



## Signature Family Wealth Advisors

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**BROCHURE**  
**FORM ADV PART 2A**  
**December 14, 2018**

Item 1: Cover Page

This brochure provides information about the qualifications and business practices of Signature Financial Management, Inc., doing business as Signature Family Wealth Advisors (“Signature”). 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 Signature also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Signature’s CRD number is 106375.

Signature is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended. This registration does not imply any particular level of skill or training.

## Item 2: Material Changes

This Item 2 discusses only specific material changes made to this brochure since the last annual update on March 28, 2018. It does not describe other modifications such as updates to dates and numbers, stylistic changes, or clarifications.

The following are updates since our last annual amendment:

**Item 10: Other Financial Industry Affiliations.** In November 2018, Signature became a wholly -owned subsidiary of Brown Advisory Incorporated (“BAI” and, together with its affiliates, “Brown Advisory”). BAI serves as the manager of Brown Advisory Group Holdings, LLC and the managing member of Brown Advisory Management, LLC (“BAM”). BAM, a Maryland limited liability company, is a holding company that serves as the parent company to several Brown Advisory subsidiaries, including Brown Advisory, LLC. Additional information about Brown Advisory, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Signature’s portfolio managers and analysts will continue to manage the existing products of separately managed accounts and private funds, utilizing the same investment process that was in place before the November 2018 acquisition. Please see Item 10 for additional information on ownership and affiliates.

**Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.** As a wholly owned subsidiary of Brown Advisory , Signature employees are subject to the Brown Advisory Code of Ethics except that the Personal Trading Restrictions applicable to Signature employees will be the same restrictions applicable before the November 2018 acquisition. Item 11 has been updated to provide an overview of these restrictions .

The information in this brochure is qualified by the applicable offering materials or governing or account documents. In the event of a conflict between this brochure and the applicable offering materials or governing or account documents, the documents other than this brochure will control. We encourage all clients and investors to carefully review this brochure in its entirety.

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Item 4: Advisory Business
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**A. General Description of the Advisory Firm.** Signature was founded in 1994 in Norfolk, Virginia. Signature is a wholly owned subsidiary of Brown Advisory Incorporated, a Maryland corporation. Signature's registered address is 101 W. Main Street, Suite 700, Norfolk, Virginia. Signature's offices are located in Norfolk, Virginia; Charlottesville, Virginia; and Richmond, Virginia.

**B. Description of Advisory Services.** Signature provides integrated wealth management services to high net worth individuals and their families, and to a small number of charitable trusts and foundations. These services are designed to assist our clients in identifying and realizing their personal and financial objectives in coordination with their other professional advisors. Our offerings include the following:

Investment Management

We believe that a long-term approach is a great investment advantage, and we generally define long-term as a full market cycle, which can last 7-10+ years. We invest globally in both active and passive strategies. We invest in active strategies where we identify managers who we believe have an identifiable edge in their investment process. We invest in passive strategies, generally ETFs and index funds, to capture market exposure with lower fees. We focus on risk as well as return; we manage risk primarily by diversification and attention to valuation and are willing to sacrifice on the upside in order to protect the downside. Across all strategies, we pay attention to fees and taxes and manage them as part of our investment process.

Strategic Planning and Family Governance

We begin a client engagement by assisting in developing a strategic plan with measurable outcomes. This plan may include documenting goals for future generations, outlining a process and implementing a plan for business succession, organizing family meetings, and educating children about financial matters.

Cash Management

We assist in developing and tracking budgets, providing bill-paying services and expense summaries, funding trusts and monitoring their distributions, and administering the processes around minimum required distributions and charitable giving.

Income Tax Organization

We assist in aggregating data for both individual and entity tax preparation by client CPAs and participate in tax planning with CPAs and other advisors.

### Risk Management

We review security needs, analyze insurance policies for gaps in liability coverage, assist in developing risk reduction strategies and coordinate with advisors the details of insurance titling with estate plan and asset protection in mind.

### Estate and Wealth Transfer Planning

We coordinate estate planning with other advisors and integrate a strategy of investments consistent with that plan, prepare illustrations and summaries of documents for the grantor, trustees, and beneficiaries, and assist in estate settlement.

### Household Administration

We assist in household administration, including employee confidentiality agreements, regulatory compliance, payroll processing, and health and retirement plan implementation for staff.

