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**Form ADV Part 2A**

**Firm Brochure**

## **Fiduciary Consulting Practice**

**May 26, 2017**

This Brochure provides information about the qualifications and business practices of Newport Group Securities, Inc. ("NGS" or "the Firm"). If you have any questions about the contents of this brochure, please contact us at 407-333-2905 and/or [NGcompliance@newportgroup.com](mailto:NGcompliance@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.

NGS is a registered investment adviser. Registration of an Investment Adviser does not imply a certain level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about NGS Securities, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 2: Material Changes

The following summary discusses material changes to the NGS Form ADV, Part 2A Fiduciary Consulting Practice Brochure (the “Brochure”), dated May 26, 2017. Consistent with the SEC rules we will provide you with a summary of any material 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:*

As stated in the March 31, 2017 Brochure; Investment Consulting Services Fee schedule was updated and revised as of December 31, 2016.

Assets under Management were updated as of March 31, 2017.

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## Item 4: Advisory Business

### Background

- A. Newport Group Securities, Inc. (“NGS”) is dually registered investment adviser (“RIA”) and broker–dealer, member firm FINRA. NGS, established on December 20, 1991<sup>1</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 NGS 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 NGS’s Non-Qualified business also are required to obtain state licensing and appointments under NGS’s General Agent agreements.

NGS is a wholly owned subsidiary of Newport Group Holdings I, Inc. which 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., Trident V Parallel Fund, L.P. and Trident V Professionals Funds, L.P., funds managed by Stone Point Capital, LLC. Stone Point manages private equity funds that invest in companies operating in the financial services industry.

NGS’s management believes that none of the indirect relationships that the Firm may have with any such companies through its indirect relationship with Stone Point Capital, LLC 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.

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

1. Investment Consulting Services
2. Discretionary Investment Management Services
3. Fiduciary Governance Advice Services
4. Retirement Plan Consulting Projects
5. MenuAdvisor®<sup>2</sup>
6. Newport Group Advisor Service
7. Management of risk-based asset allocation model portfolios.

This version of the Form ADV Part 2A- Institutional Investment Consulting discusses the NGS institutional consulting program, for more information on our individual plan participant

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<sup>1</sup> NGS received approval as a member of FINRA on April 15, 1992 and received approval as a SEC registered investment adviser on July 20, 2001.

<sup>2</sup> Service provided through a partnership with Bank of America Merrill Lynch. MenuAdvisor® is a registered trademark of Bank of America Corporation.

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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*

NGS'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
- 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**

NGS 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. NGS then reviews the existing managers, comparing them to an appropriate asset class/style-specific benchmark and peer group.

### **Investment Policy Statement**

NGS 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. NGS's proprietary asset allocation

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framework incorporates forward-looking input assumptions and risk control constraints. For sponsor-directed plans, NGS provides advice regarding 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, NGS 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.

Additionally, NGS 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. NGS will recommend 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, based upon the [participant's individual / plan's] investment objectives and risk tolerance.

For qualified plans, NGS may recommend the default investment as a "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**

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

NGS'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. NGS'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**

NGS 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, NGS will proactively recommend replacement of the manager.

## **Periodic Reporting and Review**

NGS'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

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documents the prudent process followed and required under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

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

## Discretionary Investment Management Services

In addition, NGS 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 ERISA*).

For participant-directed defined contribution plans, NGS provides discretionary investment menu construction and, if desired, development of asset allocation model portfolios based on the specific needs of its clients. NGS 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. NGS also makes corresponding changes to the model portfolios as a result of any such substitution, addition or removal of an investment option. NGS 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.

NGS is not responsible for investment decisions made by plan participants. NGS also is not responsible for investment decisions involving employer securities or for plan assets that have not been designated as subject to NGS'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 NGS's discretionary investment management services, NGS exercises full discretion with respect to delegated assets as to the selection of fund managers and the allocation of plan assets among such managers. NGS is responsible for monitoring the performance of the managers. Generally, NGS does not allow clients to impose restrictions except for investment discretionary clients; (*see Item 16*).

