

# Disclosure Brochure

March 16, 2017

## **SNW ASSET MANAGEMENT, LLC**

*a Registered Investment Adviser*



This brochure provides information about the qualifications and business practices of SNW Asset Management, LLC (hereinafter "SNW" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). SNW is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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## **Item 2. Material Changes**

In this Item, SNW is required to discuss any material changes that have been made to the brochure since the last annual amendment filed March 29, 2016. SNW has updated Item 12 to describe how cross transactions are executed.

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## Item 4. Advisory Business

SNW has been in business as an investment adviser registered with the U.S. Securities and Exchange Commission since January 2003. SNW is wholly owned by SNW Asset Management Corporation.

The Firm provides active fixed income portfolio management with approximately \$2,552,987,000 assets under management, of which \$2,503,930,000 is managed on a discretionary basis and \$49,057,000 managed on a non-discretionary basis in taxable and tax-exempt accounts for high net worth individuals, municipalities, corporations, credit unions, foundations and other investment advisers.

Prior to the rendering of any of the foregoing advisory services, clients are required to enter into one or more written agreements with SNW setting forth the relevant terms and conditions of the advisory relationship (the "*Agreement*"). While this brochure generally describes the business of SNW, 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 SNW's behalf and is subject to the Firm's supervision or control.

### Investment Management Services

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SNW manages customized fixed income portfolios on a discretionary basis by primarily allocating assets among municipal securities, corporate debt securities, U.S. government securities, agency securities, mortgage pass-through securities and money market funds. SNW's services include the development of investment strategies, evaluation and appraisal of securities held as well as securities considered for purchase, construction of fixed-income investment portfolios, execution of securities purchase and sale transactions, and portfolio administration, including the tracking of and reporting on portfolio performance and investment results.

SNW tailors its advisory services to meet the needs and objectives of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. SNW consults with clients on an initial and ongoing basis to determine various factors relevant to the management of their portfolios. Clients are advised to promptly notify SNW 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 SNW 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.

## Item 5. Fees and Compensation

SNW offers its investment management services for an annual fee based upon a percentage of assets under management. Generally, the fee is prorated and charged either monthly or quarterly, in advance or

arrears. Depending on the engagement, the fee may be calculated using either the average daily balance of the assets during the quarter or the market value of the assets on the last day of the quarter. The specific fee schedule ranges up to 60 basis points (0.60%) and is determined by the type of client and the strategy used to manage the portfolio.

For the initial term of an engagement, the base fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the base fee for the final billing period is prorated through the effective date of the termination and the outstanding balance is refunded or charged to the client, as appropriate.

## Fee Discretion

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SNW, in its sole discretion, may negotiate to charge a lesser management 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.

## Additional Fees and Expenses

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In addition to the advisory fees paid to SNW, 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. The Firm's brokerage practices are described at length in Item 12, below.

## Fee Debit

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Clients generally provide SNW with the authority to directly debit their accounts for payment of the Firm's investment advisory fees. The *Financial Institutions* that act as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to SNW. Alternatively, clients may elect to have SNW send them an invoice for direct payment.

## Account Additions and Withdrawals

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Clients may make additions to and withdrawals from their account at any time, subject to SNW's 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 SNW, subject to the usual and customary securities settlement procedures. However, SNW designs its portfolios as long-term investments and the

withdrawal of assets may impair the achievement of a client's investment objectives. SNW 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**

SNW 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**

SNW provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, state and municipal government entities, investment advisers, credit unions, corporations and other business entities.

### **Minimum Account Requirements**

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SNW's minimum portfolio value for starting and maintaining an investment management relationship is \$500,000, however the Firm may, in its discretion, negotiate a lower minimum portfolio value. SNW does not impose a stated minimum fee value for starting and maintaining an investment management relationship; however, the Firm may, in its discretion, negotiate a minimum quarterly or annual fee for smaller accounts.

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

### **Methods of Analysis**

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The SNW investment approach is based on a collaborative team environment that is rooted in fundamental and quantitative research. Clients generally invest in one or more of the Firm's core investment strategies, portfolio durations, and/or impact overlays described below.

