

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1  
**Part 2A of Form ADV: Firm Brochure**



SEC File #: 801-00000  
Firm IARD/CRD #: 283944

**Artisan Trust of Southwest Florida LLC**  
REGISTERED INVESTMENT ADVISOR

8625 Tamiami Trail North  
Naples, Florida 34108  
Tel: 239.325.3108

[www.ArtisanTrust.com](http://www.ArtisanTrust.com)

This Disclosure Brochure provides information about the qualifications and business practices of Artisan Trust of Southwest Florida LLC, which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Artisan Trust of Southwest Florida LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that Artisan Trust of Southwest Florida LLC has attained a certain level of skill or training.

BROCHURE  
DATED

**1  
JUNE  
2016**



## MATERIAL CHANGES

ITEM 2

There are no material changes to report. This Disclosure Brochure has been reviewed and is current as of the date indicated on the cover.



## TABLE OF CONTENTS

ITEM 3

ITEM 1	Cover Page	1
ITEM 2	Material Changes	2
ITEM 3	Table of Contents	3
ITEM 4	Advisory Business	4
	Who We Are	4
	Assets Under Management	4
	What We Do	5
ITEM 5	Fees & Compensation	6
	Portfolio Management Fee	6
	Portfolio Monitoring Fee	8
ITEM 6	Performance-Based Fees & Side-By-Side Management	8
ITEM 7	Types of Clients	8
ITEM 8	Methods of Analysis, Investment Strategies & Risk of Loss	9
	Portfolio Management - Methods of Analysis, Investment Strategies & Managing Risk	9
	Portfolio Monitoring - Methods of Analysis, Investment Strategies & Managing Risk	12
ITEM 9	Disciplinary Information	13
ITEM 10	Other Financial Industry Activities & Affiliations	13
	Financial Industry Activities	13
	Industry Activity Conflicts	14
ITEM 11	Code of Ethics, Participation or Interest in Client Transactions & Personal Trading	14
	Code of Ethics	14
	Client Transactions	14
	Personal Trading	15
ITEM 12	Brokerage Practices	15
	Custodial Services	15
	Selection of Portfolio Managers	17
	Aggregating Trade Orders	17
ITEM 13	Review of Accounts	17
	Portfolio Management Reviews	17
	Portfolio Monitoring Reviews	18
ITEM 14	Client Referrals & Other Compensation	18
	Referral Compensation	18
	Other Compensation (Indirect Benefit)	18
ITEM 15	Custody	18
	Management Fee Deduction	18
ITEM 16	Investment Discretion	19
ITEM 17	Voting Client Securities	19
ITEM 18	Financial Information	19

**ADVISORY BUSINESS**

ITEM 4

**Who We Are**

Artisan Trust<sup>1</sup> (hereinafter referred to as “Artisan”, “the Company”, “we”, “us” and “our”) is a fee-based registered investment advisor<sup>2</sup>, organized as a Florida Limited Liability Company in May 2016, to offer financial services designed to assist you, our client<sup>3</sup>, achieve the financial stability, security, and independence you desire.

**Owners**

The following person controls the Company:

Name	Title	CRD#
Artisan Trust LLC	Holding Company & Managing Member of Artisan Trust of Southwest Florida LLC	N/A
Kevin O. Williams	Member & Chief Compliance Officer	3265181

**Mission**

Our mission is to structure and implement investment strategies designed to **maximize** wealth, **maintain** investment expectation, and **minimize** risk. We will do our best to **keep** you **focused** on where you want to go, **offer advice** on how best to get there, and continually remind you of the importance of **maintaining a disciplined investment approach**

**Assets Under Management**

We offer two (2) **investment management** services: Portfolio Management and Portfolio Monitoring. Portfolio Management accounts will be managed on a discretionary basis. All Portfolio Monitoring accounts are non-discretionary, managed by independent third-party money managers (“Portfolio Managers”)<sup>4</sup>. As of June 1, 2016, our assets under management totaled:

Discretionary Accounts .....	\$0
Non-Discretionary Accounts .....	\$0

<sup>1</sup> Artisan Trust is the d/b/a name for Artisan Trust of Southwest Florida LLC.

