is deemed to have custody over a client's assets when it is authorized to directly debit a client's account for payment of the Firm's quarterly management fee. In accordance with applicable custody rules, the Financial Institutions recommended by Principium Investments have agreed to send statements to clients, not less than quarterly, indicating all amounts paid to Principium Investments. As a result, the Firm is not required to engage an independent auditor to perform a surprise annual examination of its client accounts.

As discussed in Item 13, Principium Investments and/or a third party vendor may also send periodic reports to clients. Clients are advised to carefully review the statements and confirmations sent directly by the Financial Institutions and to compare them with any reports received from Principium Investments or an outside service provider.

### **Item 16 Investment Discretion**

Clients generally grant Principium Investments the authority to exercise discretion on their behalf. Principium Investments is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. The Firm is given this authority through a power-of-attorney included in the Agreement between Principium Investments and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold).

Specifically, Principium Investments takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

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

Principium Investments does not accept the authority to vote client securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the number on the cover of this brochure with questions about proxies and/or other such solicitations.

### **Item 18 Financial Information**

Principium Investments is not required to disclose any financial information pursuant to this Item due to the following:

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



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