



## **ITEM 1:**

### **FORM ADV PART 2A**

FIRM BROCHURE

INSTITUTIONAL INVESTMENT CONSULTING PRACTICE

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*Effective January 2, 2015*

THE  
**NEWPORT®**  
GROUP

# Form ADV Part 2A: Firm Brochure

## ITEM 1: COVER PAGE

This brochure provides information about the qualifications and business practices of Newport Group Securities, Inc., (“Newport”) as a registered investment advisor. If you have any questions about the contents of this brochure, please contact Hope Newsome at 407.333.2905 and/or NGS [CorporateCompliance@newportgroup.com](mailto:CorporateCompliance@newportgroup.com). The information contained 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 Newport Group Securities, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

As referenced in Item 4. A., Newport is registered with the SEC as a registered investment advisor (“RIA”) and broker–dealer, and is a member firm of the Financial Industry Regulatory Authority (“FINRA”).

As an RIA, Newport offers the following types of services: investment consulting services, discretionary investment management services, fiduciary consulting services and managed accounts for individuals through Destination Portfolio; (*see Item 4B*).

The vast majority of our clients are either broker–dealer or investment advisor clients. Generally, we do not act in a broker–dealer capacity to our investment consulting clients.

As an RIA, Newport provides “best in class” independent investment advice to institutional clients and retirement plan participants. Please note that registration, as a “registered investment advisor” does not imply a certain level of skill or training. However, Newport requires standards of education and business experience for individuals involved in determining and rendering investment advice. A Newport Investment Advisor Representative (“IAR”) who is directly managing client portfolios on either a discretionary or non–discretionary basis generally has at a minimum:

- 5 years investment/financial experience;
- a college degree, preferably in finance, economics or related areas; and
- successful completion of the Series 65 or 66<sup>1</sup> examination or any other examination(s) required by the state in which the IAR is registered.

Newport encourages continuing education and achievement of recognized professional designations such as the Chartered Financial Analyst (“CFA”). All investment advice is provided under the direction of the investment committee; (*see Item 13*).

## ITEM 2: MATERIAL CHANGES

The following summary discusses material changes to the Newport Group Securities Form ADV, Part 2A Institutional Investment Consulting Practice Brochure (the “Brochure”), dated January 2, 2015. Consistent with the SEC rules we will provide you with a summary of any material

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<sup>1</sup> The Series 66 is a combination of the Series 65 and 63 examinations and required by certain states in order for an investment professional to qualify for registration as an Investment Advisor Representative.

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changes to this and subsequent Brochures within 120 days of the close of our fiscal year, which is December 31<sup>st</sup>.

### *Summary of Material Changes:*

On December 1, 2014, Newport Group Securities, Inc. and The Newport Group, Inc. were acquired by Newport Group Holdings I, Inc. This transaction has not changed the way your program is serviced and Newport will continue to serve your investment needs with the same team on which you have come to rely.

This Brochure has been updated to provide information about any new affiliations and to remove outdated affiliations.

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## ITEM 4: ADVISORY BUSINESS

### *Background*

- A.** Newport Group Securities, Inc. (“*Newport*”) is registered with the SEC as an RIA and broker–dealer, and is a member firm of FINRA. Newport, established on December 20, 1991<sup>2</sup>, provides institutional investment and fiduciary consulting services primarily to retirement plans and their sponsors. Many of these plans provide for participant–directed investments.

Some individuals may represent Newport in one or more capacities. Individuals who provide fee–for–service investment consulting and fiduciary consulting services are qualified as IARs. Individuals who sell securities are registered with FINRA as registered representatives (*RRs*). Individuals who sell insurance products for Newport’s Non-Qualified business also are required to obtain state licensing and appointments under Newport’s General Agent agreements.

See Item 10 below for information regarding the entities affiliated with the Firm.

- B.** In its capacity as an RIA, Newport offers the following types of services:

1. Investment consulting services
2. Discretionary investment management services
3. Fiduciary consulting services
4. Retirement plan consulting projects
5. MenuAdvisor®
6. Newport Advisor Service
7. Management of risk-based asset allocation model portfolios.

This version of the Form ADV Part 2A- Institutional Investment Consulting discusses the Newport institutional consulting program, for more information on our individual plan participant program, Destination Portfolio, please refer to the Form ADV Part 2A- Destination Portfolio. You may contact us at the address and number on our cover page for a copy.