<sup>2</sup> The term “registered investment advisor” is not intended to imply that Artisan Trust of Southwest Florida LLC has attained a certain level of skill or training. It is used strictly to reference the fact that we are “registered” as a licensed “investment advisor” with the United States Securities & Exchange Commission (the “SEC”) - and “Notice Filed” with State Regulatory Agencies that have limited regulatory jurisdiction over our business practices.

<sup>3</sup> A client could be an individual and their family members, a family office, a foundation or endowment, a charitable organization, a corporation and/or small business, a trust, a guardianship, an estate, a retirement plan, or any other type of entity to which we choose to give investment advice.

<sup>4</sup> We do not include assets managed by independent Portfolio Managers in our “Regulatory Assets Under Management” calculation in our Form ADV Part 1A, Item 5.F. since we do not manage the securities held in your account on a discretionary or non-discretionary basis. The Portfolio Manager managing your account is required to include your assets in their Discretionary Account totals since they will physically manage the securities.



## What We Do

---

We **manage wealth**. Our management services begin with stressing the importance of making fiscally responsible decisions and disciplined economic choices in your personal life so we can effectively help you achieve your monetary goals for **today's needs, tomorrow's dreams**, and strategy to build a **lasting legacy** for future generations.

Focus of our management begins with identifying your standards of living and general quality of lifestyle expectations for us to gain deeper insight into your investment psyche. We will conduct a pre-advisory consultation, which may include gathering information in a profile questionnaire<sup>5</sup> and/or planning software, to assess your risk tolerance, current income and expenses, career objectives, personal goals, investment time horizon, targeted rate of return, and prior investment experience.

Our pre-advisory consultation is designed to:

- ❖ Define and narrow objectives and investment options;
- ❖ Identify areas of greatest distress;
- ❖ Develop a strategy for addressing future concerns;
- ❖ Cultivate peace of mind; and,
- ❖ Create a unique picture of your financial condition.

Once your investment parameters have been identified, we will prepare an Investment Policy Statement ("IPS")<sup>6</sup> that outlines what asset mix is most suitable for your unique investment expectations and risk tolerance. Once your investment parameters have been identified in an IPS, we will recommend an investment strategy of one, or a combination, of the following management services:

### Portfolio Management

---

Our portfolio management strategies focus on designing and managing a diversified allocation of equity ("stock") positions, Exchange-Traded Funds ("ETFs"), Investment Company ("mutual funds") products, along with a mix of fixed-income/debt ("bond") instruments to achieve the best return on your investment capital<sup>7</sup>.

Information regarding our management fee structure is disclosed under "Portfolio Management Fee" in Item 5, "**Fees & Compensation**" and further description of our investment strategies under Item 8, "**Methods of Analysis, Investment Strategies & Risk of Loss**".

### Portfolio Monitoring

---

Portfolio monitoring consist of you selecting the management resources of an independent Portfolio Manager to manage your portfolio assets. The Portfolio Manager(s) we recommend will implement those investment disciplines and strategies that best correlates to the investment parameters outlined in your Investment Policy Statement ("IPS").

---

<sup>5</sup> The profile questionnaires and planning software we use are vital tools for us to compile important data about you. Electing not to answer our questions or responding, but with limited input, can put us at a disadvantage and may handicap our ability to effectively manage your investment expectations. Therefore, if you want the best advice we can offer on your managed account(s), you should make every effort to provide us with detailed personal information and be as accurate on your responses as you possibly can.

<sup>6</sup> The IPS will guide us in the management of your account(s), and act as a standard against which we can measure future results and to make modifications where necessary.

<sup>7</sup> You may, at any time, impose restrictions in **writing** on the securities we may recommend (i.e., limit the types/amounts of particular securities purchased for your account, etc.).



Under these arrangements, we are **not involved in the day-to-day management of your portfolio assets**. Our responsibility will be to continuously evaluate the performance of your portfolio to ensure the Portfolio Manager adheres to our instructions outlined in your IPS and to make recommendations regarding the Portfolio Manager as market factors and your personal goals dictate.

Additional information about the Portfolio Manager's fees and how your account will be handled can be found under "Portfolio Monitoring Fee" in Item 5, "**Fees & Compensation**" and how we evaluate Portfolio Managers is also discussed under Item 8, "**Methods of Analysis, Investment Strategies & Risk of Loss.**"

## FEES & COMPENSATION

ITEM 5

### Portfolio Management Fee

Portfolio management services are provided on an **asset-based fee** arrangement. The management fee will be calculated based on the **aggregate market value** of your portfolio account(s) on the last business day of the previous calendar quarter **multiplied by one-fourth** the corresponding annual percentage rate (i.e.,  $2.00\% / 4 = 0.50\%$ ).

