



**CSP Portfolio Strategies  
Wrap Fee Brochure**

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**Cary Street Partners is the trade name used by two separate limited liability companies, Cary Street Partners LLC - Member FINRA/SIPC; and Cary Street Partners Investment Advisory LLC a registered investment advisor.**

**This wrap fee brochure provides information about the qualifications and business practices of Cary Street Partners Investment Advisory LLC. If you have any questions about the content of this brochure, please contact us at 804-521-3333.**

**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 Cary Street Partners Investment Advisory LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**The advisory services described in this brochure are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency and involve risk, including the possible loss of principal.**

## Item 2 Material Changes

This section describes the material changes to our Cary Street Partners Investment Advisory LLC **CSP Portfolio Strategies** program since the last amendment of our Form ADV on March 31, 2015.

Cary Street Partners, as required, will provide on an annual basis within 120 days of our fiscal year end a summary of any material changes to this brochure. As specific material changes are made to this brochure throughout the year, you will be provided with a summary of that change.

### Material Changes

The CSP Portfolio Strategies program is a new program for Cary Street Partners Investment Advisory LLC. This brochure reflects this new program and has not had a previous filing.

## Item 3 Table of Contents

Item 2 Material Changes.....	2
Item 3 Table of Contents.....	3
Item 4 Services, Fees and Compensation .....	4
Item 5 Account Requirements and Types of Clients.....	8
Item 6 Portfolio Manager Selection and Evaluation.....	8
RISK DISCLOSURES .....	8
Performance Based Fees.....	12
Voting Client Securities .....	12
Item 7 Client Information Provided to Portfolio Managers.....	12
Item 8 Client Contact with Portfolio Managers .....	13
Item 9 Additional Information .....	13
Other Financial Industry Activities and Affiliations.....	13
Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading .....	14
Brokerage Practice .....	16
Review of Accounts.....	19
Client Referrals and Other Compensation .....	19
Custody .....	20
Investment Discretion.....	21

## Item 4 Services, Fees and Compensation

Cary Street Partners Investment Advisory LLC (“Cary Street Partners”) is registered with the Securities and Exchange Commission as a federally registered investment adviser. The use of the term “registered” does not imply a certain level of skill or training. Cary Street Partners was established on September 9, 2003 and is 100% owned by Cary Street Partners Holdings LLC.

The terms “client,” “you,” and “yours” are used throughout this document to refer to the person(s) or organization(s) who contract with us for the services described within this brochure. “Cary Street Partners,” “CSP,” “we,” “our,” and “us” refer to Cary Street Partners Investment Advisory LLC.

The amount of client assets managed as of December 31, 2014, on a discretionary basis, is \$305,559,026 and the amount of client assets managed on a non-discretionary basis is \$748,843,706.

Cary Street Partners provides individualized non-discretionary and discretionary consulting services to various categories of institutional and individual clients that wish to participate in financial planning, separately managed accounts (“SMA”), mutual funds, closed end funds, exchange traded funds, annuities, or want to invest in hedge funds, private equity funds, or other alternative investment vehicles.

Cary Street Partners will provide investment consulting services that relate to matters such as allocation of assets among different classes, portfolio diversification, managing portfolio risk, portfolio monitoring evaluation, investment policy statement development, manager search and recommendation, and other general economic and financial topics. Account supervision is guided by the stated objectives of the portfolio (e.g., maximum capital appreciation, growth, etc.), and all managed accounts will be maintained with an independent qualified custodian.

This brochure is being provided to describe the Cary Street Partners Portfolio Strategies program. Other brochures, available upon request, describe the investment consulting service programs and fee structures for the firm’s other programs which include:

Individual and Institutional Consulting Services  
Personal Financial Planning Services  
Retirement Plan Participant Investment Education Services  
Allocation Advisors  
Asset Advisor (“Asset Advisor”)  
CustomChoice<sup>SM</sup> (“CustomChoice”)  
Diversified Managed Allocations (“DMA”)  
FundSource® Consulting Service (“FundSource”)  
Masters Program (“Masters”)

Private Advisor Network (“Network”)  
Private Investment Management (“PIM”)  
Wells Fargo Compass Advisory Program (“Compass Advisory”)  
Managed Account Access®  
Managed Account Marketplace®  
Managed Account Select®  
Schwab Charitable Fund™  
Asset Management (a product of Raymond James Financial Services)

Cary Street Partners Portfolio Strategies is a program where your assets are custodied at TD Ameritrade Institutional (“TD Ameritrade”), Division of TD Ameritrade, Inc. member FINRA/SIPC and trades are effected by Cary Street Partners at the discretion of the Portfolio Advisory Group. This program is a wrap fee program. Within the program, Sponsor Firms assist clients with the selection of Cary Street Partners Investment Advisory LLC (or have discretion to select Cary Street Partners Investment Advisory LLC) to manage assets in accounts maintained at the Sponsor Firm, collect our investment advisory fee on behalf of the client, monitor and evaluate our performance, and provide custodial services and execution services for the client’s assets.