#### **I.** Investment Consulting Services

Newport's investment consulting services include direct, ongoing advice to institutional clients regarding the following:

- Comprehensive investment review, including an analysis of the existing menu, investment managers and asset allocation strategies
- Prepare and maintain an Investment Policy Statement (“*IPS*”) that is reviewed (*and updated as needed*) at least annually

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<sup>2</sup> Newport received approval as a member of FINRA on April 15, 1992 and received approval as a SEC registered investment advisor on July 20, 2001.

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- Review of investment menu and make recommendations regarding diversification by asset class and investment style
- Review, evaluate, and provide recommendations regarding asset allocation tools and Qualified Default Investment Alternative (“*QDIA*”) options for defined contribution plans
- Review and recommend asset allocation based on client time horizon and risk tolerance
- Review, evaluate and select investment managers using criteria specified in the IPS
- Continually monitor and report on each manager using the same criteria
- Maintain a Watchlist and recommend removal/replacement of investment managers as warranted
- Provide full written documentation of the process, including comprehensive quarterly reporting, known as the Quarterly Investment Manager Review (“*QIMR*”)
- Provide advice and guidance on other investment-related issues as needed

### *Investment Review*

Newport prepares an analysis of current investments, including an evaluation of the asset classes and investment styles included in the menu (*identifying potential gaps and overlap*) and the asset allocation strategy and/or tools utilized. Newport then reviews the existing managers, comparing them to an appropriate asset class/style-specific benchmark and peer group.

### *Investment Policy Statement*

Newport develops an IPS for each client, which is intended to serve as a “road map” to assist in the ongoing management of the plan. The IPS defines the roles and responsibilities of the parties, outlines specific guidelines and restrictions, summarizes the basis for menu construction and asset allocation, and provides for the periodic review of the investments and policies. Furthermore, the IPS defines the specific process and criteria for the evaluation, selection and ongoing monitoring of managers, including Watchlist and replacement criteria.

### *Asset Allocation and Menu Construction*

Asset allocation is an important investment decision, as it is the primary determinant of the return and risk characteristics of a portfolio. Newport's proprietary asset allocation framework incorporates forward-looking input assumptions and prudent risk control constraints. For sponsor-directed plans, Newport provides advice regarding appropriate asset allocation and rebalancing policies given the specific needs and objectives of the plan, such as goals and return objectives, plan liabilities, time horizon, risk tolerance, cash flow, and underlying participant demographics.

For participant-directed plans, Newport will design an investment menu that will include an array of asset classes, investment styles and risk-return characteristics, so that participants are provided the ability to construct their own diversified portfolios unique to their individual time horizons, return objectives, and tolerance for volatility.

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Additionally, Newport believes asset allocation tools are an important component of a participant-directed plan, allowing participants to select among the plan's investment options in a manner that reflects their individual time horizons, return objectives, and tolerance for volatility. Newport will recommend what it believes is the most appropriate asset allocation tool(s) for retirement plan participants, whether it be risk-based model portfolios made up of the underlying funds in the investment menu, a series of target date funds, and/or a participant advice service.

For qualified plans, Newport may recommend the default investment that it believes is the most appropriate "QDIA", under the requirements of the Pension Protection Act of 2006. This may include but is not limited to a target-retirement-date fund, a professionally managed account or a balanced fund.

### *Investment Manager Evaluation and Selection*

Newport's investment manager evaluation and selection process incorporates several key quantitative and qualitative criteria that Newport believes are the best indicators of the consistency and repeatability of a manager's return and risk characteristics.

Newport's quantitative investment process isolates return, risk, risk-adjusted return, and style consistency variables for comparison with applicable benchmarks and peer groups, with an emphasis on the consistency and repeatability of these characteristics, as well as below-average expenses. Managers who satisfy our rigorous quantitative criteria then move through our qualitative assessment. Newport's senior investment research analysts examine each manager to verify the quality and consistency of the people, the philosophy, and the investment process. Analysts strive to identify the specific attributes that differentiate the manager from its peers and then determine the sustainability of the manager's investment approach. Clients should understand that there can be no assurance that past performance will be repeated and that investments in securities involve risks, including the possible loss of the principal amount invested.