#### *Return*

Research has shown that a bond portfolio's multi-year total return is heavily influenced by the level of income. SNW portfolios typically carry a yield above the benchmark by at least the average fee charged through active sector and security selection. SNW continuously monitors the relative value relationships among sectors and bases the sector positioning on total return potential.

## *Volatility/Risk*

SNW targets portfolio volatility similar to that of the selected benchmarks. Risk is managed through limits on sector allocation, individual credit weightings and the allocation to various ratings buckets. The DTS (duration times spread) metric is used to monitor total portfolio risk.

## *Credit*

SNW conducts ongoing, bottom-up fundamental credit analysis on each holding. Portfolio holdings are focused on credits with stable to improving fundamental credit profiles. SNW identifies securities that maximize income while managing risk. Portfolio holdings are ranked quantitatively based on their fundamental credit and market risk levels to determine relative value.

## *Trading*

SNW trading capabilities allow the firm to execute on their ideas in a cost-effective manner. Tax-efficiency is at the heart of the Firm's investing process.

## *Duration*

SNW portfolios are managed within a tight duration band around the stated benchmark in a range that is dictated by the shape of the yield curve. Research has shown that the direction and level of interest rates are difficult to predict due to the efficient nature of the Treasury market. Each client's chosen duration strategy is based on their overall portfolio objectives.

The SNW investment process and philosophy is centered on active sector and security selection. Based on extensive research, SNW has concluded that these areas are exploitable from an alpha-generation perspective for bond investors. SNW portfolio managers do not focus their time and energy on active duration management as research has shown the direction and level of interest rates is unlikely to be consistently predictable over the long-term.

## *Risk Management*

Risk management is of paramount importance to SNW and is an upfront and ongoing consideration. Purchasing securities with strong fundamentals and structures is critical. However, fundamentals can and do change. SNW continually monitors all portfolio positions and reacts accordingly. SNW credit analysts, who are responsible for individual security research, develop a buy list that comprises every credit available to SNW for purchase. Based on this buy list and SNW target strategy allocations (developed by the investment committee), SNW traders are tasked with purchasing the securities that offer the highest risk/adjusted yield. SNW will consider a sale if information received from SNW analysts indicates the fundamental financial condition of a credit and/or sector is weakening. SNW may also look to sell a security if it is determined it is overvalued relative to the risk profile or if a more attractive opportunity in the market presents itself.

At a minimum, SNW will sell a security in response to changes in:

- Credit spreads and relative values
- Deterioration in credit quality
- Deterioration of liquidity/marketability
- Broader financial market concerns

The SNW absolute rule: SNW will sell any holding if and when SNW concludes that it has become unsuitable for a client, given the client's investment objectives and tolerance for risk

## *General Analytical Risk*

SNW's analytical methods rely on the assumption that the entities whose securities the Firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While SNW is alert to indications that data may be incorrect, there is always a risk that the Firm's analysis may be compromised by inaccurate or misleading information.

## **Investment Strategy Overview**

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### *Core Investment Strategies*

- *SNW Municipal:* Investment grade tax-exempt municipal bonds; state-specific where applicable.
- *SNW Blend:* Investment grade blend of tax-exempt municipal bonds and taxable bonds which may include corporate, treasury/agency, Government mortgage-backed securities ("MBS"), treasury inflation-protected securities ("TIPS"), and taxable municipal bonds. Sector mix is based on after-tax relative value.
- *SNW Taxable:* Investment grade taxable bonds which may include corporate, treasury/agency, Government MBS, TIPS and taxable municipal bonds. Tax-exempt municipal bonds may also be held.
- *SNW Credit:* Investment grade corporate and taxable municipal bonds. Tax-exempt municipal bonds may also be held.

### *Portfolio Durations*

- *Ultra-Short:* Weighted average portfolio duration of .5 - 1.5 years with individual bond maturities no greater than 3 years. The Ultra Short Duration Strategy exhibits minimal sensitivity to changes in interest rates.
- *Short:* Weighted average portfolio duration of 2 - 3 years with individual bond maturities no greater than 7 years. The Short Duration Strategy exhibits limited sensitivity to changes in interest rates.
- *Intermediate:* Weighted average portfolio duration of 3.5 - 4.5 years with individual bond maturities no greater than 12 years. The Intermediate Duration Strategy exhibits moderate sensitivity to changes in interest rates.
- *Long:* Weighted average portfolio duration of 5 - 7 years with no limitation on individual bond maturities. The Long Duration Strategy exhibits extensive sensitivity to changes in interest rates.