In wrap fee programs, clients generally pay an asset-based fee to the Sponsor Firm and, out of that fee, the Sponsor Firm is responsible for paying an investment advisory fee to Cary Street Partners Investment Advisory LLC. Clients participating in wrap fee programs also pay other fees if their transactions are stepped-out, as described more fully in Item 5. For a more complete description of the fees involved with wrap programs, please see Item 5 of this Brochure and your Sponsor Firm’s Brochure.

Cary Street Partners Investment Advisory LLC maintains model portfolios, based on certain established guidelines for wrap platforms, including Separately Managed Accounts (SMAs).

A separately managed account (SMA) is a term within the financial services industry used to describe an individually managed account offered by an investment advisory firm (often called a Sponsor Firm) through one of their Financial Advisors and managed by an independent investment management firm (often called the money manager or investment manager). Firms may call SMAs “wrap fee” or “dual contract” or “single contract” accounts, depending on their fee structure. These programs typically offer a wide array of money managers from which the client can choose including: aggressive equity managers, balanced managers, fixed income managers, and others.

When a client selects a money manager through these programs, they will usually grant the manager full discretion (including trading discretion) over the account. With this authority, the manager directs trading activity in the account according to their investment process and securities selection discipline. Trading discretion requires the money manager to seek best execution for trades executed in the SMA.

If selected to manage assets in a client's SMA maintained by a Sponsor Firm, Cary Street Partners will provide investment management services on a discretionary basis to the client. Each client account will be managed in accordance with one or more model portfolios selected by the client.

In certain investment consulting programs, Cary Street Partners and its employees accept discretionary authority over the accounts of investment advisory clients, including authority to determine the identity and amount of securities to be purchased or sold. The breadth and limitations on such discretionary authority are determined by law and by agreement with the client. For example, securities sold in a public offering can be purchased for certain investment advisory clients. However, certain clients are precluded from participating in such offering if the client is designated as a restricted person. Furthermore, from time to time, Cary Street Partners agrees to comply with the investment guidelines and/or limitations set forth in negotiated client agreements, including asset allocations and restrictions. Guidelines and/or limitations necessarily vary from client to client based upon client objectives and other factors.

Asset-based management fees are generally charged quarterly, in advance, based on the market value of client's assets under management at the end of the prior calendar quarter. For information on your specific billing schedule, please contact your Financial Advisor. Fees will generally be deducted directly from a client's account per the Investment Advisory Agreement with Cary Street Partners or the agreement with the Sponsor Firm. In some cases, negotiation of fees may result in different fees being charged for similar services and may be less than the stated fee schedule. In the event that a client terminates the advisory relationship, our investment management fee is prorated through the effective date of termination, as defined by the Investment Advisory Agreement with Cary Street Partners or the agreement with the Sponsor Firm, and any remaining balance is refunded to the client. Cary Street Partners will not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of the client.

Cary Street Partners advisory fees are separate and distinct from fees and expenses charged by open-end investment companies (i.e. mutual funds, closed-end funds, and ETPs), which are held in client accounts or recommended by Cary Street Partners to clients. A description of these fees and expenses is available in each fund's prospectus. Additionally, the fees charged by Cary Street Partners are exclusive of all custodial and transaction costs paid to Sponsor Firms, custodians, brokers, or any other third parties. Clients should review all fees charged by Cary Street Partners, Sponsor Firms, custodians, brokers, and others to fully understand the total amount of fees incurred.

Clients who select Cary Street Partners to managed their SMA assets within wrap-fee programs will typically do so under either a "single contract" or "dual contract" agreement.

Under a single contract, the client pays an asset-based fee to the Sponsor Firm and, out of that fee, the Sponsor Firm (which could be Cary Street Partners) is responsible for paying an investment advisory fee (as described above) to Cary Street Partners. There are other non-asset based fees that will be charged to the client as discussed below. In these programs, the Sponsor Firm and Cary Street Partners enter into a sub-advisory or other agreement under which Cary Street Partners agrees to manage the assets of client accounts in these programs. As part of that agreement, Cary Street Partners and the Sponsor Firm agree on the investment advisory fees to be charged by Cary Street Partners on those assets. Cary Street Partners' advisory fees within the Cary Street Partners Portfolio Strategies program are negotiable and range from .25% - 1.00% per year on the value of the client assets in the wrap fee program.