We retain **discretion to negotiate the management fee within each tier** on a client-by-client basis depending on the size, complexity, and nature of the portfolio managed. In addition, as your portfolio value exceeds each tier level, either through additional deposits or asset growth, a fee break will occur. The tier breaks are as follows:

Portfolio Value	Annual Fee Rate Not to Exceed
Up to \$5,000,000.....	2.00%
Over \$5,000,000.....	1.50%

We generally require a minimum initial investment of **\$3,000,000** to open a managed account; however, we retain the right to **waive or reduce** this minimum if we feel circumstances are warranted.

### Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawals of funds; and (iv) other fees charged to your account(s).

#### Discretion

We will establish discretionary trading authority on all management accounts to execute securities transactions without your prior consent or advice.

You may, at any time however, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, etc.).



### Billing

Your account will be **billed quarterly in advance** based on the aggregate, fair market value of your portfolio and where it **falls within our tiered fee schedule**. For **new managed accounts** opened in mid-quarter, our fee will be based upon a **pro-rated calculation of your assets to be managed** for the current quarterly period.

Advisory fees will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees.

### Deposits and Withdrawals

Assets deposited by you into your portfolio management account between billing cycles will **not** result in additional management fees being billed to your account **unless such deposits exceed \$50,000**. We do not want to discourage you from investing additional capital for your future, however deposits of this amount or greater, in most cases, will require modifications and adjustments to your investment allocation. Therefore, we reserve the right to bill your account a pro-rated fee based upon the number of days remaining in the current quarterly period for deposits exceeding the above amount.

We **do not make partial refunds** of our quarterly fee for withdrawals you make during a calendar quarter. Just as with deposits, withdrawals from your account will require modifications and adjustments to be made to correct the allocation of assets in your portfolio.

### Fee Exclusions

The above fees for all of our portfolio management services are exclusive of any charges imposed by the custodial firm who has custody of your account; including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, such as, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on mutual fund shares by the Investment Company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as 12b-1 fees. Redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds/ETFs is contained in each mutual fund's or ETF's prospectus. You are encouraged to carefully read the fund prospectus.

For more information on the custodial firm that we will recommend to custody your portfolio accounts, see Item 12, **"Brokerage Practices"**.

### Termination of Portfolio Management Services

To terminate our portfolio management services, either party (you or us), by **written notification to the other party**, may terminate the Investment Advisory Agreement at any time, provided such written notification is received **at least 30 days** prior to the date of termination. Such written notification should include the date the termination will go into



effect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the first/last day of a calendar quarter, **you shall be entitled to a pro-rated refund** of the prepaid quarterly management fee based upon the number of days remaining in the quarterly cycle after the termination notice goes into effect. **Once the termination of investment advisory services has been implemented, neither party has any obligation to the other** - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

## Portfolio Monitoring Fee

Under the arrangements with the Portfolio Managers, we are not involved in the day-to-day management of your portfolio assets. **Our responsibility to the Portfolio Manager(s)** will be to ensure you meet their minimum qualifications. Once your account has been established, we will provide all administrative and clerical duties as may be required to service your account. The Portfolio Manager(s) may have little or no direct contact with you.

**Our responsibility to you** will be to: (i) continuously evaluate the performance of your portfolio to ensure the Portfolio Manager selected adheres to your asset allocation guidelines; and, (ii) make recommendations regarding the Portfolio Manager as market factors and your personal goals dictate.

## Billing Arrangements - Portfolio Managers

The Portfolio Managers who will be used to manage your account(s) will disclose the fees for management services in their Disclosure Brochures (the Portfolio Manager's ADV Part 2A: Firm Brochure or Part 2A Appendix 1: Wrap Fee Program Brochure), **which we will provide you prior to, or at the same time as, opening an account.** The total fees to be charged to your account will include:

1. The Portfolio Manager's management fee;
2. Our portfolio monitoring fee (not to exceed 1.50%) that, together with the Portfolio Manager's fee, will make up **the total management fee collect**; and,
3. Trading commissions and/or account charges, depending on if the Portfolio Manager is "wrapping" all the fees, which may be imposed by the custodian or broker-dealer used to custody your account(s).