### *Investment Manager Monitoring and Replacement*

Newport continually monitors the managers based on the same quantitative and qualitative criteria. If a particular manager is underperforming based on the criteria, it will be placed on our Watchlist and allowed some period of time to correct the deficiencies. If the manager fails to improve, Newport will proactively recommend replacement of the manager.

### *Periodic Reporting and Review*

Newport's detailed Quarterly Investment Manager Review ("QIMR") is the cornerstone of our continuous supervision process. A formal report is prepared and delivered to each client quarterly. The report connects the ongoing monitoring process back to the IPS, which documents the prudent process followed and required under ERISA.

The QIMR also communicates Newport's perspective on the capital markets, our comments on the investment managers and the performance of the overall investment menu/portfolio.

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## II. Discretionary Investment Management Services

In addition, Newport provides certain sponsors of qualified defined contribution and defined benefit plans with discretionary investment management services under its authority as an “investment manager” to the named fiduciaries of such plans (*as defined in Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended*)

For participant-directed defined contribution plans, Newport provides discretionary investment menu construction and, if desired, development of asset allocation model portfolios based on the specific needs of its clients. Newport monitors the performance of each investment option and the model portfolios and exercises its discretion as investment manager to substitute, add or remove investment options. Newport also makes corresponding changes to the model portfolios as a result of any such substitution, addition or removal of an investment option. Newport also selects and manages, at its discretion, the investment option or model portfolio that will serve as the “default” investment option for those participants that do not make an independent investment election.

Newport is not responsible for investment decisions made by plan participants. Newport also is not responsible for investment decisions involving employer securities or for plan assets that have not been designated as subject to Newport’s authority as investment manager.

With respect to plans that are not participant-directed (*e.g., defined benefit plans and certain defined contribution plans such as money purchase and profit sharing plans*) and that utilize Newport’s discretionary investment management services, Newport exercises full discretion with respect to delegated assets as to the selection of fund managers and the allocation of plan assets among such managers. Newport is responsible for monitoring the performance of the managers. Generally, Newport does not allow clients to impose restrictions except for investment discretionary clients; (*see Item 16*).

## III. Fiduciary Consulting Services

As an additional service, Newport provides direct, ongoing advice regarding non-investment related obligations that ERISA places on plan sponsors of participant-directed, qualified defined contribution plans. Newport presents written reports to the retirement plan committee on each of the following fiduciary consulting services:

- Fully customized Fiduciary Practices Statement (*reviewed annually*)
- Periodic fiduciary governance review and development/review of Fiduciary Governance Charter
- Comprehensive total plan expense analysis including review for reasonableness and competitiveness versus industry standards (*annual*)
- Comprehensive service provider review versus performance standards as outlined in the services agreement and versus competitive standards and industry best practices (*annual*)
- Assessment of employee education and communication programs, including development of a comprehensive education and communication plan and ongoing evaluation of the effectiveness of the program (*annual*)



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- Assistance with 404(c) compliance by conducting an annual diagnostic
- Assistance with DOL Reg. Section 2550.404a-5—participant fee disclosure—compliance by conducting an annual diagnostic
- Annual “recap” prepared for the board summarizing all pertinent information/activities of the retirement plan committee regarding oversight of the plan
- Fiduciary “onboarding” and education

### **IV. Retirement Plan Consulting Projects**

Newport conducts various projects for clients, including, but not limited to, retirement plan provider vendor searches, plan trustee searches, merger and acquisition consulting and comprehensive service provider reviews and total plan expense analyses. A retirement plan provider vendor search project would include comprehensive management of the entire search process, including custom creation of request for information (“RFI”) and request of proposal (“RFP”) documents, evaluation of RFI/RFP responses, finalist selection and interviews, on-site visits, and full conversion/implementation management.

### **V. MenuAdvisor®**

Through a partnership with Bank of America Merrill Lynch, Newport provides professional advice and assistance to plan sponsors. This service includes: 1) analyzing a plan sponsor’s current menu, 2) Creating an Investment Policy Statement, 3) Choosing appropriate investments to offer to employees and 4) Monitoring and managing the plan sponsor’s menu of investments.

### **VI. Newport Advisor Service**

Newport Advisor Service is a co-fiduciary investment consulting service for plans record kept on the Newport Retirement Services platform. This service comes fully bundled with Newport’s communication, recordkeeping, and administration services.

**C.** All of Newport’s services are customized for each client. All guidelines are documented in the Investment Policy Statement.