Under a dual contract agreement, the client has one contract with the Sponsor Firm and another contract with Cary Street Partners. As such, the client pays Cary Street Partners an investment advisory fee in addition to the asset-based fee they pay to the Sponsor Firm for investment advice, custody, execution and reporting. Cary Street Partners' advisory fees within the Cary Street Partners Portfolio Strategies program are non-negotiable and are .25% per year on the value of the client assets in the dual contract wrap fee program.

#### Additional Fees and Expenses

Advisory fees payable to us do not include all fees you will pay when we purchase or sell securities for your Account(s). These fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold, or held in your Account(s) under our management. They are paid to broker-dealers, custodians, or the mutual fund or other investment you hold. These fees can include but are not limited to the following:

- Brokerage commissions
- Transaction fees
- Exchange fees
- SEC fees
- Advisory fees and administrative fees charged by Mutual Funds and/or Exchange Traded Products
- Advisory fees charged by sub-advisers (if any are used for your account)
- Custodial fees
- Deferred sales charges (on MFs or annuities)
- Odd-lot differentials
- Transfer taxes
- Wire transfer and electronic fund processing fees
- Commission or mark=ups / mark-downs on security transactions

## **Item 5 Account Requirements and Types of Clients**

The program described in this brochure is provided to individuals, pension or profit sharing plans, trusts, estates or non-profit organizations, corporations or other business entities and governmental entities, educational institutions, as well as banks or thrift institutions.

The Cary Street Partners Portfolio Strategies program has a minimum account size of \$50,000. This requirement may be waived in certain circumstances and with the approval of Senior Management.

## **Item 6 Portfolio Manager Selection and Evaluation**

The model portfolios in which this program invests are developed using an academically vetted, quantitative, efficient frontier asset allocation model for asset allocation combined with Cary Street manager research, that utilizes only fully liquid, "40 Act" mutual funds. Portfolio strategies range from full equity models to full bond models, with 5 blends of equity and bond exposure.

### **MUTUAL FUND MODEL STRATEGIES**

The CSP Mutual Fund Models are designed to meet investor needs for diversified portfolio solutions meeting defined risk objectives using Mutual Funds. Seven Strategic Mutual Fund portfolio models currently exist— All Equity, 80/20, 70/30, 60/40, 50/50, 30/70 and Bond Alt. Each model is built around a targeted strategic asset allocation among the following major asset classes: fixed income, and both domestic and international equity securities. These strategic asset allocation targets are based upon CSP's recommended long-term strategy guidelines and may change from time to time as determined by CSP's research and analysis.

The strategic asset allocation models currently available to clients are selected such that the Bond Alt model is generally expected to have the lowest investment risk of the CSP Mutual Fund Models, based upon historical average risk levels for these asset classes. Similarly, historical average return figures would suggest that this model also offers the lowest potential return. Bond Alt will typically invest in all fixed income securities; however, the portfolio can, at times, invest a small portion of assets in conservative equities, and/or liquid alternative funds that act as fixed income substitutes. As an investor moves to the 30/70, 50/50, 60/40, 70/30, 80/20 and All Equity, the equity allocations increase. Historical averages suggest that expected investment risk and potential return increase as more of the asset allocation shifts from bonds into equities.

The portfolio may purchase emerging market debt and/or equity mutual funds.

## **RISK DISCLOSURES**

### **Risk of Loss**



All investments in securities include a risk of loss of principal (invested amount) and any profits that have not been realized (i.e., the securities were not sold to “lock in” the profit). Stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage. We will do our very best in the management of investors’ assets; however, CSP cannot guarantee any level of performance or that account assets will not be lost.

CSP does not represent, warrant, or imply that the services or methods of analysis used can or will predict future results, successfully identify market tops or bottoms, or insulate clients from major losses due to market corrections or crashes. No guarantees are offered that clients’ goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by CSP will provide a better return than other investment strategies.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. CSP managed account programs should be considered a long-term investment; as long-term performance and performance consistency are our major goals.

### **Domestic Equity Risks**

Under strategies utilizing equity securities, the portfolios are subject to the risk that stock prices may fall over short or extended periods of time. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in equity securities.

### **International Equity Risks**

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio’s investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer’s home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Finally, foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities.

Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

### **Fixed Income Risks**

Under strategies utilizing debt securities, changes in interest rates could affect the value of a client's investment. Rising interest rates tend to cause the prices of debt securities (especially those with longer maturities) to fall. Rising interest rates may also cause investors to pay off mortgage-backed and asset-backed securities later than anticipated; forcing the portfolio to keep its money invested at lower rates. Falling interest rates, however, generally cause investors to pay off mortgage-backed and asset-backed securities earlier than expected, forcing the portfolio to reinvest the money at a lower interest rate.