### Philanthropic Planning

We advise on various charitable strategies, organize and implement impactful giving plans, both identifiable and anonymous, and coordinate execution tactics with legal and accounting advisors.

**C. Availability of Tailored Services for Individual Clients.** Signature tailors its services to match the needs of each individual client. Each client's planning needs are different, and Signature addresses those needs on an individual basis. We design client portfolios to reflect different levels of risk and return, as well as a client's need for liquidity, tolerance for concentrated positions in illiquid investments, and time horizon. Clients may impose restrictions on investing in certain securities or types of securities. We offer to meet with each client as often as necessary for the client to feel comfortable with the investment process and call each client proactively to meet at least annually.

**D. Wrap Fee Program.** Signature does not participate in wrap fee programs.

**E. Client Assets Under Management.** As of December 31, 2017, Signature had approximately \$4,404,596,410 in assets under management, all held on a discretionary basis.

Item 5: Fees and Compensation
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**A. Advisory Fees.** Signature enters into a written investment advisory agreement with its clients. The advisory agreement contains the fee arrangement. Either party may cancel the advisory agreement without penalty upon thirty days' written notice. The client may also cancel the advisory agreement within five days of receiving this Form ADV Part 2A and Form ADV Part 2B. Signature usually charges investment

advisory fees as a percentage of assets under management. Signature generally bills fees quarterly in arrears based on the value of the portfolio as of the last day of the quarter. Signature's standard fee is 1.00% per year on the first \$1,000,000; .75% on the next \$2,000,000; .65% on the next \$2,000,000; and .50% on assets greater than \$5,000,000. In some cases Signature negotiates a flat, rather than graduated, rate on the value of the portfolio or a flat annual fee for a comprehensive engagement. Signature negotiates fees for accounts depending on the size and type of account, the investments in the account, and the services required.

**B. Payment of Fees.** Investment clients generally authorize Signature to take payment of fees as they become due out of the client's account. Signature has the discretion to redeem at the then price or current net asset value a sufficient number of account securities in order to pay these fees. Fees are deducted quarterly. Some clients choose to pay by check. The custodian of the client's investment assets provides a written confirmation of the fees taken, but does not calculate nor verify the accuracy of the fees. Signature provides a detailed quarterly billing statement so that the client can confirm the accuracy of the fee calculation.

**C. Other Fees and Expenses.** Signature handles brokerage and other transaction costs as discussed in *Item 12: Brokerage Practices*. Mutual funds, money managers, and private placement vehicles also charge investment management fees in addition to Signature's fees. The fund prospectus, the private placement documents, or the separate agreement between the money manager and the client explain these fees.

Investors in Signature's investment limited partnerships generally will pay three levels of fees as discussed in *Item 6 Performance-Based Fees and Side-By-Side Management*: (1) to the underlying fund managers or private equity entities, (2) to Signature as general partner, with limited exceptions, and (3) to Signature as investment advisor.

**D. Fees Payable in Advance.** Signature charges some clients a negotiated flat fee quarterly in advance. In these cases, Signature refunds a portion of the fee, prorated on a daily basis, to the client should the contract be cancelled during the billing period.

**E. Commissions.** Neither Signature nor any of its supervised persons receives compensation for the sale of securities or other investment products.

Item 6: Performance-Based Fees and Side-By-Side Management
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Signature sponsors investment limited partnerships available only to investors who meet specified financial qualifications. Generally, these investors are Signature advisory clients. Signature, its owners, officers, and employees have also invested in these partnerships, some of which provide for performance-based fees in addition to quarterly management fees. Such performance-based fees may create an incentive for

the General Partner to favor those accounts over those that provide for asset-based or flat fees. Signature does not use discretionary investment management authority to invest client funds in Signature-sponsored partnerships nor does it require any client to invest in Signature partnerships. Signature offers alternative investment opportunities with non-affiliated funds to clients who prefer not to invest in Signature partnerships.

Item 7: Types of Clients
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Signature has two categories of clients:

Family Office clients generally are families with \$20 million or more in net worth who have complex financial issues and require financial services beyond investment management, such as strategic planning and family governance, cash management, tax organization and analysis, risk management, trust and estate planning and administration, philanthropic consulting, bill-paying and household employee administration, and concierge service analysis.

Family Wealth clients generally are families with \$5 to \$20 million in net worth whose services may include some of the above but without the same level of complexity. Signature generally requires that accounts must hold at least \$5 million in investment assets in order to be accepted for management.