## II. Fiduciary Governance Advice Services<sup>3</sup>

As an additional service, NGS provides direct, ongoing advice regarding non-investment related obligations that ERISA places on plan sponsors of participant-directed, qualified defined contribution plans. NGS 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*)

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<sup>3</sup> Additional fees may apply to this service.

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- 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*)
- 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

### III. *Retirement Plan Consulting Projects*

NGS 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.

### IV. *MenuAdvisor®*

Through a partnership with Bank of America Merrill Lynch, NGS 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.

### V. *NGS Advisor Service*

NGS Advisor Service is a co-fiduciary investment consulting service made available to plans record kept by NGS and its affiliates. NGS affiliates provide communication, recordkeeping, and administration services under separate agreements.

- C. NGS’s services may be customized for clients. All guidelines are documented in the Investment Policy Statement.
- D. Not applicable to NGS.
- E. As of March 31, 2017, NGS has \$26.8 billion of non-discretionary assets under advisement and \$1.2 billion 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, except as noted on page 11.

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

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1. Fixed fees; or
2. Percentage of assets under advisement or management.

## I. *Fixed Fees*

Most often, NGS 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 NGS. 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 NGS's investment consulting agreement as negotiated on a client-by-client basis.

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

NGS's annual fee for investment consulting services, as further described below, is based on the value of the assets under NGS's advisement or management. Such fees are subject to negotiation under certain circumstances and at the sole discretion of NGS. 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 NGS's investment consulting agreement as negotiated on a client-by-client basis.

When acting as a registered investment adviser, NGS 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, NGS provides unbiased, direct advice, free from any potential conflicts of interest. As an RIA, NGS 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 NGS is \$5,000 <i>(for plans utilizing LDI asset allocation framework, minimum annual fee to NGS 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 \$30 million are quoted at a fixed annual fee.			

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- 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 NGS. 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 NGS 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. [Any revenue sharing received from mutual funds for NGS RIA clients should be credited to the client account at the applicable trust company. Where clients wish to offset their RIA fees they will need to request the trust company to direct payment to NGS. NGS does not offset fees on their invoices for revenue sharing received in error. As a registered investment adviser, and in the majority of circumstances NGS does not receive any additional net compensation through revenue sharing<sup>4</sup>. In the unlikely circumstance where additional compensation takes place, NGS will provide the client with full disclosure and request consent prior to any arrangement. Generally, when acting in the capacity of an RIA, NGS and its supervised persons do not accept commissions (*or markups/markdowns*) in their capacity as broker-dealer.

However, in certain cases, NGS may act as investment adviser and as a broker to sponsors of nonqualified deferred compensation and other non-ERISA plans. In such cases, NGS acts as RIA when recommending the notional investment menu and model asset allocations offered to participants while its broker services are performed in connection with corporate investments made by the sponsor that are intended to correlate to the notional investments. NGS may receive compensation with respect to these corporate investments. In the case of separate account life insurance, no commissions are received from separate account transactions that relate to NGS's advice as an RIA. However, where the sponsor will purchase and sell securities directly based on NGS's recommendations as an RIA, and NGS expects to receive compensation from the fund providers, NGS will disclose all such fees before providing any investment advice.

Clients always have the option to purchase investments recommended by NGS from unaffiliated brokers.

In certain cases, NGS, in its capacity as an SEC-registered broker dealer, will place variable universal life insurance with institutional clients and may receive a fee from an investment adviser of a separate account recommended by NGS to the client. In such cases, NGS acts as an investment adviser with respect to the recommendation to allocate policy premiums or cash value to the separate account. NGS will not receive any such compensation from the adviser unless the fees are disclosed by NGS prior to any allocation to such separate account. Such fees are paid directly to NGS by the separate account adviser from its own assets and do not increase the cost of the policy owned by the client.

### F. Client Referral Program

NGS offers up to \$5000 credit to be applied toward the annual investment consulting fee to any current client that refers NGS a new client that signs an investment consulting agreement with NGS's RIA to provide ongoing investment consulting services. The credit will be applied toward the next quarterly billing cycle once the new client has signed the

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<sup>5</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.