The concept of duration is useful in assessing the sensitivity of a fixed income portfolio to interest rate movements, which are the main source of risk for most fixed income securities. Duration measures price volatility by estimating the change in price of a debt security for a 1% change in its yield. For example, a duration of five years means the price of a debt security will change about 5% for every 1% change in its yield. Thus, the higher the duration, the more volatile the security.

Debt securities have a stated maturity date when the issuer must repay the principal amount of the bond. Some debt securities, known as callable bonds, may repay the principal earlier than the stated maturity date. Debt securities are most likely to be called when interest rates are falling because the issuer can refinance at a lower rate.

The credit rating or financial condition of an issuer may affect the value of a debt security. Generally, the lower the quality rating of a security, the greater the risk that the issuer will fail to pay interest fully and return principal in a timely manner. The issuer of an investment-grade security is more likely to pay interest and repay principal than an issuer of a lower rated bond. Credit ratings are not an absolute standard of quality, but rather general indicators that reflect only the view of the originating rating agencies from which an explanation of the significance of such ratings may be obtained. If an issuer defaults or becomes unable to honor its financial obligations, the security may lose some or all of its value.

High yield or "junk" bonds are highly speculative securities that are usually issued by smaller, less credit worthy and/or highly leveraged (indebted) companies. Compared with investment-grade bonds, high yield bonds carry a greater degree of risk and are less likely to make payments of interest and principal. Market developments and the financial and business conditions of the corporation issuing these securities influences their price and liquidity more than changes in interest rates, when compared to investment-grade debt securities. Insufficient liquidity in the junk bond market may make it more difficult to dispose of junk bonds and may cause the portfolio to experience sudden and substantial price declines.

### **Risks Related to ETPs**

From time to time CSP may use ETPs, which will be subject to substantially the same risks as those associated with the direct ownership of the securities comprising the index on which the ETP is based. Additionally, the value of the investment will fluctuate in response to the performance of the underlying index. ETPs can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. During times of extreme market volatility, ETP pricing may lag versus the actual underlying asset values. This lag usually resolves itself in a short period of time (usually less than one day), however, there is no guarantee this relationship will always exist. While ETPs generally provide diversification, risks can be significantly increased for funds concentrated in a particular sector of the market, or that primarily invest in small cap or speculative companies, use leverage (i.e., borrow money) to a significant degree, or concentrate in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETPs incur investment advisory and other fees that are separate from those fees charged by CSP (see disclosure in Item 5 titled “Other Fees”). Accordingly, our investments in ETPs will result in the layering of expenses. As a result, the cost of the investment strategy will be higher than the cost of investing directly in ETFs or mutual funds.

### **Risks Related to Company Size**

CSP strategies may invest in small-capitalization and mid-capitalization stocks, which are often more volatile and less liquid than investments in larger companies. The frequency and volume of trading in securities of smaller and mid-size companies may be substantially less than is typical of larger companies. Therefore, the securities of smaller and mid-size companies may be subject to greater and more abrupt price fluctuations. In addition, smaller and mid-size companies may lack the management experience, financial resources and product diversification of larger companies, making them more susceptible to market pressures and business failure.

### **Risks Related to REITs**

CSP’s strategies may invest in Real Estate Investment Trusts (“REITs”). REITs’ share prices may decline because of adverse developments affecting the real estate industry, such as declining real estate values, changing economic conditions, and increasing interest rates. The returns from REITs may trail returns from the overall market. Additionally, there is always a risk that a given REIT will fail to qualify for favorable tax treatment or may not remain qualified as a REIT.

### **Risks Related to MLPs**

CSP strategies may invest in Master Limited Partnerships (MLPs). MLP investing includes risks such as equity and commodity-like volatility. Also, distribution payouts sometimes include the return of principal and, in these instances, references to these payouts as “dividends” or “yields” may be inaccurate and may overstate the profitability/success of the MLP. Additionally, there are potentially complex and adverse tax consequences associated with investing in MLPs. This is largely dependent on how the MLPs are structured and the vehicle used to invest in the MLPs. It is strongly recommended that an investor consider and understand these characteristics of MLPs and consult with a financial and tax professional prior to investment.

## **Risks related to American Depositary Receipts (“ADRs”)**

ADRs are typically issued by a U.S. bank or trust company and represent ownership of underlying foreign securities. In addition to the risks presented in any investment -- changes in value, changes in demand -- there are several risks unique to ADRs that must be considered. For instance, while they will react to normal market fluctuations like regular stocks, ADRs are still vulnerable to currency risks. If the value of the company's home currency falls too much relative to the U.S. Dollar, the effect will trickle down to the ADR eventually. The same can be said for changes in the home country's government.