Although Signature clients are predominantly individuals, their families and family entities, Signature also advises a select number of charitable organizations. Signature does not directly advise pension or profit-sharing plans, but provides investment advice to individual clients with respect to the self-directed portion of their retirement plans.

Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss
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**A. Methods of Analysis and Investment Strategies.** Signature seeks to achieve client investment objectives by allocating cash among asset classes, choosing non-affiliated money managers, monitoring the money managers' performance, and employing certain risk management or other techniques designed to enhance returns. Signature diversifies the assets in client accounts as its primary risk management tool. Signature invests client portfolios in several asset classes, including public and private equities, fixed income, real assets, and hedge funds. Signature's client portfolios are intended to reflect the client's risk and return desires, time frame, liquidity constraints and other applicable limitations.

Signature develops asset allocation strategies based on its independent research and its understanding of current economic conditions. Signature uses analytic tools from

sources such as Morningstar and Bloomberg and commentary and analysis from various financial institutions.

Signature uses non-affiliated managers to invest various portions of a portfolio in accordance with a client's asset allocation. Investments may be in the United States, developed countries, or emerging markets, and the allocation among markets will change from time to time depending on underlying economic conditions and perceived risks and opportunities. Portfolios may include investments in companies of all sizes and in any sector, public and private, including investments in energy, natural resources, distressed securities, real estate, venture capital and buy-out, and other private equity, as well as any other business sectors or types of investments. In some cases, managers may invest in futures contracts, derivative instruments, duration investments, and other securities and financial instruments and may employ hedging or other non-traditional investing techniques, such as long and short equity investing, relative value and event driven arbitrage strategies, distressed securities investing, trading and short selling strategies, opportunistic investing in global equity and fixed income investing, and specialized equity investing.

Signature chooses managers for their expertise in particular investment strategies. Signature seeks to select managers that have demonstrated the ability to achieve risk adjusted rates of return greater than those available through traditional public equity investing and puts particular emphasis on managers who engage in extensive research and fundamental analysis.

In selecting managers, Signature considers a number of factors, including but not limited to the following:

- Strong consistent historical returns,
- Well-articulated and understandable investment strategies,
- Reasonable expenses,
- Tax efficiency,
- Transparency,
- Manageable downside risk, and
- A strong cohesive team that is aligned with investor interests.

Signature generally compares the historical investment results of comparable money managers, evaluates written information supplied by the money managers and others, and conducts face-to-face interviews with individuals who would actually manage money for clients.

Signature's investment strategy and method of operation involve risk of loss to clients.



**B. Material Risks Related to Investment Strategies.** Signature recommends investment vehicles that are primarily mutual funds and private placement vehicles. The subscription materials for each private placement vehicle fully describe its associated risks.

#### Loss of Capital

All securities investments involve the risk of the loss of capital. The market value of a security may increase or decrease over time. These fluctuations can cause a security to be worth less than the price originally paid for it or less than it was worth at an earlier time. Market risk may affect a single issuer, an entire industry, or the market as a whole. Although Signature believes that its investment program will moderate this risk to some degree through a diversification of asset classes, investment strategies, and multiple investment managers, Signature does not represent or guarantee that the program will be successful. A client's portfolio may include the use of investment managers who use such investment techniques as limited diversification, short sales, leverage, and uncovered option transactions, which practices can, in certain circumstances, maximize the adverse impact on invested assets and can result in a loss of the entire investment. To the extent the investment managers pursue investment opportunities in undervalued securities and "special situations," there is an inherent uncertainty in the appraisal of future values and a risk of loss of capital.

#### Use of Leverage

Some managers may use leverage by purchasing instruments with the use of borrowed funds, or by trading options or futures contracts. Although such techniques increase the opportunity for a higher return on investment, they also increase the risk of loss.

#### Increased Costs of Frequent Trading

Some of the strategies employed by the investment managers may involve frequent trading. Portfolio turnover and brokerage commission expenses may therefore significantly exceed those of other investment entities of comparable size.

#### Volatility of Financial Markets

Financial markets are occasionally subject to material changes in price volatility. Spikes in price volatility are typically commensurate with unexpected changes to macroeconomic or geopolitical conditions or other idiosyncratic events. Signature cannot predict the timing of these events. Heightened levels of volatility could disrupt Signature's investment strategy.