**D.** Not applicable to Newport.

**E.** As of October 2014, Newport has \$20,473,301,867 of non-discretionary assets under advisement and \$504,288,751 of discretionary assets under advisement.

## **ITEM 5: FEES AND COMPENSATION**

**A.–C. Full Disclosure Fee Transparency**—Our compensation is exclusively fee based, fully disclosed and paid by our clients, either directly or from plan assets.

Newport’s investment consulting fees are offered and based upon either:

1. Fixed fees (*not including subscription fees*); or
2. A percentage of assets under advisement or management.

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### ***I. A Percentage of Assets under Advisement or Management***

Newport's annual fee for investment consulting services, as further described below, is based on the value of the assets under Newport's advisement or management. Such fees are subject to negotiation under certain circumstances and at the sole discretion of Newport. An exact fee will be agreed upon with each client and will be made a part of the investment consulting agreement. Typically, the fee is billed quarterly in advance of service based on the quarter-end value of the account. Accounts opened or closed during a period will have the consulting fee prorated for the period. The terms for termination of services are part of Newport's investment consulting agreement as negotiated on a client-by-client basis.

When acting as a registered investment adviser, Newport often recommends the use of professional money managers, typically in the form of mutual funds or commingled trusts. As an independent firm with no affiliations with investment management or mutual fund companies, Newport provides unbiased, direct advice, free from any potential conflicts of interest. For example, Newport rarely receives "indirect" compensation from mutual funds in the form of "revenue sharing" or other forms of fund-based compensation with respect to its investment consulting services for ERISA-covered plans. To the extent revenue sharing is received, such amounts are applied to pay outstanding invoices, with any excess returned to the plan as directed by the sponsor. All fees are disclosed on the client's quarterly invoice.

INVESTMENT CONSULTING SERVICES			
Assets Included in Service	Annual Fee (%)	Cumulative	
		%	\$
First \$25 million	0.20	0.20%	\$ 50,000
\$25 to \$50 million	0.10	0.15%	\$ 75,000
Over \$50 million	0.05	0.15% or less	\$ 75,000+
Minimum annual fee to Newport is \$20,000 <i>(for plans utilizing LDI asset allocation framework, minimum annual fee to Newport is \$35,000)</i> Fee applies to billable assets only (i.e., excludes company stock, self-directed accounts, etc.) Fee is "blended" as assets increase <b>Please note:</b> typically plans over \$50 million are quoted a fixed annual fee.			

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## ITEM 5: FEES AND COMPENSATION (CONT.)

FIDUCIARY CONSULTING SERVICES	
	Annual Fee <sup>3</sup>
In conjunction with investment consulting services	\$ 35,000
Standalone	\$ 55,000

FULLY DISCRETIONARY INVESTMENT MANAGEMENT FEE SCHEDULE	
Assets Under Management (AUM)	Annual Fee (%)
First \$50 million	0.20
\$50–\$100 million	0.125
Over \$100 million	0.0875
AUM excludes company stock, real estate, derivatives, other alternative investments and participant-directed brokerage accounts.	
Fee is “blended” as assets increase	

### II. Fixed Fees

Newport also provides investment advice on a fixed fee basis. Such fees are subject to negotiation under certain circumstances based on the nature and complexity of the work to be done and at the sole discretion of Newport. Accounts opened or closed during a period will have the consulting fee prorated for the period. The terms for termination of services are made part of Newport’s investment consulting agreement as negotiated on a client-by-client basis.

- D.** A client may obtain a refund of a pre-paid fee if the consulting contract is terminated before the end of a billing period in writing to Newport. We will refund the pro-rata amount by check within 30 days of receipt of the notice to terminate.
- E. 1–4.** The majority of the mutual funds Newport recommends are institutional share and no-load funds as we attempt to minimize plan expenses. This is evidenced in our investment manager evaluation and selection criteria as referenced in Item 4.B.1., above. For a small number of clients, Newport may receive revenue sharing payments from mutual fund companies or custodians when Newport is acting as RIA. In such cases, Newport applies such revenue share to its outstanding invoices and credits any remaining revenue share back to the plan. As a registered investment adviser, in no circumstances does Newport receive any additional net compensation through revenue sharing. This is done to mitigate against any potential conflicts of interest and to avoid the perception that Newport is receiving two sources of revenue.