## **Performance Based Fees**

Our advisory services do not impose performance fees. Fees are based on the value of the assets in your account, and Cary Street Partners shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of client (i.e., performance fee).

## **Voting Client Securities**

Cary Street Partners has the right to exercise proxy-voting authority for certain accounts as authorized in the client service agreement. Cary Street Partners will retain a third party vendor to provide independent proxy voting based on objective research in order to avoid any potential conflicts of interest between the client and those of the Firm. The service votes proxies on behalf of clients. The proxy voting strategy seeks to maximize shareholder value and attempts to vote the proxies in their best interests. Cary Street Partners reserves the right to recommend a different voting strategy on behalf of the client that is consistent with the client's needs and constraints.

In certain investment consulting programs, such as the Masters and Network Programs, the client has authorized the third-party investment manager to vote proxies on his or her behalf. In those instances, Cary Street Partners will forward the proxy materials to the client's investment manager. To the extent we have contracted to do so, Cary Street Partners will provide this information to clients on behalf of third-party investment managers who vote on behalf of clients. Clients should contact their FA if they have any questions and/or to obtain this information.

## **Item 7 Client Information Provided to Portfolio Managers**

All Clients must provide information on their investment objectives, financial circumstances, risk tolerance and any restrictions they may wish to impose on investment activities. We will notify you in writing at least annually to update your information and indicate if there have been any changes in your financial situation, investment objectives or instructions; and you agree to inform us in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested. Your Financial Advisor will be reasonably available to you for consultation on these matters, and will act on any changes deemed to be material or appropriate as soon as practical after we become aware of the change.

## **Item 8 Client Contact with Portfolio Managers**

Your contact for information and consultation regarding your Program Accounts is generally your Financial Advisor. In certain instances, Financial Advisor may coordinate their response with the Portfolio Advisory Group (the portfolio manager) or arrange for you to consult directly with the Portfolio Advisory Group.

## **Item 9 Additional Information**

Cary Street Partners Investment Advisory LLC or its management personnel are not involved and have not been involved in any legal or disciplinary events that are considered material.

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

Cary Street Partners Investment Advisory LLC is registered with the Securities and Exchange Commission as a federally registered investment adviser. The management personnel of Cary Street Partners are registered as investment adviser representatives within their state jurisdiction.

Cary Street Partners Investment Advisory LLC is not registered as a broker-dealer. The management personnel are registered representatives with Cary Street Partners LLC, the broker-dealer affiliate of Cary Street Partners.

Currently, there is not a pending application for registration as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person for Cary Street Partners, the broker-dealer affiliate or any management person.

Cary Street Partners Investment Advisory LLC and Cary Street Partners LLC are 100% owned by Cary Street Partners Holdings LLC. Cary Street Partners LLC is a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). Cary Street Partners LLC provides investment banking, wealth management and brokerage services to its clients. Client accounts of Cary Street Partners LLC are custodied at First Clearing. Please see Item 12 Brokerage Practice for more information about Cary Street Partners' relationship with Cary Street Partners LLC and First Clearing.

Our affiliate, Cary Street Partners LLC, a registered broker-dealer and member of FINRA and SIPC, will serve from time to time as a private placement agent for issuers of equity and debt securities. In that capacity, certain advisory clients who are accredited investors and qualified advisory clients for which the private placement is suitable are shown transactions represented by Cary Street Partners LLC. If they elect to do so and are acceptable to the issuer and its counsel, these clients purchase securities in some of those offerings.

In addition, Cary Street Partners Holdings LLC has completed private placements of securities and some of our qualified advisory clients invested in those offerings. The firm could offer similar investments to our investment advisory clients in the future.

Cary Street Partners Holdings LLC is 100% owner of RiverStone Business Advisory Services, Inc. ("RBAS"), a subsidiary. Through this entity, certain Financial Advisors provide business consulting, bookkeeping services and tax services. Only a limited number of FAs participate in this entity, however other FAs receive a referral fee for referring clients for consulting and tax services. You should inquire if your FA will be compensated if such a referral is made.

Cary Street Partners provides a broader scope of service other than just investment advisory services. Engagements often include comprehensive analysis of cash flow and retirement models, company stock option detail and benefit analysis, estate planning functions, and risk assessment. Additional business activity is not limited to these services but would fall within the general parameters of clients' financial needs that are relevant on a client by client basis and fall within Cary Street Partners' areas of expertise.

Cary Street Partners, from time to time, enters into arrangements with other investment advisers whereby Cary Street Partners agrees to provide certain services to clients of the investment adviser in exchange for a portion of the investment advisory fee paid to the investment advisers by the clients.