#### Foreign Investments

Foreign investments involve certain special risks, including risks associated with political and economic developments, higher operating expenses, foreign withholding and other taxes that may reduce investment return, possibility of expropriation of assets, reduced availability of public information concerning issuers and the fact that foreign issuers are not generally subject to uniform accounting, auditing and financial reporting standards or to other regulatory practices and requirements comparable to

those applicable to U.S. issuers. Other risks include those resulting from fluctuations in currency exchange rates, revaluation of currencies, and the possible imposition of currency exchange blockages. Securities of foreign issuers may be less liquid and their prices more volatile than those of securities of comparable domestic issuers. Transaction costs for foreign securities are generally higher than in the United States. Exchange controls and tax or other regulations may affect the value and marketability of, and the returns derived from, the foreign investments.

#### Emerging Markets Risks

Signature invests assets in securities issued by emerging markets companies. Securities of many issuers in emerging markets may be more volatile and less liquid than securities of domestic issuers and the risks of investing in foreign securities are often greater for investments in emerging markets. These risks include the possibility of: expropriation, nationalization, confiscatory taxation, imposition of foreign taxes on income and gains from securities such as imposition of dividend or interest withholding, foreign exchange controls, currency blockages or transfer restrictions, military coups or other adverse political or economic developments, default in foreign government securities, less government supervision and regulation of securities exchanges, brokers and listed companies, and difficulty of enforcing obligations in other nations. In addition, investments in emerging market securities involve special considerations due to more limited information, higher brokerage, custodial and other costs, different accounting standards and thinner trading markets. Communication between the United States and emerging markets may be less reliable than within the United States, increasing the risk of delayed settlements of portfolio transactions or loss of certificates for portfolio securities.

#### Currency and Derivatives Risks

A decline in the value of a foreign currency relative to the U.S. dollar will reduce the value of securities denominated in that foreign currency.

Futures, options, swaps, and forward foreign currency exchange contracts are forms of derivatives. Signature may use derivatives to gain exposure to a market sector or country, to invest cash temporarily in a fund's primary asset class, or to adjust the duration of a fixed income portfolio. Signature also may use derivatives to hedge a portfolio's currency or interest rate risk. Signature's use of derivatives presents several risks:

- the risk that Signature, the manager or the fund will not correctly anticipate the direction of movements in interest rates, securities prices, and foreign currency exchange rates;
- the imperfect correlation between the price of a derivative and that of the underlying securities, interest rates, or currencies being hedged;
- the possible absence of a liquid secondary market for a particular derivative;

- the risk that the other parties to a derivatives contract may fail to meet their obligations (credit risk); and
- the risk that adverse price movements in a derivative can result in a loss greater than the fund's initial investment in the derivative (in some cases, the potential loss is unlimited).

#### Short Selling

Some underlying investment managers may engage in selling securities short. Short selling exposes the seller to unlimited risk due to the lack of an upper limit on the price to which a security may rise.

#### Lack of Liquidity in Markets

Despite the heavy volume of trading in securities and futures, the markets for some securities and futures have limited liquidity and depth. This lack of depth could disadvantage an investor, both in the realization of the prices which are quoted and in the execution of orders at desired prices.

#### Investment in Non-Marketable Securities

Managers of private equity, venture capital, and some real asset funds may invest capital in non-marketable securities as provided in each of their governing instruments. As a result, the investment manager may have to hold such security despite an adverse price movement.

### **C. Risks Associated with Types of Securities that are Primarily Recommended.**

See *Item 8.B.* above.

Item 9: Disciplinary Information
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Signature has incurred no disciplinary events or proceedings to date.

Item 10: Other Financial Industry Activities and Affiliations
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**A.** Signature is not registered as a broker-dealer.

**B.** Signature is not registered as a commodity pool operator or commodity trading adviser.

**C.** In November 2018, ownership interests in Signature Financial Management, Inc. were acquired by Brown Advisory Group Holdings LLC ("BAGH"), a Delaware limited liability company. BAGH subsequently assigned the Signature equity to its affiliate, Brown Advisory Incorporated ("BAI"), a Maryland corporation, whereby Signature became a wholly owned subsidiary of BAI. BAI serves as the manager of BAGH and the

managing member of Brown Advisory Management, LLC (“BAM”). BAM, a Maryland limited liability company, is a holding company that serves as the parent company to several Brown Advisory subsidiaries.