## *Impact Overlay*

*General Impact Overlay:* an undifferentiated approach to impact investing with assets being allocated to any available investment opportunity with impact potential. This includes impact opportunities related to the environment, education, housing, healthcare, social improvement, energy efficiency and infrastructure improvements among other options.

- *Environmental Issues Focus:* This approach leverages capital to address the key environmental challenges of today and tomorrow.
- *Educational Focus:* This approach leverages capital to support better educational outcomes for the next generation.
- *Gender Equity Focus:* This approach leverages capital to help empower women in the workplace and in society.

## **Risks of Loss**

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### *General Risk of Loss*

The profitability of a significant portion of SNW's recommendations may depend to a great extent upon correctly assessing the future course of price movements of certain asset classes. There can be no assurance that SNW will be able to predict those price movements accurately. Investing in securities involves the risk of loss and clients should be prepared to bear potential losses.

### *Fixed Income Securities Risks*

There are a number of risks associated with certain fixed income strategies that can result in significant variability in investment returns and a loss of income or capital value.

- *Credit Risk:* Credit risk is the possibility that an issuer of debt security will be unable to make interest payments or repay principal when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. Credit risk may be heightened for portfolios that invest in lower quality bonds, including "high yield" securities.
- *Interest Rate Risk:* Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, and as such the risk that the value of a portfolio will decline because of rising interest rates. In general, debt securities will increase in value when interest rates rise. Longer term debt securities are generally more sensitive to interest rate changes, and thus entail greater interest rate risk. Rising interest rates may also lengthen the duration of debt securities with call features, since exercise of the call becomes less likely as interest rates rise, which in turn will make the securities more sensitive to changes in interest rates and result in even steeper price declines in the event of further interest rate increases.
- *Municipal Securities Risk:* Municipal securities are subject to various risks based on factors such as economic and regulatory developments, changes or proposed changes in the federal and state tax structure, deregulation, court rulings and other factors. Repayment of municipal securities depends on the ability of the issuer or project backing such securities to generate taxes or revenues. There is a risk that the interest on an

otherwise tax-exempt municipal security may be subject to federal income tax. Typically, there is less public information available about municipal bonds than for other types of securities, such as corporate bonds or equities. The secondary market for municipal bonds, and particularly for high-yield municipal bonds, tends to be less well developed and less liquid than many other securities markets. As a result, an account may have to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on performance.

- *Treasury Inflation-Protected Securities (TIPS) Risk:* Inflation risk poses concerns for investors planning to live off of bond income, as inflation rises purchasing power is lowered. Typically, inflation-protected bonds have lower yields than conventional fixed-rate bonds. TIPS generally provide a hedge against inflation, however, during a deflation, the principal and income of inflation-protected bonds would likely decline in value.
- *Mortgage Backed Securities (MBS) Risk:* MBS are often exposed to *extension risk*, where obligations on the underlying assets are not paid on time (which could happen if interest rates rise), and *prepayment risks*, where obligations on the underlying assets are paid earlier than expected (which could happen when interest rates fall). . These risks may have a substantial impact on the timing and size of the cash flows paid by the securities and may negatively impact the returns of the securities. The average life of each individual security may be affected by a large number of factors such as the existence and frequency of exercise of any optional redemption and mandatory prepayment, the prevailing level of interest rates, the actual default rate of the underlying assets, the timing of recoveries and the level of rotation in the underlying assets.
- *Call Risk:* Issuers have the option to call or redeem certain bonds prior to the maturity date. As such, there is a risk that there may not be bonds with similar characteristics paying the same interest rate available to buy with those proceeds if an issuer calls its bonds in a period of declining interest rates.
- *Reinvestment Risk:* Reinvestment risk refers to the risk that future proceeds from investments may have to be reinvested at potentially lower interest rates, or that there may not be similar bonds available paying the same interest rate with equivalent quality, maturity or other characteristics. The reinvestment of proceeds into substantially dissimilar bonds may adversely impact the level of income generated or carry different levels of risk.
- *International Risks:* Fixed income securities of foreign issuers involve increased risks due to adverse issuer, political, regulatory, currency, market or economic developments. These developments may impact the ability of a foreign debt issuer to make timely and ultimate payments on its debt obligations to the portfolio or impair the portfolio's ability to enforce its rights against the foreign debt issuer. Foreign investments may also be less liquid and more difficult to value than investments in U.S. issuers.
- *Liquidity Risks:* Due to a lack of demand in the marketplace or other factors, an account may not be able to sell some or all of the investments promptly, or may only be able to sell investments at less than desired prices. MBS and Asset-backed securities ("ABS") may be subject to greater liquidity risk in comparison to other fixed income securities such as government issued bonds. The market for lower-rated and unrated debt obligations and debt obligations backed by "subprime" mortgages may be less liquid than the market for other obligations, making it difficult for an account to value its investment in