The Portfolio Manager's Disclosure Brochure contains all pertinent disclosures relating to their management services, fee structure for such services, and termination provisions - **you are encouraged to carefully review these disclosures.**

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.





## TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under “Who We Are” in the Item 4, the “Advisory Business” section. Our minimum account size for portfolio management is disclosed above under “Portfolio Management Fee” in Item 5 above in the, “Fees & Compensation” section of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

### Portfolio Management - Methods of Analysis, Investment Strategies & Managing Risk

Our portfolio management services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using equity (“stock”) positions, Exchange-Traded Funds (“ETFs”), Investment Company (“mutual funds”) products, along with a mix of fixed-income/debt (“bond”) instruments to achieve the best return on your investment capital.

In addition, depending on your risk tolerance, we may also recommend using the following investment vehicles to achieve your desired investment objective: derivatives (i.e., options, commodities, etc.), leveraged index funds, hedge funds, and private placements. However, these investment vehicles bring on a different risk dynamic. If we recommend investment in one of these securities, we will discuss with you the limitations of such security and the potential risk factors to your portfolio.

#### Methods of Analysis

In analyzing securities to develop an efficient asset allocation portfolio, we will use a combination of analysis techniques to gathering information and to guide us in our management decisions.

##### Fundamental Analysis

Fundamental analysis considers: efficiency ratios, growth rates, enterprise value, economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

**RISKS** - Fundamental analysis places greater value on the long-term financial structure and health of a company, which may have little to no bearing on what is actually happening in the market place. Investing in companies with sound financial data/strength and a history of health returns can be a good long-term investment to hold in your portfolio; however, such fundamental data does not always correlate to the trading value of the stock on the exchanges. In the short-term, the stock can decrease in value as investors trade in other market sectors.

##### Quantitative Analysis

Quantitative analysis seeks to understand the behavior of a security using mathematical and statistical modeling to measure certain unique characteristics such as, for example, revenues, earnings, margins, and market share. Mathematical and statistical modeling



helps us to ascertain security price and risk to ultimately help identify profitable opportunities.

**RISKS** - The key benefit of quantitative analysis is its ability to reduce complex figures to a single piece of data that is easy to grasp, discuss, and support decision-making and investment recommendations. However, using quantitative analysis alone with no further evaluation is often too narrow and sometime misleading since focus is on financial data while neglecting other details such as management experience, employee attitudes, and brand recognition.

### Technical Analysis

Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

**RISKS** - Technical analysis is charting the historical market data of a stock, taking into consideration current market conditions, to forecast the direction of a future stock price rather than using fundamental tools for evaluating a company's financial strength. Technical analysis focuses on the price movement of a security trading in the market place. This is an ideal tool for short-term investing to identify ideal market entry/exit points. However, no market indicator is absolutely reliable and your investment portfolio can underperform in the short-term should the market indicators be incorrect.

### Cyclical Analysis

Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit strategies.

**RISKS** - Cyclical data reveals regular intervals of repeated events that can be forecasted into the future to time the market on when to buy/sell a security. The risk with cyclical analysis is attempting to buy/sell a security based on a future price prediction and missing beneficial movements in price due to an error in timing. This causes harm to the value of the security being bought too high or sold too low.

**Fundamental analysis** provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while **quantitative analysis** assists us with portfolio optimization techniques. **Technical analysis** is short-term focusing on the statistics generated by market activity; and, **cyclical analysis** provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

## Investment Strategies

We are not bound to a specific investment strategy or ideology for the management of your investment portfolio. We understand markets and **money made** from increased stock values has greater risk (volatility) than **money earned** from dividends (secure and stable) in income-oriented securities. Our goal is to balance making and earning money by maintaining a disciplined management approach, regardless of the strategy, so as to not sacrifice long-term goals for short-term gains.