#### Affiliations with Broker-Dealers and other Investment Advisers

Signature is an affiliate of Brown Advisory, LLC, a registered investment adviser with the SEC and a wholly owned subsidiary of BAM. Brown Advisory, LLC is also registered as a Municipal Advisor with the SEC and the Municipal Securities Rulemaking Board (“MSRB”) and is eligible to conduct registerable activities in Ontario in reliance on the 23 International Adviser Exemption.

Signature is affiliated with Brown Advisory Securities, LLC (“BAS”). BAS is a wholly owned subsidiary of BAM and an SEC-registered investment adviser and broker-dealer. It is also a member firm of the Financial Industry Regulatory Authority (“FINRA”). Signature is also affiliated with Brown Advisory Ltd., a UK-based investment adviser which is authorized and regulated by the UK Financial Conduct Authority (“FCA”). It is a wholly owned subsidiary of BAM. Brown Advisory Ltd. is also an SEC-registered investment adviser.

Brown Advisory Investment Solutions Group LLC (“BAISG”) is an investment adviser and wholly owned subsidiary of BAM, specializing in alternative investments and offering both discretionary and non-discretionary investment advice primarily to private investment funds, individuals and institutional separate accounts. We are also affiliated through common ownership with Brown Advisory Direct Investments GP, LLC, which acts as a relying adviser with respect to certain funds managed by BAISG.

Signature is affiliated with Meritage Capital, LLC (“Meritage”), which is a Delaware limited liability company located in Austin, Texas. Meritage is an SEC-registered investment adviser that provides investment advisory services to private pooled investment vehicles, investment advisory services and sub-advisory services on a discretionary and non-discretionary basis to separately managed account and investment advisory or sub-advisory services to investment companies.

#### Affiliations with Investment Companies or Other Pooled Investment Vehicles

Brown Advisory LLC has arrangements that are material to its advisory business with affiliated investment companies. It serves as the investment adviser to affiliated mutual funds, Collective Investment Trusts and Ireland-domiciled UCITS funds. It also serves as the managing member of private funds that invest in public and private securities.

Meritage provides investment advisory services to private pooled investment vehicles and investment advisory and sub-advisory services to investment companies.

#### Affiliations with Banking or Thrift Institutions

Signature is affiliated with Brown Investment Advisory & Trust Company (“BIATC”) and Brown Advisory Trust Company of Delaware, LLC (“BATCDE”).

BIATC is a Maryland non-depository trust company that is subject to regulatory oversight by the Office of the Commissioner of Financial Regulation of the State of Maryland. BIATC is a wholly owned subsidiary of BAI and bears certain administrative and operating expenses on behalf of its affiliates. BATCDE is a Delaware limited-purpose trust company that is subject to regulatory oversight by the Office of the State Bank Commissioner of the State of Delaware. BATCDE is a wholly owned subsidiary of BAM. BALLC provides investment management services to trust clients of BATCDE.

#### Affiliations with Sponsors or Syndicators of Limited Partnerships

BAISG serves as the general partner, managing member, and investment manager of private vehicles and limited partnerships formed to facilitate investment opportunities for clients. These vehicles may invest in both public and private equity securities.

Signature is affiliated with NextGen Venture Partners, LLC (“NextGen”) which joined Brown Advisory in February 2018 and is focused on direct investing. NextGen is a Delaware Exempt Reporting Adviser registered in Maryland and a wholly-owned subsidiary of Brown Advisory NG, LLC, a Delaware holding company and a subsidiary of BAM. NextGen is a managing member of NextGen Ventures Fund I GP, LLC, NextGen Ventures Fund II GP, LLC and various other special purpose vehicles and private investment funds.

Signature also serves as general partner to several investment limited partnerships as mentioned in *Item 6 Performance-Based Fees and Side-By-Side Management*.

**D.** Signature does not receive compensation for recommending or selecting other investment advisers for its clients.

Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal
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**A. Code of Ethics.** Signature is committed to maintaining the highest standards of professional conduct and ethics to discharge our legal obligations to our clients, to protect our business reputation, and to avoid even the appearance of impropriety in our investment activities on behalf of clients. While we strive to avoid conflicts, we are cognizant that conflicts will nevertheless arise, and it is our policy to fully and fairly disclose known material conflicts to our clients.