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<sup>3</sup> After the first year, the fee will escalate annually based on the increase in the Consumer Price Index (CPI-U).

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Generally, when acting in the capacity of an RIA, Newport and its supervised persons do not accept commissions (*or markups/markdowns*) in their capacity as broker-dealer.

### ITEM 5: FEES AND COMPENSATION (*CONT.*)

However, Newport may act as both broker-dealer and registered investment advisor to sponsors of non-ERISA plans. For these plans, the investment consulting practice provides investment advice to plan sponsors and make no recommendations to the sponsor as to the purchase of investments used to hedge plan liabilities. The financial services department separately advises the plan sponsor on strategies for hedging plan liabilities, which may include the purchase of insurance products or mutual funds. Newport may receive compensation for the purchase of these products.

Clients do have the option to purchase investment products that Newport recommends through other brokers or agents that are not affiliated with Newport.

### ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Newport does not engage in Performance-Based Fee and Side-by-Side Management of accounts. As described above, Newport provides consulting services for a fixed fee and/or based upon a percentage of assets under management.

### ITEM 7: TYPES OF CLIENTS

Newport generally provides investment advice to the following types of clients:

- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Insurance companies
- Corporations or business entities other than those listed above
- Individuals who are participants in a retirement plan administered (*recordkept*) by Newport Retirement Services, Inc. through the Destination Portfolio

Newport may interact with plan sponsors, plan committee members, boards of directors, officers responsible for investments or investment management, trustees and named or functional fiduciaries (*individuals that have discretionary authority*).

### ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

- A. Newport advises clients on asset allocation using the Modern Portfolio Theory<sup>4</sup> and a mean-variance framework<sup>5</sup>. In general, the firm's approach is to construct portfolios that have the highest expected return for the given level of risk a client is willing to assume.

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<sup>4</sup> A theory on how risk averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward.

<sup>5</sup> The selection of portfolios based on the means and variances of their returns. The choice of a higher expected return portfolio will have greater variance than a lower variance portfolio for a given expected return.

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- B.** Investing in securities involves risk of loss of principal. Newport's risk management methodology does not protect against loss. Clients should evaluate their ability to withstand market losses prior to investing.

### ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS (CONT.)

- C.** As an institutional consultant we recommend investment managers within multiple assets classes so our clients are provided the ability to construct diversified portfolios. Certain risks are inherent to investing in money markets, stable value, fixed income, equity (*including domestic and international*) and alternative asset classes.

One may wish to carefully review the models and underlying funds' prospectuses prior to investing.

Based upon the funds selected, other investment risks may include the following:

#### *Principal Equity Risks*

Investing in mutual funds is not guaranteed by any agency or program of the U.S. government or by any other person or entity, and **one could lose money**. One should consider one's investment goals, time horizon and risk tolerance before investing. The principal risks associated with an investment could include the following:

- **Equity Securities and Market Risk.** The financial risk that the investment manager may select individual companies that do not perform as anticipated, the risk that the stocks and markets in which the fund invests may experience periods of turbulence and instability, and the general risk that domestic and global economies and stock markets may go through periods of decline and cyclical change.
- **Non-Diversification Risk.** Some mutual funds may be classified as a "non-diversified" portfolio which means it may hold fewer securities than a diversified fund because it may invest a greater percentage of its assets in a smaller number of securities. Holding fewer securities increases the risk that the value of a fund could go down because of the poor performance of a single investment.
- **Foreign Investment Risk.** Investments in foreign securities may be riskier than U.S. investments because of factors such as unstable international, political and economic conditions, currency fluctuations, foreign controls on investment and currency exchange, foreign governmental control of some issuers, potential confiscatory taxation or nationalization of companies by foreign governments, withholding taxes, a lack of adequate company information, less liquid and more volatile exchanges and/or markets, ineffective or detrimental government regulation, varying accounting standards, political or economic factors that may severely limit business activities, and legal systems or market practices that may permit inequitable treatment of minority and/or non-domestic investors. Investments in emerging markets may involve these and other significant risks such as less mature economic structures and less developed and more thinly-traded securities markets.
- **Currency Risk.** The performance of a fund may be materially affected positively or negatively by foreign currency strength or weakness relative to the U.S. dollar, particularly if a fund invests a significant percentage of its assets in foreign securities or

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other assets denominated in currencies other than the U.S. dollar.

### ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS (*CONT.*)

#### *Principal Fixed-Income Risks*

It is possible to lose money on an investment in a fixed-income fund. The principal risks of investing in fixed-income funds, which could adversely affect its net asset value, yield and total return, include the following:

- ***Fixed-Income Securities and Market Trading Risk:*** the risk that an active secondary trading market for a mutual fund does not continue once developed, that a fund may not continue to meet a listing exchange's trading or listing requirements, or that a fund shares trade at prices other than the fund's net asset value.
- ***Interest Rate Risk:*** the risk that fixed-income securities will decline in value because of an increase in interest rates; a fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a fund with a shorter average portfolio duration.
- ***Credit Risk:*** the risk that a fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.
- ***Market Risk:*** the risk that the value of securities owned by a fund may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular sectors.
- ***Issuer Risk:*** the risk that the value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or service.
- ***Liquidity Risk:*** the risk that a particular investment may be difficult to purchase or sell and that a fund may be unable to sell illiquid (*non-marketable*) securities at an advantageous time or price.
- ***Mortgage-Related and Other Asset-Backed Risk:*** the risks of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk and prepayment risk.
- ***Leveraging Risk:*** the risk that certain transactions of a fund, such as reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment transactions, or derivative instruments, may give rise to leverage, causing a fund to be more volatile than if it had not been leveraged.
- ***Management Risk:*** the risk that there is no guarantee that the investment techniques and risk analyses applied by an investment manager will produce the desired results, and that legislative, regulatory, or tax developments may affect the investment techniques available to a particular investment/portfolio manager in connection with managing a fund and may also adversely affect the ability of a fund to achieve its investment objective.



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## ITEM 9: DISCIPLINARY INFORMATION

- A. Throughout its history as a registered entity, neither Newport nor any employees have been involved in a criminal or civil action in a domestic, foreign or military court.
- B. Throughout its history as a registered entity, neither Newport nor any employees have been investigated or sanctioned for any criminal or disciplinary action by the SEC, any federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
- C. Throughout its history as a registered entity, neither Newport nor any employees have been involved in a self-regulatory organization (*SRO*) proceeding or found to be in violation of any *SRO* rules.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

**A.–C. Newport Group Securities, Inc. is dually registered as a broker-dealer and registered investment advisor. All securities transactions are provided through the broker-dealer, while all investment advisory (also referred to as consulting) services are provided through its registered investment advisor.** Principal executive officers and other employees are qualified as RRs or IARs. Some individuals are both RRs and IARs. Additionally, certain individuals are or may be licensed as insurance agents or brokers for one or more insurance companies.

When acting as IARs, individuals associated with Newport operate under a strict fiduciary standard. Apart and aside from Newport's fee-for-service investment consulting business, when acting in both IAR and RR capacities, individuals associated with Newport are said to be acting in a "dual capacity."

Clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations as to an appropriate broker-dealer or upon implementation of investment recommendations. Newport has adopted certain procedures to mitigate the effect of these conflicts, including the proactive disclosure, on a client-specific basis, of the existence of any dual capacity situations.

Newport is affiliated with The Newport Group, Inc., which provides consulting, administration and recordkeeping services for deferred compensation plans and acts as an insurance agency for fixed insurance products. Newport is also affiliated with Verisight, Inc. which provides recordkeeping and administration services. Verisight, Inc. owns DailyAccess Corporation of which, InterServ, LLC is a wholly-owned subsidiary and a registered investment advisor. These entities are all owned by Newport Group Holdings I, Inc.

Newport Group Holdings I, Inc. is controlled by and 100% owned by Newport Group Holdings, L.P. Newport Group Holdings L.P. is indirectly controlled by Trident V L.P. and Trident V Parallel Fund, L.P. Stone Point Capital, LLC manages private equity funds (including Trident V L.P. and Trident V Parallel Fund, L.P.) that invest in companies operating in the financial services industry.

Newport's management believes that none of the indirect relationships that the Firm may

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have with any such companies through its indirect relationship with Stone Point Capital, LLC and its affiliation with Verisight, Inc. are material to the business of the Firm and do not cause a conflict of interest with the Firm's activities on behalf of its clients.