### Value Investing

Value Investing involves selecting securities that trade for less than their intrinsic values, being more concerned with the business and its fundamentals than other influences on the stock's price. Value investing is about finding stocks that we believe the market has



undervalued. We perform fundamental analysis of a company's stock looking at both the qualitative (business model, governance, earning potential, target market factors, etc...) and quantitative (ratios, cash flow, dividends, financial statement analysis, etc...) aspects of the company to determine if the business is currently out of favor with the market and the stock price is deflated. Generally if we find that a company's fundamentals reveal the stock to be undervalued, we will buy and hold the security for the long term.

### **Fixed Income Portfolios**

The primary investment objective of our bond management strategy is to produce a stable rate of current income, consistent with long-term preservation of capital. This objective is met by investing in fixed-income, investment grade securities, including: U.S. government obligations, corporate bonds, mortgage and asset-backed securities, tax-exempt bonds when appropriate, and certificates of deposits. A secondary objective is to take advantage of opportunities to realize capital appreciation by investing in below investment-grade, fixed-income securities and convertible securities. This investment philosophy is a low-risk, passive management technique. We will evaluate the bond portfolio's performance using the Lehman Brothers U.S. Aggregate Bond Index as a benchmark, along with regular evaluations in regards to duration (interest rate sensitivity), industry and sector weightings, convexity, and yield to maturity, liquidity and quality - the key factors that determine fixed income market performance.

### **Asset Allocation**

Asset allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this we may use more narrow and aggressive asset allocation derivatives.

Other features of our asset allocation strategies can utilize these portfolio-modeling structures for analyzing various possible portfolio groupings of securities.

### **Tactical Allocation Modeling**

Tactical asset allocation is a dynamic investment strategy that actively rebalances a portfolio allocation mix to take advantage of short-term market pricing anomalies or strong market sectors.

### **Capital Asset Pricing Model ("CAPM")**

CAPM<sup>8</sup> is a model for pricing an individual security or portfolio and its relationship to an expected return to help calculate investment risk and what the return on an investment should be expected.

### **Three-Factor Model**

Three-Factor Model<sup>9</sup> is an extension of CAPM, which uses a single factor, beta (risk), to compare excess returns of a portfolio with the excess returns of the market as a whole, and considers two more factors other than market risk. They are size (market capitalization) and value (book/market ratio) factor. The Three-Factor Model shows that value stocks and small-cap stocks regularly outperform markets and large value stocks

<sup>8</sup> Capital Asset Pricing Model is the work of financial economist William Sharpe and introduced in his book "Portfolio Theory and Capital Markets" published in 1970 by McGraw-Hill. Mr. Sharpe expanded Modern Portfolio Theory to include two types of risk: Systematic Risk and Unsystematic Risk. Mr. Sharpe won the Nobel Memorial Prize in Economic Sciences in 1990 as a co-laureate along with Harry Markowitz.

<sup>9</sup> Fama-French Three-Factor Model was developed Eugene F. Fama and Kenneth R. French in their paper "Common Risk Factors in the Returns of Stocks and Bonds" published in 1993 by the Journal of Financial Economics.



generally because: (1) the excess risk value stocks and small-cap stocks carry; and, (2) mispricing demanding later price adjustments.

### Sharpe Ratio Model

Sharpe Ratio<sup>10</sup> is a risk-adjusted measure of return often used to evaluate the performance of a portfolio. The Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility.

### Behavioral Finance Modeling

Behavioral finance is a relatively new field of financial discipline that uses psychology-based mathematical and statistical theories to analyze stock market anomalies. Behavioral finance says investors will succumb to a follow-the-herd-mentality, or “herd instinct,” and inevitably make investment decisions based on what the herd is doing and not on a sound investment strategy. Where various investment algorithm models and hypotheses try and predict market pricing/activity based on perfect rational investor, behavioral finance attempts to fill the void.

### Dollar-Cost Averaging

Dollar-cost averaging is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging lessens the risk of investing a large amount in a single investment at the wrong time.

## Managing Risk

The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk** factor, also known as variability or volatility risk. Other important risk factors:

- ❖ **Interest Rate Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when the interest rate on a bond begins to rise, the value (bond price) begins to drop; and vice versa, when interest rates on a bond fall, the bond value rises.
- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks will depreciate due to stock market dynamics causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in internationally securities can be affected by changes in exchange rates.
- ❖ **Inflation Risk** - The reduction of purchasing power of investments over time.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc...).