Our Code of Ethics details certain minimum expectations that we have for our employees. All personnel, regardless of role, are expected to conduct the firm’s business in full compliance with both the letter and the spirit of the law and any other policies and procedures that may be applicable. On an annual basis, we require that each employee certify in writing that he or she has read, understands and complies with the policies and procedures of the Code of Ethics. Any violations regarding the Code of Ethics must be brought to the attention of the Chief Compliance Officer of Brown

Advisory. If it is determined that an employee has violated the Code of Ethics, we will take such remedial action as is deemed appropriate. Sanctions will vary but may include censure, limitation or prohibition of personal trading, and suspension or termination of employment.

Signature will provide a copy of our Code of Ethics to any client or prospective client upon request.

#### Personal Trading

Because our employees should have an opportunity to develop investment programs for themselves and their families, our Code of Ethics does not prohibit personal trading by employees. As a result, we, our affiliates, and related personnel may purchase or sell the same or similar securities for our own accounts that we purchase, sell, or recommend for client accounts.

Potential conflicts that could arise as a result include but are not limited to:

- Employees engage in unethical behavior.
- Personal trading of employees misuses material nonpublic information.
- Clients receive less favorable trading terms than our advisory employees.
- Abusive trading on the part of our advisory employees, including market timing.

While advisory personnel are permitted to trade within their own brokerage accounts, we require employees to obtain prior written approval from the Chief Compliance Officer before acquiring any securities in an initial public offering or private placement and before serving on the boards of directors of public or private companies. Signature approves these actions only if it determines that the acquisition or board service would be consistent with the interests of our clients and any securities laws.

Our Code of Ethics includes the following general tenets:

- Within 10 days of commencing employment, each employee must submit an Initial Holdings Report to Brown Advisory's Chief Compliance Officer or designee with information current as of a date no more than 45 days prior to the date the employee becomes an employee.
- Every year, each employee must submit an Annual Holdings Report to Brown Advisory's Chief Compliance Officer or designee. The information must be current as of a date no more than 45 days before the report is submitted.
- Employees must report securities transactions in employee-related accounts. This requirement may be satisfied by the Compliance Department receiving duplicate copies of confirmations of account activity for review. Outside brokerage accounts must be approved by the Compliance Department before opening.
- Employees may not, in the absence of approval from Brown Advisory's Chief Compliance Officer or delegate, purchase or sell a security in an employee-

related account if such security is restricted from employee trading on the firm's Restricted List.

- Employees are prohibited from purchasing, selling, or recommending the purchase or sale of a security for any account while they are in possession of material non-public information. Any employee who comes into possession of material non-public information must bring such information to the attention of Brown Advisory's CEO, its Chief Compliance Officer, or one of its Chief Investment Officers.

We will provide clients with a copy of our complete Code of Ethics upon request. Clients may request a copy by contacting us at the address, telephone number or email on the cover page of this document.

**B. Participation or Interest in Client Transactions Where We Have a Material Financial Interest.** We, our affiliates or related personnel may recommend to clients, or purchase or sell for client accounts, securities in which we, our affiliates or related personnel have a material financial interest. These include situations in which we, our affiliates or related personnel act as general partner in a partnership in which we solicit client investments and/or act as an investment adviser to an investment company that we recommend to clients.

**C. Investing in Securities Recommended to Clients.** Signature and its related persons, such as owners, officers and employees, will sometimes simultaneously engage in the purchase or sale of certain investments that are also being traded for clients. To achieve the desired level of diversification, client portfolios include mutual funds and professionally managed accounts, in addition to direct investments in ETFs, closed end mutual funds, and stocks of broadly diversified holding companies. Signature owners, officers and employees frequently invest alongside and in line with client portfolios and are included in the aggregation process as described in *Item 12: Brokerage Practices*. Signature requires its related persons to disclose their securities trading for both personal and family accounts to the Chief Compliance Officer, who determines that there are no undisclosed potential conflicts of interests with our clients.

**D. Cross Trades.** Signature will occasionally direct a cross trade of securities, whereby Signature arranges for one client account or Signature partnership to purchase securities directly from another client or Signature partnership, only if (1) it is in the best interest of the clients, (2) no client will be disfavored by the transaction, and (3) the transaction receives best execution. In such cases, Signature will seek to obtain a price for the securities from one or more independent sources and to facilitate the trade without a broker-dealer. However, if a broker-dealer is required, Signature will seek a broker-dealer who will charge only administrative fees and will not receive compensation for the transaction. Signature will provide an annual summary of cross-trades to affected client accounts.