Cary Street Partners Investment Advisory LLC associates accept payment for reasonable travel and lodging expenses from money managers when performing due diligence reviews or educational meetings related to those money managers' investment management activities. These payments are to compensate Cary Street Partners Investment Advisory LLC for travel related expenses incurred on these business trips. Any payments received in these situations are monitored and reviewed and are considered immaterial in relation to the firm's income.

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

Cary Street Partners' policy is that your interests take precedence over our interests, and the interest of our affiliates, employees and representatives. Accordingly, our personnel will disclose any material relationships that they have with respect to any investment recommended to you. In addition, Cary Street Partners will make recommendations based upon your suitability and objectives without regard to the firm's benefit.

Our personnel will not purchase or sell securities for their own account if the transaction will disadvantage you in any way. Cary Street Partners maintains transaction records for all employee securities transactions. Cary Street Partners also prohibits insider trading and complies with applicable provisions of state and federal law.

Our code of ethics specifically outlines the process by which employees of Cary Street Partners and affiliate firms purchase investments recommended to you. A copy of our code of ethics is available upon request. The important determinant by which we ensure your interests come before our own is our trading policy that deters employees and affiliated members from purchasing managers/mutual funds for a period of 24 hours after Commitment Committee approval and/or a period of 24 hours after significant recommended asset allocation adjustments are determined.

Our portfolio managers purchase for their own accounts securities that are purchased for you. Cary Street Partners has certain restrictions, internal procedures and client disclosures regarding conflicts of interest that we have with respect to our participation or interest in your transactions. Cary Street Partners communicates its policies and procedures related to participation in your transactions to its associates through its compliance policies and procedure manuals and program-specific policy guidelines.

Personal trading by Cary Street Partners employees must be conducted in compliance with all applicable laws and procedures adopted by Cary Street Partners. We place restrictions upon certain of our personnel in connection with the purchase or sale of securities recommended to you. It is Cary Street Partners' internal policy that certain management personnel not recommend the purchase of a security that they have purchased for their own account or the account of a closely related party within an established number of days, unless such shares are sold prior to issuance of a buy recommendation. Portfolio Advisory Analysts are prohibited from purchasing securities that an analyst has recommended for 24 hours following the official release of the recommendation except within the models which trade concurrent with client accounts. All trades in accounts of personnel in these departments and of FAs and their immediate relatives are subject to supervisory review. Cary Street Partners' policies include:

1. an express prohibition against front running client accounts,
2. observing black-out periods,
3. maintaining restricted lists to prevent investment personnel from unfairly benefiting from unreleased research reports and recommendations, and
4. "Chinese-Wall" procedures designed to control the flow of inside or other confidential information.

Such policies and procedures are designed to prevent, among other things, any improper conduct wherever any potential conflict of interest exists with respect to any client.

Cary Street Partners and its investment personnel recommend securities or investment managers in which they directly or indirectly have a financial interest or control relationship and buy and sell securities that they recommend to you for purchase and sale. They also give advice and take action in the performance of their duties to you that differ from advice given, or the timing and nature of action taken with respect to other clients' accounts.

## Brokerage Practice

Within the Cary Street Partners Portfolio Strategies program, the firm requires that you establish your account at TD Ameritrade as the qualified custodian. Cary Street Partners is independently owned and operated and is not affiliated with TD Ameritrade or any other qualified custodian.

When, and if, Cary Street Partners has discretion to determine the broker-dealer to be used in a securities transaction, the general policy is to select or recommend, as applicable, broker-dealers on the basis of the best combination of market price, responsiveness, financial responsibility and execution capability, under the requirements of all applicable law.

Other judgmental factors utilized in determining the broker-dealer to affect your transactions include:

- knowledge of negotiated commission rates currently available and other current transaction costs;
- the nature of the security being traded;
- the size of the transaction;
- confidentiality;
- the execution, clearance and settlement capabilities of the broker-dealer selected and others which are considered; and
- knowledge of the financial stability of the broker-dealer selected and others that are selected.

## Your Brokerage and Custody Costs

For our clients' accounts that TD Ameritrade maintains, the qualified custodian generally does not charge you separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into your account. For most accounts within this program, TD Ameritrade charges us transaction charges which are absorbed through the wrap fee charged to you.

**Services That Do Not Directly Benefit You.** Cary Street Partners works with a number of qualified custodians within our advisory products. These custodians make available, to us, products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, TD Ameritrade's, Raymond James', Schwab's or First Clearing's own research and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at TD Ameritrade.

**Services That Generally Benefit Only Us.** Schwab, Raymond James, TD Ameritrade and First Clearing also offer other services intended to help us manage and further develop our business enterprise. These services include:



- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

TD Ameritrade, Schwab, Raymond James or First Clearing provide some of these services themselves. In other cases, they arrange for third-party vendors to provide the services to us. They also discount or waive fees for some of these services or pay all or a part of a third party's fees. TD Ameritrade, Schwab, Raymond James or First Clearing also provide us with other benefits, such as occasional business entertainment of our personnel.