The risk factors we have cited here are not intended to be an exhaustive list, but are the most common risks your portfolio will encounter. Other risks that we haven't defined could be political, over-concentration, and liquidity to name a few. However, notwithstanding these risk factors, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that you should be willing and prepared to bear; and furthermore, past market performance is no guarantee that you will see equal or better future returns on your investment.**

<sup>10</sup> Nobel laureate and economist William F. Sharpe developed the Sharpe Ratio.



## Portfolio Monitoring - Methods of Analysis, Investment Strategies & Managing Risk

With the use of Portfolio Managers, focus of our selection and monitoring is to **balance investment return and risk, with the emphasis on spreading risk among asset classes**. The specific methods of analysis, investment strategies, and risk management will be handled at the discretion of the Portfolio Manager. We will perform a due-diligence review of our current and prospective Portfolio Managers to evaluate:

- ❖ **Regulatory Oversight:** Show proper licensure as: (a) a bank/trust company, (b) an insurance company, (c) a registered Investment Company, or (d) a registered investment advisor. In addition, a clear track record of compliance and understanding of their fiduciary duties.
- ❖ **Track Record:** The Portfolio Manager should have investment history commensurate with a properly qualified investment vehicle.
- ❖ **Stability:** The same management team should be in place for at least two years. This reflects team unity and balance.
- ❖ **Composition:** At least 60% of the Portfolio Manager's underlying securities investments should be consistent with the broad asset class.
- ❖ **Performance:** The Portfolio Manager's investment performance should show a competitive advantage relative to their peer group in both up and down markets. This reflects an investment knowledge and understanding of the inner-workings of the securities markets.

In monitoring the investment performance of Portfolio Managers, we will utilize the above criteria to trigger when we should more closely scrutinize a particular Manager for possible replacement.

## DISCIPLINARY INFORMATION

ITEM 9

We have no legal or disciplinary events to report.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

### Financial Industry Activities

#### Syndicated Capital, Inc.

Certain supervised persons, who are Investment Advisor Representatives ("IARs") of Artisan, are also licensed as Registered Representatives ("RRs") of Syndicated Capital, Inc., a registered broker-dealer (member FINRA/SIPC). As RRs, these supervised IARs of Artisan may execute as brokers, securities transactions for you and earn sales commissions from such transactions. This can be considered a conflict of interest when giving investment advice for a fee on securities products that can be sold for a commission. Therefore, IARs licensed as RRs will **not receive commissions for securities transactions that occur within Artisan management accounts**.

Notwithstanding the fact that certain supervised persons of IARs are also licensed as RRs of Syndicated Capital, Inc., Artisan is solely responsible for all advisory services rendered. The portfolio management and portfolio monitoring services we provide are separate and independent from the brokerage services offered through Syndicated Capital, Inc.



## Independent Insurance Agent

Certain IARs of Artisan are also licensed as life, health, and variable annuity insurance agents to sell insurance-related products and earn commissions from the sale of these products. As insurance agents, there are potential conflicts of interest when they, as IARs with fiduciary responsibility to act in your best interest, suggest that you purchase an insurance product in which they will earn a commission. This can produce a situation of divided loyalty and the objectivity of the advice rendered could be subjective and create a disadvantage to you.

Therefore, keep in mind, you are under **no obligation to accept** the IAR's recommendation to purchase insurance related products. You are free to reject the recommendation; or, if you need the insurance, to choose the insurance agency, agent, and insurance company from whom to purchase the insurance. However, if you elect to purchase the insurance, regardless of where, and from whom you purchase it, such person will be entitled to earn a commission.

## Industry Activity Conflicts

Referral to, from, and between these entities in which IARs of Artisan can receive commissions creates a potential conflict of interest to our fiduciary duty to be impartial with our advice and to keep your interests ahead of our own. As a RRs and/or insurance agents, IARs are able to influence the direction of investment activities, the sale of securities, and purchase of life insurance products - keeping all services in house. Accepting their recommendations can lead to increased personal revenues in the form of advisory/consulting fees, bonuses, commissions, and incentive programs. Therefore, before accepting their recommendations on commissioned securities transactions and/or life insurance products, you may wish to consider other options to ensure that the commissioned products are comparable or equivalent to a product you might receive from another independent firms.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.



## Client Transactions

---

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

### Participation or Interest

---

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

### Insider Trading Policy

---

We comply with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and have established internal controls to guard your personal information.