**D. Additional Conflicts of Interest.** Potential conflicts that could arise include but are not limited to:

- Officer, Director and Advisory Board Conflicts—Conflicts that involve a transaction to be entered into by us for ourselves, or by us on behalf of our clients, in which one of our officers, directors or advisory board members of an affiliated entity has a financial interest;
- Shareholder Conflicts—Conflicts that involve a transaction to be entered into by us for ourselves, or by us on behalf of our clients, in which a shareholder of Brown Advisory has a financial interest;
- Client Conflicts—Conflicts that involve a transaction to be entered into by us for ourselves, or by us on behalf of our clients, in which a client has a financial interest; and
- Employee Behavior—Situations where employees engage in unethical behavior and misuse material inside information.

To address these potential conflicts and protect and promote the interests of clients, we employ the following policies and procedures:

- Trading practices designed to address potential conflicts of interest inherent in proprietary and client discretionary trading, including bunching and pro-rata allocation. To further protect and promote the interests of clients, we have a Corporate Governance and Conflicts Committee that assists the Board of Directors of Brown Advisory's ultimate corporate parent in its oversight of potential material conflicts of interest. The members of the Corporate Governance and Conflicts Committee are chosen by the independent members of the Board of Directors of Brown Advisory's corporate parent.
- Transactions to be entered into by us for ourselves or on behalf of our clients that present a material conflict of interest generally are reviewed by the Compliance team, and if deemed necessary, the Corporate Governance and Conflicts Committee.
- If we enter into a transaction on behalf of our clients that presents either a material or non-material conflict of interest, the conflict should be prominently disclosed to the client prior to the consummation of such transaction.
- Employees must comply with our policy on the handling and use of material non-public information. Employees are reminded that they may not purchase or sell, or recommend the purchase or sale, of a security for any account while they are in possession of material non-public information.
- Employees must report securities transactions in any employee-related account.
- Employees may not serve on the Board of Directors of any public or private company other than a Brown Advisory entity without prior written approval of the CEO or designee. An employee who is a director of a company may not participate in investment decisions involving that issuer's securities.
- Employees are required to report to our Compliance team outside business activities. These include board and committee memberships and obligations, employment commitments, non-profit commitments, government commitments and other outside business commitments.



- To ensure that there is not intentional or unintentional front-running of purchasing securities in client accounts, we may restrict trading stocks of companies in which we are actively performing due diligence as potential candidates for purchase in our portfolios.

Item 12: Brokerage Practices
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**A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.** Signature has discretion to specify the types and amounts of securities to be bought or sold in client accounts. Signature chooses unaffiliated broker-dealers through whom securities are traded and the commission rates at which these transactions are effected. Under the provisions of its written investment advisory agreement, Signature's policy is to secure for its clients the best overall execution of buy or sell orders at the most favorable net prices in securities transactions, consistent with a determination as to the business qualifications of the various broker-dealer firms with which Signature does business. Among the factors Signature considers in selecting a broker-dealer are price, efficiency in effecting the transactions, reliability and financial stability, custody, quotation and recordkeeping services.

Research and Other Soft Dollar Benefits

Signature custodies client assets primarily with Charles Schwab & Company and BNY Mellon and generally uses these companies to trade for client accounts. Clients pay the custodian through commissions and other transaction-related or asset-based fees for securities trades that the custodians execute. Signature frequently negotiates lower transaction costs than are typically available to retail investors as a result of the level of custodied assets. In addition to lower transaction costs, Signature will sometimes receive a discount from Schwab on maintenance of portfolio software contingent upon placing or maintaining a specific level of assets at Schwab, which software allows Signature to execute trades electronically on behalf of clients. Schwab provides Signature the support necessary to provide this service, such as access to client account data, pricing information and other market data, as well as back-office support, recordkeeping and client reporting.

In addition to brokerage, institutional services include research, access to mutual funds and other investments that are otherwise available only to institutional clients. In addition, Signature receives educational opportunities and occasional business entertainment of personnel.

It is not Signature's practice to negotiate execution only commission rates; therefore, the client may be deemed to be paying for these other benefits provided by the custodian which are included in the commission rate. These products and services obtained by the use of commissions arising from client portfolio transactions will be used to facilitate the management of all client accounts. Signature does not attempt to allocate these benefits to client accounts proportionately to the commissions generated by the accounts.

In evaluating the choice of custodian, Signature may take into account the availability of some of the foregoing products and services, in addition to the cost and quality of custody or brokerage services. For this reason, the use of client commissions to obtain these products and services presents a potential conflict of interest in creating an incentive for Signature to select a custodian based on its interest in receiving those products and services.