**D.** Not applicable to Newport.

### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### ***Code of Ethics***

**A.** Regulations require that advisory firms provide their clients with a general description of the consulting firm's Code of Ethics. Newport Group Securities, Inc. has adopted a Code of Ethics that sets forth its governing ethical standards and principles. It also describes Newport's policies regarding the following: the protection of confidential information, including the client's non-public information; the review of the personal securities accounts of certain Newport personnel for evidence of manipulative trading and insider trading; training of personnel; and recordkeeping. Newport does not recommend individual securities.

### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING (CONT.)**

You may obtain a copy of Newport's Code of Ethics by writing to Newport at the address listed in Item 1.

Newport acts as an investment consultant on the retirement plan for a mutual fund company. Independently, Newport evaluates the funds of this company for consulting clients. Newport manages this conflict of interest by separating Newport employees that provide service to the retirement plan from those that evaluate the funds. The individuals that provide service to the retirement plans do not receive compensation based on the revenue that the firm receives as an investment consultant.

#### ***Participation or Interest in Client Transactions***

**B.** Not applicable to Newport.

**C.** Not applicable to Newport.

#### ***Personal Trading Policy***

Newport does not provide investment advice on individual securities. If Newport engages in that activity, appropriate trading policies and procedures will be implemented. However, Newport has adopted a uniform insider trading policy and personal securities reporting requirement to identify and mitigate other conflicts of interest.

In general, this policy covers personal trading of all Newport employees and any registered individual associated with the firm and includes the following restrictions on personal trades:

- No associated person is permitted to place a securities transaction to his advantage over that of a client. Newport's consulting personnel who have access to non-public information regarding clients' securities transactions, are involved in making securities recommendations



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to consulting clients, and/or have access to securities recommendations that are not public are required to disclose to Newport all personal transactions in securities other than transactions in direct obligations of the U.S. Government, money market instruments, money market funds, mutual funds, and unit investment trusts (*including ETF's that are organized as UITs*). A Newport supervisor reviews all such transactions.

- A director, officer or employee of Newport shall not buy or sell securities for their own personal portfolios where their decision is substantially derived, in whole or in part, from information received by reason of their employment unless the information is also available to the investing public upon reasonable inquiry.

### ITEM 12: BROKERAGE PRACTICES

- A. 1. Not applicable to Newport.
- A. 2. Not applicable to Newport.
- A. 3. Not applicable to Newport.

### ITEM 13: REVIEW OF ACCOUNTS

#### A. Reviews and Reviewers of Accounts

Formal investment portfolio reviews are conducted quarterly, and quarterly reports are provided to clients in electronic and/or hard copy format. Newport's senior investment research analysts continually monitor investment managers based on the same quantitative and qualitative criteria used to evaluate and select investment managers, as described in Item 4.B.I. If a particular manager is not performing to our expectations based on the criteria, it will be placed on our Watchlist and allowed a period of time to correct the deficiencies. If the manager fails to improve, we will proactively recommend replacement of the manager when warranted.

Our investment process was developed and is implemented by our investment team, not any one individual. The overall review of the investment consulting services of Newport lies with the investment committee members (*please see the list of investment committee members below*). However, the IAR will be the primary reviewer. Newport will monitor the number of accounts assigned to each IAR to ensure the level of professionalism established by Newport is maintained.

#### ***Investment Committee Members***

The following individuals make up the investment committee and are either directly or indirectly responsible for delivering the review of client accounts:

**Mendel A. Melzer, CFA**, *Chief Investment Officer and President*

**Robert “Ben” Baldrige, CFA, CAIA**, *Senior Investment Research Analyst*

**John von Eschenbach, CFA**, *Senior Investment Consultant*

**Paul Escobar, AIF®**, *Senior Investment Consultant*

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**Jorge Friguls, AIF®**, *Investment Consultant*

**Erik E. Gronvold, CFA**, *Senior Investment Consultant*

**Edward E. Johnson**, *Director, Investment Operations*

**Phillip “Brad” Kidd**, *Investment Consultant*

**Christopher Koczan**, *Investment Consultant*

**Kevin C. Laake, CFA**, *Senior Investment Research Analyst*

**Julie M. Leinenbach, CFA, FSA**, *Senior Investment Research Analyst*

**Christopher E. MacLellan**, *Investment Research Analyst*

**Matthew E. Meyer, AIFA®**, *Senior Investment Consultant*

**Paul R. Moehle, CFA**, *Senior Investment Consultant*

**Al Scherlie**, *Senior Investment Consultant*

**Bessie Seeley**, *Investment Consultant*

**Sidney H. Taylor, II, AIF®**, *Senior Investment Consultant*

**Steve L. Williams, CFA**, *Senior Investment Research Analyst*

Newport reviews client accounts intra-quarter when a significant event (*e.g., investment manager or strategy change*) occurs.