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agreement. This program can be discontinued at any time at the discretion of NGS, Inc. The fee discount will be applied as a one-time fee reduction; however, a firm is not limited to the number of discounts that they can receive.

## Item 6: Performance–Based Fees and Side–By–Side Management

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

## Item 7: Types of Clients

NGS 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 Group, Inc. through the Destination Portfolio managed account service.

NGS 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 who have discretionary authority*).

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

- A. NGS advises clients on asset allocation using the Modern Portfolio Theory<sup>5</sup> and a mean–variance framework<sup>6</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.
- B. Investing in securities involves risk of loss of principal. NGS’s risk management methodology does not protect against loss. Clients should evaluate their ability to withstand market losses prior to investing.
- 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 should 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

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<sup>5</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>6</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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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 other assets denominated in currencies other than the U.S. dollar.

### 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

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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.

## Item 9: Disciplinary Information

A-C NGS has no disciplinary information to report.

## Item 10: Other Financial Industry Activities and Affiliations

A.-C.

Newport Group Securities, Inc. is an affiliate of Newport Group, Inc., a provider of retirement plan administration and recordkeeping services, Newport Group Consulting, LLC ("NGC"), a registered investment adviser, and Newport Trust Company, a New Hampshire-chartered limited-powers trust company that provides non-discretionary trustee and custodial services.

Principal executive officers and other employees are Registered Representatives ("RRs") or Investment Adviser Representatives ("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 NGS operate under a strict fiduciary standard. Apart and aside from NGS's fee-for-service investment consulting business, when acting in both IAR and RR capacities, individuals associated with NGS 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.

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NGS 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.

D. Not applicable to NGS.

## 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. NGS has adopted a Code of Ethics that sets forth its governing ethical standards and principles. It also describes NGS'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 NGS personnel for evidence of manipulative trading and insider trading; training of personnel; and recordkeeping. NGS does not recommend individual securities.

You may obtain a copy of NGS's Code of Ethics by writing to NGS at the address listed on the cover page..

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

### Participation or Interest in Client Transactions

A. Not applicable to NGS.

B. Not applicable to NGS.

### Personal Trading Policy

NGS does not provide investment advice on individual securities. If NGS engages in that activity, appropriate trading policies and procedures will be implemented. However, NGS 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 Group 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. NGS's consulting personnel who have access to non-public information regarding clients' securities transactions, are involved in making securities recommendations to consulting clients, and/or have access to securities recommendations that are not public are required to disclose to NGS 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 Group's compliance department reviews all such transactions.

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- A director, officer or employee of NGS 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

1. Not applicable to NGS.
2. Not applicable to NGS.
3. Not applicable to NGS.

## Item 13: Review of Accounts.

### A-B Review of Accounts

Formal investment portfolio reviews are conducted quarterly, and quarterly reports are provided to clients in electronic and/or hard copy format. NGS's investment research analysts and investment consultants 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 NGS lies with the investment committee members. However, the IAR will be the primary reviewer. NGS will monitor the number of accounts assigned to each IAR to ensure the level of professionalism established by NGS is maintained. NGS reviews client accounts intra-quarter when a significant event (*e.g., investment manager or strategy change*) occurs.

### C. Frequency of Reports.

The QIMR is the cornerstone of NGC'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 NGS'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-*

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*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.

## Item 14: Client Referrals and Other Compensation

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

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 NGS.

The referral fee is paid in one of two ways:

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

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

## Item 15: Custody

Not applicable to NGS.

## Item 16: Investment Discretion

### Investment or Brokerage Discretion Portfolio Management Services

For investment discretionary clients, NGS 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 NGS from purchasing types of industries or individual issuers. NGS 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 NGS.

## Item 17: Voting Client Securities

- A. NGS does not obtain or exercise any proxy voting authority over client securities. Consequently, NGS shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account.

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- B. NGS 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). NGS 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, NGS 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, NGS 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 NGS.

**Note:** *NGS 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. NGS 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.*