### Class Action Policy

---

Artisan **does not elect to participate** in class action lawsuits on your behalf. Such decisions shall remain with you or with an entity you designate. However, if you have specific questions you may contact us and we will help explain the particulars. Keep in mind, any final determination of whether to participate, and the completion and tracking of any such related documentation, shall rest with you.

## Personal Trading

---

Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Sometimes, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee's account. In these situations, we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative ("RA"), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Our Chief Compliance Officer reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Aggregating Trade Orders" below under Item 12, "**Brokerage Practices**") may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by our Chief Compliance Officer to ensure that such activities do not impact upon your security or create conflicts of interest.





## BROKERAGE PRACTICES

### Custodial Services

The Company has established custodial relationships with the following financial institutions:

- ❖ **Charles Schwab & Company, Inc. (“Schwab”)** - Schwab is a registered broker-dealer (member FINRA/SIPC), offering custodial services through their division Schwab Advisor Services for investment advisors.
- ❖ **TD AMERITRADE, Inc. (“TDA”)** - TDA is a licensed broker-dealer (member FINRA/SIPC/NFA), offering custodial services through their division TD AMERITRADE Institutional for investment advisors.
- ❖ **Pershing, LLC** - Pershing is a licensed broker-dealer (member NYSE/FINRA/SIPC), through their institutional division, Pershing Advisor Solutions.

Each of these financial institutions offer us services, which include custody of securities, trade execution, clearance and settlement of transactions.

Our recommendation for you to custody your assets with one, or more, of these financial institutions has no direct correlation to the services we receive and the investment advice we offer you, although **we do receive economic benefits for which we do not have to pay** through our relationship with these institutions that are typically not available to retail clients. This creates an incentive for us to recommend Schwab, TDA, and/or Pershing based on the economic benefits we receive rather than on your interest in receiving most favorable execution. These economic benefits include the following products and services provided without cost or at a discount:

- ❖ Receipt of duplicate client statements and confirmations;
- ❖ Research related products and tools and consulting services;
- ❖ Access to a dedicated trading desk;
- ❖ Access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to accounts);
- ❖ The ability to have advisory fees deducted directly from accounts;
- ❖ Access to an electronic communications network for order entry and account information; and,
- ❖ Access to mutual funds and ETFs with no transaction fees and to certain institutional money managers.

We are not a subsidiary of, or an affiliated entity of, Schwab, TDA, or Pershing. We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from these financial institutions.

### Direction of Transactions and Commission Rates (Best Execution)

**We have a fiduciary duty to put your interests before our own.** The advisory support services we receive from Schwab, TDA, and Pershing creates an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with one, or more, of these financial institutions may have been influenced by these arrangements/services. **This is not the case;** we have selected these institutions as our custodian of choice based on:

1. Their competitive transaction charges, trading platform, and on-line services for account administration and operational support.





2. Their general reputation, trading capabilities, investment inventory, their financial strength, and our personal experience in working with the staff for each financial institution.

Since we do not recommend, suggest, or make available a selection of custodians other than Schwab, TDA, or Pershing, best execution may not always be achieved. Therefore, you do not have to accept our recommendation to use these financial institutions as your custodian. However, if you direct us to use another custodian, we may not be able to provide you complete institutional services and such service may cost you more in transaction fees.

## Selection of Portfolio Managers

---

We will make available a select group of Portfolio Managers from which you may choose to manage your accounts. We will assist you in determining which is most likely to provide the most effective financial growth based on your stated investment objectives and risk tolerance level as outlined in your IPS. **Where applicable, the brokerage practices of the Portfolio Manager will be disclosed in their ADV Part 2A: Firm Brochure or Part 2A Appendix 1: Wrap Fee Program Brochure, which we will provide you prior to, or at the same time as, opening an account.**

While we have exercised our best efforts in evaluating the investment performance and cost of services offered by these Portfolio Managers, we make no representation that the Portfolio Manager to which you are referred has the best investment performance or the lowest portfolio management costs. The selection of Portfolio Managers will be limited to those with whom we have entered into service agreements. Therefore, it is possible that you could contract for similar services elsewhere or separately with higher performance at lower cost.

## Aggregating Trade Orders

---

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.