#### Brokerage for Client Referrals

Signature does not select or recommend broker dealers based on whether we receive client referrals from such broker-dealer.

#### Directed Brokerage

Signature permits clients to direct their brokerage. If clients choose to do so, Signature will not be able to negotiate commissions for those accounts, and, as a result, these clients might pay higher commission rates.

#### Order Aggregation

While each client is advised independently and transactions directed in accordance with such advice, Signature will sometimes aggregate orders to reduce execution costs. If Signature aggregates orders, Signature allocates the securities in the order among client accounts so as not to systematically favor any client account over another. Signature determines which accounts will participate in an aggregated order on a case by case basis in the best interests of the client and considers such factors as account size, suitability, taxes, diversification and/or cash availability. Participating accounts share the benefit, if any, of aggregation pro rata. If aggregated orders are not completely filled on the day on which they are placed, Signature completes the allocation on the next business day when the order is filled at the average price for trades on both days. Each participating client should receive the average share price on the transaction day and costs should be allocated pro rata.

#### Cross Trading

A cross trade is generally defined as the matching of buy and sell orders for the same security between different accounts. Cross trades are also deemed to include any prearranged or orchestrated transactions between two accounts that are executed through external brokers. With respect to cross trading, we generally will allow cross trading where the transaction would comply with our policy and client-specific guidelines, and be fair and equitable to both accounts. When an account is subject to ERISA, no cross trades shall be permitted unless allowed by applicable regulations.

Cross trading can significantly reduce the transaction costs for both the buying and selling accounts and may allow for other beneficial efficiencies to clients. However, where an investment adviser has discretion on each side of a transaction, cross trading presents a potential fiduciary conflict of interest. Cross trading may be appropriate if we meet our fiduciary obligations to clients on both sides of the transaction and where best execution requirements are met.

### Item 13: Review of Accounts

Signature's client management team manages client relationships. The team consists of Relationship Managers, Client Service Associates, and members of the Investment Team. The Relationship Managers are primarily responsible for financial planning and work closely with the client to establish and work toward investment objectives.

Signature's Executive Committee reviews client accounts throughout the year to ensure that the investment strategy being utilized is the best strategy in light of the client's objectives, risk tolerance, and restrictions. The Executive Committee considers the client's profile along with factors that may affect the account's performance, including changes in the market and current tax laws, then recommends adjustments to the account's asset allocation if needed.

Signature provides quarterly reports to our clients which reflect deposits and withdrawals from the account and investment performance net of fees and costs.

### Item 14: Client Referrals and Other Compensation

Signature is not compensated by any non-client in connection with providing advice to clients. Signature does not directly or indirectly compensate any individual or entity for client referrals.

### Item 15: Custody

Signature clients receive account statements at least quarterly from the qualified custodian of the client's assets. Signature encourages clients to carefully review and compare the information in the custodian's statements with the information in Signature's quarterly statements for consistency.

Signature's private investment limited partnerships are subject to annual audits by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"). Audited statements are delivered to investors within 180 days of fiscal year-end.

Signature offers a bill-paying service to clients and is subject to an annual surprise audit by a PCAOB independent public accountant in accordance with SEC regulations.

### Item 16: Investment Discretion

Signature clients enter into a written investment advisory agreement that sets forth the scope of Signature's discretion. Unless otherwise directed by the client and except with respect to private placements that must be authorized by the client, Signature has the authority to invest client assets, including the investment and reinvestment of interest, dividends and capital gains, and to exercise authority granted under a limited power of attorney included in their custodial account agreement.

Signature has the power under the limited power of attorney to direct the transfer of funds for investment purposes or to the client personally and will send checks, wire funds, and otherwise transfer funds held in the client's accounts (1) to other accounts of identical registration, (2) to the client, or (3) as otherwise directed by the client in writing.

Signature clients must complete certain documents and provide written authorizations, including a Subscription Agreement, to invest in any of Signature's private placements.

Item 17: Voting Client Securities
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Signature does not vote proxies solicited by or with respect to the issuers of securities in which client accounts are invested and will not take any action or render any advice on investments in client accounts which become subject to class actions or related litigation or other matters such as mergers, acquisitions, tender offers, bankruptcy proceedings or other similar events, although Signature may provide a client limited assistance upon request.

Item 18: Financial Information
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Signature is unaware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitment to our clients.