### **Our Interest in Those Services**

The availability of these services from TD Ameritrade, Schwab, Raymond James or First Clearing benefits us because we do not have to produce or purchase them. We are provided Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. The \$10 million minimum gives us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that the availability of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services and not their services that benefit only us.

You authorize that we effect and execute brokerage transactions. On occasion, you are able to designate, or the law requires, the use of other broker-dealers. Costs and transaction fees arising from such use will be separately borne by clients.

Under certain programs, Cary Street Partners LLC is generally appointed as sole and exclusive broker by the client with respect to the referenced account for the execution of transactions. In connection with these transactions, they act as agent or, where permitted by law, principal (including instances wherein we are acting as underwriter or selling group members). We are not responsible for the day-to-day investment management of client accounts; we will effect only transactions as instructed by the investment advisers, or, in the case of Asset Advisor and CustomChoice, the client. We will perform no discretionary acts with respect to clients' accounts unless authorized in writing by the client. We are under no obligation to effect any transaction for a client account that we believe to be improper under applicable law, rule or regulation.

Advisory client orders are treated with the same priority and procedural flow as non-advisory brokerage customer trades, except to accommodate the trading restrictions placed on these accounts with respect to principal and agency cross-transactions. When feasible, it is our

practice to aggregate, for execution as a single transaction, orders for the purchase or sale of a particular security for the accounts of several clients, in order to seek a more advantageous net price. In addition, investment advisers similarly aggregate for execution as a single transaction, trades directed to us. The benefit, if any, obtained as a result of such aggregation generally is allocated pro-rata among the accounts of clients that participated in the aggregated transaction in accordance with procedures adopted by investment managers. Client transactions are monitored regularly by branch supervisors, and Wealth Management personnel monitor Program exceptions. Cary Street Partners uses system controls and identification to review accounts to determine if clients have been charged commissions in error and correct client accounts where appropriate. Clients who have a brokerage account relationship with Cary Street Partners LLC unrelated to an advisory service will be charged commissions, fees and execution costs, if any, in effect for the specific brokerage account.

Cary Street Partners does not engage in soft dollar arrangements except to the extent your qualified custodian provides services as described above. In evaluating whether to recommend or require that you custody your assets at Schwab, Raymond James, TD Ameritrade or First Clearing or any other firm, Cary Street Partners takes into consideration the availability of some of the foregoing products or services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided, which creates a potential conflict of interest.

In cases where you direct that broker-dealers other than Cary Street Partners or its affiliates are to be used to execute securities transactions, it is your sole responsibility to negotiate the applicable commission rates with the broker-dealers. You should also understand that such directed broker arrangements cause you to forgo any savings on execution costs that your investment manager otherwise is able to negotiate with such other broker-dealer or broker-dealers, such as obtaining volume or other discounts on batched orders, and that, in the aggregate, you could pay materially different commissions from such investment manager's other clients, depending upon your arrangement with Cary Street Partners. Directed brokerage arrangements cause you to forgo any savings on execution costs that might have been provided by the wrap fee program. For your accounts subject to ERISA, you should understand that your broker arrangement must be done for the exclusive benefit of participants and beneficiaries of the plan and that it must not constitute or cause the account to be engaged in a prohibited transaction as defined by ERISA. You should compare the possible costs or disadvantages of such brokerage arrangements.

As appropriate, orders effected by Cary Street Partners for you are aggregated for the purpose of obtaining best execution. In such an event, the transactions, as well as the expenses incurred in the transaction, will be allocated according to one or more methods designed to ensure that such allocation is reasonable and equitable and does not consistently advantage or disadvantage any account. It is rarely possible to receive the same price or time of execution for all of the securities purchased or sold in an aggregated order. Therefore, such aggregated order is executed in one or more transactions at varying prices and your order generally will receive the average price for the day with respect to such transactions. Partially filled orders

will be allocated on a pro-rata, random, or otherwise equitable basis, with your order generally receiving the average price for a given day with respect to such transaction.

## **Review of Accounts**

Cary Street Partners associates will review your account on a periodic basis (typically quarterly, but sometimes more or less frequently, if the client desires) to evaluate performance, concentration, style drift, cash flows, adherence to investment guidelines or restrictions, investment selection, and asset quality and other metrics of the investment vehicle.

Upon the opening of each account, your investment objectives and strategy are reviewed for approval and consistency. Thereafter, accounts are reviewed on a transaction, monthly, quarterly or annual basis, as applicable, to monitor the account's performance, the individual mutual funds for appropriateness, and certain restrictions that apply.