### ITEM 13: REVIEW OF ACCOUNTS (*CONT.*)

#### B. Frequency of Reports

The QIMR is the cornerstone of Newport's ongoing supervision process; (*also see Item 4, above*). It is a formal report that is prepared and delivered on a quarterly basis, connecting the ongoing monitoring process back to the criteria and benchmarks set forth in the investment policy statement.

The QIMR serves as a basis for the review of the menu, managers and the asset allocation tools (*if applicable*).

The QIMR also communicates Newport's perspective on the capital markets and provides commentary on the managers and the various asset classes and investment styles represented in the menu. Of particular value to clients are the Executive Summary “scorecards.” Each manager is “scored” along the key quantitative and qualitative criteria as identified in the Investment Policy Statement and utilized in the evaluation, selection, and monitoring process described in Item 4.B.I.

We have separate and distinct Executive Summaries for active managers, passive managers, the stable value/money market option, and the plan’s asset allocation tools (*target-date funds, risk-based models, and/or participant advice service for participant-directed plans.*) Also of value in our defined benefit plan QIMR is the DB Plan Attribution Analysis Summary

Clients or custodians also receive confirmations of account activity directly from the applicable investment company, fund family, or insurance company.

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## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

- A.** Newport receives no direct or indirect economic benefits from any outside sources for providing investment advice or other consulting services to our clients.
- B.** Newport may maintain solicitor referral agreements with certain advisory or brokerage firms or individuals (“*Intermediary Partners*”). Currently, Newport has such arrangements with: Baystate Wealth Management, LLC; Charles J. Abboud & Associates, Inc.; Focus On Success; Fulcrum Partners, LLC; Linsco/Private Ledger (LPL) Corp.; Lombard Securities, Inc.; Northwestern Mutual Investment Services, LLC; Retirement Plan Advisory Group; The Todd Organization; ValMark Advisers, Inc.; and VerityPoint.

In accordance with Rule 206(4)–3 under the Investment Advisers Act of 1940, a solicitor referral fee paid to an Intermediary Partner is fully disclosed in writing to the client at the time the Consulting Agreement is executed with Newport Group Securities, Inc.

The referral fee is paid in one of two ways:

1. A percent of Newport's annual consulting fee, payable to the Intermediary Partner quarterly, or
2. A one-time fee taken from Newport's consulting fee.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION (*CONT.*)

Importantly, the fee Newport pays the Intermediary Partner does not increase Newport’s fee to the client for investment consulting services.

## ITEM 15: CUSTODY

Not applicable to Newport.

## ITEM 16: INVESTMENT DISCRETION

### *Investment or Brokerage Discretion Portfolio Management Services*

For investment discretionary clients, Newport will be provided with written authority to determine which securities and the amounts of securities that are to be bought or sold through a provision contained in the investment consulting agreement executed with each client. Any limitations on this discretionary authority shall be included in the investment consulting agreement or in the client's investment policy statement. Typical restrictions will limit Newport from purchasing types of industries or individual issuers. Newport retains the right to refuse to accept any client account that imposes restrictions that are unreasonable. Clients may change or amend these limitations upon providing thirty (30) days' advance written notification to Newport.

## ITEM 17: VOTING CLIENT SECURITIES

- A.** Newport does not obtain or exercise any proxy voting authority over client securities. Consequently, Newport shall have no obligation or authority to take any action or render any

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advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account.

- B.** Newport does not have authority to vote client securities. In most cases, clients receive their proxies and/or other solicitations directly from their custodian (*or transfer agent*). Newport does not volunteer advice concerning the voting of proxies and/or other solicitations; however, we will offer advice if contacted by our clients to do so. Clients may contact us for assistance with proxies and/or solicitations via phone, electronic mail or in writing. Importantly, Newport will not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. In addition, Newport typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts.

### ITEM 18: FINANCIAL INFORMATION

**A.–C.** Not applicable to Newport.

**Note:** *Newport does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. Newport does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.*