a lower-rated or unrated obligation or to sell the investment in a timely manner or at an acceptable price.

## Item 9. Disciplinary Information

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

## Item 10. Other Financial Industry Activities and Affiliations

SNW 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.

## Item 11. Code of Ethics

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

The *Code of Ethics* also requires certain of SNW's personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, SNW *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *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 below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may knowingly 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 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; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

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

## **Item 12. Brokerage Practices**

SNWAM works only with fixed-income securities, which are traded in dealer markets. When determining dealers to be used in the execution of securities transactions, SNW takes into account dealers' (i) expertise and market-making capabilities with respect to the type of securities being bought or sold, (ii) history of making competitive bids and offers, and (iii) history of flexibility with respect to settlement dates. It is the Firm's practice to transact business with the dealer making the best bid or offer on each security transaction, consistent with settlement date needs of its clients.

### **Research and Other Soft Dollar Benefits**

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SNW does not use soft dollars for any accounts. SNW generally does not accept research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions.

### **Brokerage for Client Referrals**

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SNWAM does not consider, in selecting broker-dealers, whether SNWAM or a related person receive client referrals from such broker-dealer or third parties.

### **Directed Brokerage**

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SNW does not recommend, request or require that a client direct execution of transactions through a specified broker-dealer and the Firm does not permit its clients to direct execution of transactions through a specified broker-dealer.

### **Trade Aggregation and Allocation**

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SNWAM will aggregate trades across various client accounts. This is done only when the purchase or sale of a security is in the best interest of each individual client account. When a trade is aggregated across client accounts, one or all of the following characteristics of each individual account is considered: chosen investment strategy, risk tolerance, investment objective, investment horizon, liquidity needs, place of residence, marginal tax bracket, and any limits or preferences the client has specified regarding their account.

In allocating the aggregated trades to client accounts, SNWAM's practice is to allocate securities to portfolios deriving the greatest benefit from additional investment, taking into account (i) the suitability of the available security for each portfolio, given the credit and maturity profiles of the portfolios, (ii) the proportion of cash awaiting investment to the overall size of each portfolio, (iii) the opportunity to break the security purchased into transactional-efficient multiples when distributing allocations among portfolios, and (iv) the availability of close substitutes among securities offered in the new issue and secondary markets.

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**Cross Trades**

From time to time, SNW may determine that it is in the best interests of two or more of its clients to arrange for the transfer of a security from one client to another in a transaction that is not exposed to the open market for liquidity, tax or other reasons. The Firm will arrange for cross transactions to be effected through a third-party broker-dealer. Cross transactions are booked at a price obtained from a reliable independent pricing service, plus or minus any applicable mark-up or mark-down charged by the executing broker-dealer to the affected clients. SNW will arrange for cross transactions to be effected only when they are in the best interest of all affected clients, when such transactions satisfy the Firm's duty of best execution, and when SNW has a reasonable basis for believing that the price at which the transaction is booked is fair to all affected clients.

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

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**Account Reviews**

SNW monitors investment portfolios as part of a continuous and ongoing process. All investment advisory clients are encouraged to discuss their needs, goals and objectives with SNW and to keep SNW informed of any changes thereto. The Firm 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 the client's financial situation and/or investment objectives.