The custodian will transmit to you (and where appropriate the investment manager) the following:

- a. trade confirmations reflecting all transactions in securities; provided, however, that we furnish periodic statements of account activity in lieu of transaction-by-transaction confirmations to the extent and in the manner permitted by Rule 10b-10 under the Exchange Act; and
- b. a statement of account activity at least quarterly.

Program services provided by our personnel and facilities include a review and monitoring of your account(s).

You agree to inform us in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested. Those changes deemed material or appropriate will be forwarded to any applicable investment manager under the particular program as soon as practicable after we become aware of the change. In addition, those responsible for making investment decisions for you will be reasonably available to you for consultation.

The services provided, if elected, include quarterly progress reviews for the client's account. The reports include a review and evaluation of the client's portfolio with respect to the client's investment goals and objectives. Such reports contain our investment recommendations for the client's account.

## **Client Referrals and Other Compensation**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related

conflicts of interest are described above (see Item 12 Brokerage Practices). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Cary Street Partners receives indirect compensation from clients by the directed allocation of all or a portion of their brokerage business to Cary Street Partners LLC on securities transactions executed for the client by the client's investment manager(s). All of the business that is allocated to Cary Street Partners LLC is done at rates which are fully disclosed to the client and which are competitive with those that could be obtained from other broker-dealers for similar services. The client should understand that, in such cases, the client can pay commissions which are higher than if the transactions were effected through broker-dealers other than Cary Street Partners LLC or if the client's investment manager negotiated the commission rates. The statistically based, objective portfolio and investment manager analysis furnished to the client on a quarterly basis by Cary Street Partners LLC in connection with its investment advisory programs is in no way influenced by the percentage of brokerage business provided by the investment manager to Cary Street Partners LLC. In addition, Cary Street Partners LLC receives mutual fund sales charges and/or distribution and shareholder servicing fees with respect to mutual fund shares for which Cary Street Partners LLC is designated to be broker of record.

Cary Street Partners or its affiliates from time to time enter into solicitation agreements providing cash compensation to solicitors who secure clients for its investment advisory programs. Cary Street Partners also from time to time enters into solicitation agreements under which it receives cash compensation for referring clients to other investment managers, including one or more of its affiliates. These agreements are fully disclosed to the client.

Cary Street Partners, or its affiliates, will from time to time enter into joint marketing activities with investment managers and/or sponsors of mutual funds in the investment advisory programs it offers. These managers and/or sponsors pay a portion, or all, of the cost of the activities, which payment at times takes the form of reimbursement to Cary Street Partners or Cary Street Partners LLC.

Cary Street Partners will from time to time enter into arrangements with other investment advisers whereby Cary Street Partners agrees to provide certain services to clients of the investment adviser in exchange for a portion of the investment advisory fee paid to the investment advisers by the client.

Clients who have investment advisory accounts with Cary Street Partners also have other accounts with the firm or its affiliates in which management fees are not charged. The payment of commissions in these non-managed accounts is negotiated on an entirely separate basis from the payment of fees and commissions, if any, in the investment advisory accounts.

## Custody

Cary Street Partners does not maintain custody of your assets that we manage or which we advise, although we are deemed to have custody of your assets if you give us authority to withdraw assets from your account for example, to pay your advisory fees on your instructions. Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank.

Your broker-dealer, bank or qualified custodian will send you directly, at least quarterly, account statements reflecting the activity in your account. You should always carefully review these statements. You should also always compare the account statements you receive from your broker-dealer, bank or qualified custodian to any statements you receive from Cary Street Partners Investment Advisory LLC.

## **Investment Discretion**

The client is able to grant discretionary authority to Cary Street Partners under the Private Investment Management Program and under the Portfolio Strategies program. Upon signing the Cary Street Partners Advisory Account Agreement, we will have full discretionary power to supervise and direct the investments in these accounts.

In the Portfolio Strategies Program, Cary Street Partners and its employees accept discretionary authority, when granted, over the accounts of investment advisory clients, including authority to determine the identity and amount of securities to be purchased or sold. The breadth and limitations on such discretionary authority are determined by law and by agreement with the client. For example, securities sold in a public offering generally are able to be purchased for certain investment advisory clients. However, certain clients are precluded from participating in such offering if the client is designated as a restricted person. Furthermore, from time to time, Cary Street Partners agrees to comply with the investment guidelines and/or limitations set forth in negotiated client agreements, including asset allocations and restrictions. Guidelines and/or limitations necessarily vary from client to client based upon client objectives and other factors.

Cary Street Partners Investment Advisory LLC’s financial condition is sufficient to meet its financial commitments to clients and the firm has not been the subject of any bankruptcy proceeding.