## REVIEW OF ACCOUNTS

ITEM 13

### Portfolio Management Reviews

Your investment strategies and investments are monitored by the management person in-charge of your account and reviewed on an on-going basis. The general economy, market conditions, and/or changes in tax law can trigger more frequent reviews. Cash needs will be adjusted as necessary. Material changes in your personal/financial situation and/or investment objectives will require additional review and evaluation for us to properly advise you on revisions to previous recommendations and/or services. However, it is **your responsibility to communicate these changes** for us to make the appropriate corrections to your management account(s).

You will receive statements, at least quarterly, from Schwab, TDA, and/or Pershing where your account(s) are held in custody that identifies your current investment holdings, the cost of each of those investments, and their current market values. You are encouraged to review the trading activities disclosed on your account statements which summarizes your portfolio account value, current holdings, and all account transactions made during the quarter. It is important for you to review these documents for accurate reporting and to determine whether we are meeting your investment expectations.

### Portfolio Monitoring Reviews

The management person in-charge of your account will monitor and evaluate the performance of the Portfolio Manager managing your account on a regular basis. We understand your goals and tolerance for risk may change over time; therefore, **even though we are not involved in any way with the day-to-day management** of your assets maintained with a Portfolio Manager, we will supervise your portfolio and will make recommendations to you regarding the Portfolio Managers as market factors and your personal goals dictate.

## CLIENT REFERRALS & OTHER COMPENSATION

ITEM 14

### Referral Compensation

We may directly compensate persons for client referrals provided such persons are qualified and have entered a solicitation agreement with us as required by Rule 206(4)-3 of the Investment Adviser Act of 1940, as amended. Under such arrangements, if a solicitor referred you, the solicitor will provide you complete information on our relationship - the relationship between the solicitor and us - and the compensation the solicitor will receive should you choose to open an account. This compensation will be paid solely from our fee and will not result in any additional charge to you.

The solicitor is not licensed to give you any investment advice and therefore cannot advise you on the management of your account. A solicitor simply makes an introduction and is compensated only if you were to open a management account with us under these arrangements.



## Other Compensation (Indirect Benefit)

The Company receives an indirect economic benefit from Schwab, TDA, and Pershing (See “Custodial Services” above under Item 12, “**Brokerage Practices**” for more detailed information on these services and products could be.).

## CUSTODY

ITEM 15

### Management Fee Deduction

We do not take possession of or maintain custody of your funds or securities, but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities are maintained with the financial institutions as indicated above in Item 12, “**Brokerage Practices.**”

We do however, meet the definition of custody since you have authorized us to deduct our advisory fees directly from your account. Therefore, to comply with the United States Securities and Exchange Commission’s Custody Rule (1940 Act Rule 206(4)-2) requirements, and to protect you as well as to protect our advisory practice, we have implemented the following regulatory safeguards:

- ❖ Your funds and securities will be maintained with a qualified custodian (Schwab, TDA, and/or Pershing) in a separate account in your name.
- ❖ Authorization to withdraw our management fees directly from your account will be approved by you prior to engaging in any portfolio management services.

In addition, the financial institution where your account is maintained is required by law to send you, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. **You are encouraged to compare the financial data contained in our report to the account statement from these financial institutions to verify the accuracy of our reporting.**

## INVESTMENT DISCRETION

ITEM 16

We have you complete our Investment Advisory Agreement which sets forth our discretionary trading authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

You may, at any time, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, etc.).

## VOTING CLIENT SECURITIES

ITEM 17

**We do not vote client proxies.** You understand and agree that you retain the right to vote all proxies solicited for securities held in your managed accounts. The custodian of your managed



accounts will mail you all proxy solicitations. Any proxy solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.

However, if you have specific questions regarding an action being solicited by the proxy that you do not understand or you want clarification, you may contact us and we will explain the particulars. **Keep in mind we will not advise you in a direction to vote; the ultimate decision on how you vote is your responsibility and left to you to decide.**

## FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

We are not aware of any current financial conditions that are likely to impair our ability to meet our contractual commitments to you. In addition, Artisan has not, nor have any of our officers and directors, been the subject of a bankruptcy petition at any time during the past ten years.

Information of each of our principal executive officers and supervised persons can be found in the attached Form ADV Part 2B: Brochure Supplements.

**END OF DISCLOSURE BROCHURE**