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**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. On a quarterly basis, the Firm also sends GIPS compliant performance reports, which clients are encouraged to compare with the information contained in the account statements they receive from their custodians.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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SNW is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. SNW may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

In addition, if a client is introduced to SNW by either an unaffiliated or an affiliated solicitor, SNW may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Unless otherwise disclosed, any such referral fee is paid solely from SNW's investment management fee and does not result in any additional charge to the client. If the client is introduced to SNW by an unaffiliated solicitor, the solicitor provides the client with a copy of SNW's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of SNW discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of SNW's written disclosure brochure at the time of the solicitation.

### Fidelity Wealth Advisor Solutions Program®

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SNW has entered into an agreement with Fidelity to participate in the Fidelity Wealth Advisor Solutions Program (the "WAS Program"), through which SNW receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. SNW is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control SNW, and SAI has no responsibility or oversight for SNW's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for SNW, and SNW pays referral fees to SAI for each referral received based on the firm's assets under management attributable to each client referred by SAI or members of each client's household. The WAS Program is designed to help investors find an independent investment adviser, and any referral from SAI to SNW does not constitute a recommendation or endorsement by SAI of SNW's particular investment management services or strategies. Under this arrangement, SAI will receive 0.10% of the fees paid on the referred assets under management for a period of up to seven years. These referral fees are paid by SNW and not the client.

To receive referrals from the WAS Program, SNW must meet certain minimum participation criteria, but SNW may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). SNW has procedures in place to address any conflicts of interest inherent to this type of arrangement, as the firm seeks to ensure that any client-related recommendations or decisions remain objective and aligned with

its clients' best interests. Nonetheless, as a result of its participation in the WAS Program, SNW may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and SNW may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to SNW as part of the WAS Program. Under an agreement with SAI, the firm has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, SNW has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when SNW's fiduciary duties would so require; therefore, SNW may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit SNW's duty to select brokers on the basis of best execution.

#### **Arrangement with HIP Investor Inc.**

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SNW has entered into a Portfolio-Rating Collaboration Agreement ("PRCA") with HIP Investor Inc. ("HIP"), an independent registered investment adviser. HIP has developed a proprietary process for assessing social, environmental and human-impacts and sustainability attributes associated with investment assets. This proprietary process calculates numerical "HIP Scores" and other sustainability ratings for individual investment assets and investment portfolios. HIP focuses on the sustainability of long term investments for improved financial, social and environmental health to mitigate risk through a tailored performance strategy. SNW and HIP have collaborated in connection with the development of HIP Scores or ratings for fixed income, including municipal securities. Under the terms of the PRCA, if SNW manages an account or portfolio in connection with HIP Scores or ratings, the Firm pays to HIP thirty-three and one third percent (33 1/3%) of all management, advisory and other fees billed by SNW in connection with such services. The PRCA also provides that SNW is a preferred fixed-income manager for HIP. In the event that HIP refers clients to SNW, then SNW pays to HIP thirty-three and one third percent (33 1/3%) of all management, advisory and other fees billed by SNW in connection with such services and accounts. Similarly, in the event that HIP generates any revenues associated with the calculation or dissemination of HIP Scores, or the provision of other ratings, scoring, selection, evaluation, or analysis services, to any party with respect to municipal bonds, then HIP pays to SNW 33.3% of all management, advisory and other fees billed by HIP in connection with such services.

#### **Item 15. Custody**

SNW's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize SNW through such *Financial Institution* to debit the client's account for the amount of SNW's fee and to directly remit that management fee to SNW in accordance with applicable custody rules.



The *Financial Institutions* recommended by SNW have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SNW. In addition, as discussed in Item 13, SNW also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from SNW.

## **Item 16. Investment Discretion**

SNW generally retains the authority to exercise discretion on behalf of clients. SNW 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. SNW is given this authority through a power-of-attorney included in the agreement between SNW and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). SNW 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**

SNW does not accept the authority to vote securities on behalf of the Firm's clients. Clients receive proxies directly from the *Financial Institutions* and may contact SNW using the information on the cover of this brochure with questions about such solicitations.

## **Item 18. Financial Information**

SNW 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 or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.





Prepared by:

