

Item 1 – Cover Page

# WAYNE HUMMER<sup>®</sup>

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## INVESTMENTS

A WINTRUST WEALTH MANAGEMENT COMPANY

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October 1, 2013

This Brochure provides information about the qualifications and business practices of Wayne Hummer Investments L.L.C. (“WHI”). If you have any questions about the contents of this Brochure, please contact us at 800-621-4477. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

WHI is a registered investment adviser. Registration of an Investment Adviser does not imply any 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 WHI also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There were no material changes since our last ADV filing.

Additional information about Wayne Hummer Investments (the “Adviser”) is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

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## **Item 4 – Advisory Business**

Wayne Hummer Investments, LLC (“WHI” and “Adviser”) was founded in 1931 and is 100% owned by Northshore Community Bank & Trust, a subsidiary of Wintrust Financial Corporation.

WHI provides investment management services to individual and institutional clients on a personalized basis, reflecting the individual client’s circumstances through the following programs:

- i. Wells Fargo Advisors Investment Advisory Services (collectively “the programs”)
  - Masters Investment Consulting Program (“Masters”),
  - Diversified Managed Allocations (“DMA”),
  - Network Investment Consulting Services (“Network”),
  - Private Investment Management (“PIM”),
  - Compass Advisory Program (“Compass Advisory”),
  - Asset Advisor,
  - Fundsources,
  - Pathways
  - CustomChoice
  - Allocation Advisors
- ii. WHI Personal Financial Planning
- iii. WHI Institutional Advisory Services

### **Wells Fargo Advisors Investment Advisory Services**

The Programs consist of separately managed account (i.e., “wrap”) programs provided to clients for an inclusive fee, a mutual fund asset allocation program and discretionary investment advisory services for an advisory fee with the client paying separately for brokerage.

In offering the Programs, WHI entered into an arrangement with Wells Fargo Advisors, LLC (“Wells Fargo Advisors”), an independent investment management firm and broker-dealer. Under the Programs, (1) the Adviser and an investment adviser representative/Wayne Hummer Investments LLC (“WHI”) Financial Advisor (“Adviser Representative”) completes pertinent financial and demographic information regarding the client in order to develop an investment program that meets the client’s goals and objectives; (2) excluding PIM, Asset Advisor, and CustomChoice, the Adviser Representative forwards the client’s information to Wells Fargo Advisors which analyzes such information and recommends an appropriate asset allocation and strategy, which may include use of various sub-managers and investment vehicles such as mutual funds, based on the client’s goals and objectives, investment time horizon, tolerance for risk and other factors deemed pertinent to the client’s individual situation; (3) for all Programs

except Asset Advisor and CustomChoice, the sub-manager, Adviser Representative or the investment manager of the investment vehicle, as applicable, provides continuous investment management services on a discretionary basis with respect to the cash and securities in the client's accounts under the Programs (the "Accounts"); (4) Wells Fargo Advisors, the sub-manager or Adviser Representative, as applicable, through First Clearing, LLC ("First Clearing"), Wells Fargo Advisors' affiliate and clearing firm, effects transactions in securities for the client's Accounts; and (5) First Clearing maintains custody of the client's assets under the Program. For the services offered under the Programs (with the exception of Network), the client pays an all-inclusive fee out of which the Adviser pays itself, Wells Fargo Advisors, the sub-manager (as applicable) and First Clearing. In the case of Network, Wells Fargo Advisors may be compensated for its services either from a fee, which is payment for both the Network services and execution services, or through brokerage commissions. Network clients pay for the services of the sub-manager separately.

Each Program (with the exceptions of Asset Advisor and CustomChoice) is a discretionary asset allocation service. Pursuant to an Investment Management Agreement between the Adviser, Wells Fargo Advisors and the client; the client grants Wells Fargo Advisors, subject to the review of the Adviser and Adviser Representative, or Adviser in the case of PIM, discretionary authority to invest and reinvest all assets in the client's Account under one of the Programs. Such discretion will be exercised in accordance with the client's goals and objectives, as discussed above. Accordingly, Wells Fargo Advisors or Adviser is empowered to buy, sell or to otherwise effect transactions in securities for the client's Accounts at any time and without prior consultation with the client and may delegate such authority to sub-managers. Pursuant to the Investment Management Agreement for Masters, DMA, Compass, Network, Fundsource and Pathways Accounts, the Adviser will inform Wells Fargo Advisors of any changes to the client's financial information and investment objectives as provided to the Adviser by the client.

For the PIM, Asset Advisor and CustomChoice Programs, an Adviser Representative acts as portfolio manager for the Account. Asset Advisor and CustomChoice are non-discretionary programs pursuant to which the Adviser, acting through the client's Adviser Representative, will make investment recommendations based on the client's information. The Adviser may not implement such recommendations without obtaining the client's prior approval.

The investment management services provided by WHI and/or Wells Fargo Advisors under each Program include:

- Assessment of the client's investment needs and objectives
- Investment policy planning
- Development of an asset allocation strategy designed to meet the client's objectives
- Recommendations on suitable style allocations
- Identification of appropriate sub-managers, investment vehicles, asset classes and/or securities suitable to the client's goals

- Evaluation of sub-managers, investment vehicles, asset classes and/or securities meeting style and allocation criteria
- Engaging selected sub-managers and/or investing in selected investment vehicles, asset classes and/or securities on behalf of the client (for all Programs except Asset Advisor)
- Ongoing monitoring of performance of individual sub-managers, investment vehicles, asset classes and/or securities
- Review of the Accounts to ensure adherence to policy guidelines and asset allocation
- Recommendations for rebalancing of the Accounts, if necessary
- Reporting of the Accounts' performance and progress
- Avoidance of wash sale rule violations
- Fully integrated back office support systems, including custody, trade execution and confirmation and statement generation through First Clearing Corp., an affiliated broker/dealer of Wells Fargo Advisors.

Wells Fargo Advisors may retain sub-managers to manage the Accounts. In some cases, sub-managers construct a model portfolio which is used to invest client assets. The Adviser will provide the client with a copy of each applicable sub-manager's Part 2A of Form ADV or disclosure brochure. Client's contact source is the Adviser Representative and sub-managers are generally not required to make themselves available to individual clients. The Programs (with the exception of Asset Advisor, which is a non-discretionary program) are intended to comply with Rule 3a-4 under the Investment Company Act of 1940. Rule 3a 4 sets forth certain requirements for programs that offer discretionary portfolio management services to a large number of clients if clients with similar investment objectives receive the same investment advice or hold the same or substantially the same securities in their accounts. Each Account is managed on the basis of the client's individual financial situation. Each client has the opportunity to select the Account's investment objective and impose reasonable restrictions on the management of the assets in the Account. In addition, clients are contacted annually by the Adviser in order to confirm the accuracy of information regarding the client and are notified quarterly by the Adviser to contact the Adviser with any changes to the Account's investment objective or investment restrictions.

### **WHI Personal Financial Planning**

WHI provides fee-based financial planning services to its clients. Depending upon the client's specific situation, WHI creates either a limited or comprehensive financial plan. Financial planning elements include:

- |                        |                          |
|------------------------|--------------------------|
| ○ Financial statements | ○ Survivor needs         |
| ○ Income tax           | ○ Disability             |
| ○ Asset allocation     | ○ Financial independence |
| ○ Education            | ○ Long-term care         |
| ○ Accumulation         | ○ Estate planning        |
| ○ Business planning    | ○ Investment analysis    |

Comprehensive financial plans include three or more of the elements listed above.

WFA does not sponsor or advise WHI in creating Financial Plans.

#### *Financial Planning Process*

We believe that financial planning advice requires a clear understanding of a client's current situation. To achieve that level of understanding, our Adviser teams typically hold a series of meetings with each new client during which the team reviews the client's investment goals, objectives and other financial issues that the client may be concerned about. For example, we focus on personal goals such as how to achieve/maintain achieve financial independence, funding for children's college education and/or providing adequate funds for dependents in the event of death or disability. Each client is expected to provide complete information in all relevant areas. We review various factors that can impact a client's overall financial picture, including the client's overall assets, liabilities, income, expenses and taxes (including estate taxes). We also review the client's existing trust arrangements, wills, insurance coverage, employee benefit programs in which the client is enrolled (or is eligible to enroll), as well as personal and family obligations. We give careful consideration to subjective factors such as a client's prior investment experience, ability and desire to manage assets, comfort with risk, and knowledge of various investment vehicles. Our goal is to determine the optimum course of action to realize the client's financial planning objectives, taking into consideration the client's needs, earning power, financial resources, and particular aversion to risk.

The team develops a comprehensive financial plan that includes, for example, an appropriate asset allocation model, including the types of assets to be included in the recommended portfolio (e.g., bonds, large cap stock, etc), as well as the correct proportions for each asset class. The financial plan may also cover other matters, including a retirement sufficiency analysis, the client's estate planning arrangements, education funding for any children, insurance coverage recommendations, and others. The financial plan is typically a written product, but the client may also receive oral financial advice designed to help them identify priorities and achieve their financial goals in all areas.

If a client is in agreement with the recommendations, our advisory personnel implement those recommendations over a period of time. Implementation is executed on a non-discretionary basis and in each case as mutually agreed upon.

#### *Financial Reviews*

We believe that financial planning is an on-going process and requires periodic re-visiting. A client's goals and economic conditions are likely to change over time. Moreover, over time, there are likely to be revisions in tax laws, changes in inflation rates, fluctuation in interest rates and/or instability in investment markets, all of which will affect the effectiveness of a financial plan. For this reason, we offer ongoing financial planning and goal tracking services that include periodic review and revisions to the major components of a client's financial plan.

### *Implementation*

When a client retains us to implement a financial plan, our advisory personnel also design and construct an investment portfolio that is consistent with the client's financial objectives. As part of this service, the applicable Financial Advisor will recommend specific investments to be included in the client's portfolio. While determined in large measure by the specific client's goals/objectives, our portfolio design philosophy is a process of strategic asset allocation among three asset classes: fixed income, equities and alternative investments.

As part of a financial plan, a Financial Advisor may recommend changes to a client's health, life, disability or long-term care insurance coverage. Clients may elect to implement the insurance advice by purchasing a policy through one of our representatives in such capacity as a licensed insurance agent of various insurance agencies or companies.

Brokerage Execution will be conducted through FC with WHI as introducing broker. Brokerage commissions may be accessed. Transactional fees are in addition from Financial Planning Fees. See items 11 and 12 for more information on conflicts of interest and brokerage practices.

### **WHI Institutional Advisory Services**

The Program consists of WHI providing discretionary investment advisory services to Wintrust Financial Corporation using third party custodians for which the client may also pay brokerage commissions.

Under the Program, (1) the Portfolio Manager completes pertinent financial and demographic information regarding the client in order to develop an investment program that meets the client's goals and objectives; (2) the Portfolio Manager analyzes such information and recommends an appropriate asset allocation and strategy based on the client's goals and objectives, investment time horizon, tolerance for risk and other factors deemed pertinent to the client's individual situation; (3) the Portfolio Manager provides continuous investment management services on a discretionary basis with respect to the cash and securities in the client's accounts ("Account") under the Program.

Pursuant to an Investment Management Agreement between the Adviser and the client; the client grants WHI discretionary authority to invest and reinvest all assets in the client's Account. Such discretion will be exercised in accordance with the client's goals and objectives, as discussed above.

The investment advisory services provided by WHI under this Program include:

- Assessment of the client investment needs and objectives
- Investment policy planning
- Development of an asset allocation strategy designed to meet the client objectives
- Recommendations on suitable style allocations
- Identification of appropriate investment vehicles, asset classes and/or securities suitable to the client goals



- Evaluation of investment vehicles, asset classes and/or securities meeting style and allocation criteria
- Investing in selected investment vehicles, asset classes and/or securities on behalf of the client
- Ongoing monitoring of performance of investment vehicles, asset classes and/or securities
- Review of the Accounts to ensure adherence to policy guidelines and asset allocation
- Recommendations for rebalancing of the Accounts, if necessary
- Reporting of the Accounts' performance and progress
- Avoidance of wash sale rule violations

WFA does not sponsor or advise WHI under this program.

### **Assets Under Management**

Total program assets calculated as of 12/31/2012.

#### **Discretionary**

Institutional	\$1,743,670,679
PIM	\$44,117,077

#### **Discretionary (third party managed)**

Allocation Advisors	\$187,927
Compass Advisory	\$4,461,747
DMA	\$12,436,173
Fundsource	\$123,512,601
Masters	\$3,359,760
Network	\$21,362,605

#### **Non-Discretionary**

Asset Advisor	\$390,464,525
CustomChoice	\$5,572,243

## **Item 5 – Fees and Compensation**

### **Wells Fargo Advisors Investment Advisory Services**

In order to participate in a Program, a client must establish a Program Account with WHI for each Program, which is maintained at First Clearing. Each Program (with the exception of Network) is offered for an all-inclusive fee. This covers the investment management services WHI, Wells Fargo Advisors and the sub-manager (as applicable), as well as charges for execution

of transactions, custody of Account assets, clearing and Account reporting provided by First Clearing.

Fees for the management of investment portfolios are based on a percentage of the assets in the account as valued at the close of the market at the end of each calendar quarter. The nature and circumstances of specific accounts may allow for negotiations of minimums, fees, or commissions.

The specific manner in which fees are charged by WHI is established in a client's written agreement with the Adviser. WHI will generally bill its fees on a quarterly basis in advance. Clients may elect to be billed directly for fees or to authorize the Adviser to directly debit fees from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Contracts between the Adviser and client can be terminated by either party upon 30 days' prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

All of the program accounts described in this brochure are charged a fee on eligible assets that covers advisory, execution, custodial, and reporting services. The Fee Schedules for Private Advisor Network and CustomChoice are set forth below. Please see the WHI FC Advisory Wrap Fee Brochure for a description of the services, account minimums, and additional fee information applicable to Program Accounts.

#### **Private Advisor Network Fee Schedule**

You have the choice of compensating WHI in one of two ways for Network services:

*Fee Schedule* – You pay a fee for both Network services and execution services, with no separate charge being imposed by us for brokerage commissions on agency trades or markups or markdowns on principal transactions. Billed quarterly in advance, the Private Advisor Network fee schedule is negotiable based on a maximum fee of 2.00%.

*Execution Schedule* - You pay for Network services by paying commissions for each transaction in the account at our normal commission rate for such agency transactions and at the normal markup or markdown imposed on client accounts for principal transactions. You will also be subject to any other fees associated with our standard brokerage accounts, including postage and handling fees, transfer taxes, exchange fees (among which SEC fees may be included), and any other fees required by law.

Neither the Execution Schedule nor Fee Schedule includes the investment adviser fees of the third-party investment manager. You pay for the services of the investment adviser separately. You authorize us to pay the separate investment advisory management fee invoiced by the adviser by debiting the client account accordingly. It is your responsibility to determine if any such invoice from the investment adviser is proper or if the amount of fees charged is accurate.

You may revoke WHIs authorization to pay the investment adviser fee at any time by written notice.

### **CustomChoice Fee Schedule**

CustomChoice accounts are charged an all-inclusive fee on eligible mutual funds that covers advisory, execution, custodial, and reporting services. Billed quarterly in advance, the standard CustomChoice fee schedule is based on program eligible mutual funds:

<b>Total Account Value</b>	<b>Annualized Fee</b>
First \$250,000	1.75%
Next \$750,000	1.50%
Next \$1,000,000	1.15%

You should be aware that program fees charged may be higher or lower than those otherwise available if you were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory service provided. Our fee schedules may be subject to negotiation depending upon a range of factors including, but not limited to account sizes and overall range of services provided.

You should consider the value of this advisory service when making such comparisons. The combination of custodial, advisory and brokerage services may not be available separately or may require multiple accounts, documentation and fees. You should also consider the amount of anticipated trading activity when selecting among the programs and assessing the overall cost. Advisory programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings may result in higher fees than if commissions were paid separately for each transaction.

A portion of the fees or commissions charged for the programs described will be paid to the Adviser Representative in connection with the management of accounts as well as for providing client-related services within the program. This compensation may be more or less than the Adviser Representative would receive if you paid separately for investment advice, brokerage, and other services, and may vary, depending on the program or services offered.

Unless agreed upon otherwise, you authorize us to deduct a quarterly fee calculated at the rate indicated in the Fee Schedule from your account, in advance. For the purposes of calculating program fees, “total account value” shall mean the sum of the long and short market value of all securities and mutual funds, if applicable. In valuing the account, we will use the closing prices or, if not available, the lowest published “bid-price” and if none exist, the last reported transaction if occurring within the last 45 days. For mutual funds, we use the fund's most current net asset value, as computed by the fund company. In so doing, we will use information provided by quotation services believed to be reliable.

The initial fee is calculated as of the date that the account is accepted into the program and covers the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the value of the account on the last business day of the prior calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of the assets in your account during that period. Your account will be charged or refunded a prorated quarterly fee on any net additions or net withdrawals in the account during a month. Fees will be charged or refunded if the net addition or net withdrawal would generate a fee or refund of at least \$40 for that quarter. Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the assets in your Account, and WHI shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of your funds.

Whenever there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle.

WHI generally uses money market funds, or insured bank deposits to invest client cash reserves and/or to provide liquidity. The Adviser may also occasionally purchase specialized closed-end or open-end funds for client accounts. In these cases, clients are assessed fees by the money market funds and by the mutual funds. Client understands that Account assets invested in shares of mutual funds or other investment companies ("funds") will be included in calculating the value of the Account for purposes of computing Adviser's fees and the same assets will also be subject to additional advisory and other external fees and expenses, including 12b-1 or other marketing fees as set forth in the prospectuses of those funds. Since these assets are included in WHI's fee computation, the client is charged twice on these assets which are generally a small percentage of client investments under management.

WHI's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to WHI's fee, and WHI shall not receive any portion of these commissions, fees, and costs.

The Adviser reserves the right to change the fee schedules upon 30 days' written notice.

Clients who participate in a Program may pay more or less for the services described in this brochure and the Wells Fargo Advisors Brochure than if they purchased such services separately. Factors that bear upon the cost of the Program in relation to the cost of the same services purchased separately include, among other things, the type and size of the Accounts and the historical and/or expected size or number of transactions for the Accounts.

Clients should also consider the value of these advisory services when making such comparisons. The combination of custodial, advisory and brokerage services may not be available separately or may require multiple accounts, documentation and fees. Clients should also consider the amount of anticipated trading activity when selecting among the programs and assessing the overall cost. Advisory programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings may result in higher fees than if commissions were paid separately for each transaction.

An Adviser Representative who recommends a Program to a client receives compensation as a result of the client's participation in the Program. The amount of this compensation may be more than what the Adviser Representative would receive if the client participated in other programs of the Adviser or paid separately for investment advice, securities brokerage and other services. Accordingly, in many cases, the Adviser Representative may have a financial incentive to recommend the Program over other available programs or services.

A client's assets may also be invested in the Managed Portfolio Securities Trust: Great Lakes Small Cap Opportunity Fund ("Small Cap"), Great Lakes Bond Fund ("Bond"), Great Lakes Large Cap Value Fund ("Large Cap Value") and Great Lakes Disciplined Equity Fund ("Large Cap Systematic") for which Great Lakes Advisors renders investment advisory services for a fee. In that event, WHI only, but not Wells Fargo Advisors, will waive or refund the pro rata portion of its quarterly fee attributable to that portion of the client's Account so invested for the period of time such assets are so invested. Additionally, accounts under the custody of WHI will normally participate in a "sweep program" for the automatic purchase and redemption of cash balances in connection with free credit balances and to satisfy debit balances in the custodial brokerage accounts (net of free credit balances). Through Insured Bank Deposits Program (IBD), available cash balances in a Wayne Hummer brokerage account ("Brokerage Account") are automatically deposited into one or more interest-bearing, bank deposit accounts established at Wintrust banks ("Program Banks") and insured by the Federal Deposit Insurance Corporation ("FDIC"). If cash balances are deposited in a bank deposit account in affiliated Program Banks, the participating bank will benefit from use of the deposits and WHI will receive compensation from the Program Banks. This compensation will be in addition to, and will not reduce, account fees payable under the Program.

Other costs that may be assessed in addition to the inclusive fee are, among others, fees for securities transactions executed away from First Clearing, dealer mark-ups, electronic fund and wire transfers, spreads paid to market-makers and exchange fees. Clients who designate

brokers other than First Clearing may be subject to certain additional fees charged by such brokers.

### **Risk in the Use of Margin**

To the extent margin is used in your account, you should be aware that the margin debit balance will not reduce the market value of eligible assets, and will therefore increase the asset-based fee you are charged. The increased asset-based fee may provide an incentive for your Adviser Representative to recommend the use of margin strategies. The use of margin is not suitable for all investors, since it increases leverage in your Account and therefore risk.

### **Financial Planning Service Fees**

Financial Planning Services can be charged in one of two ways: Hourly Fees or Flat Fees.

*Hourly Fees* – clients may pay hourly fees based on the actual hours spent by the Adviser team in providing services to the client. Hourly-based fees generally are charged in connection with Investment-Only Planning and Miscellaneous Financial Advice services, although they may also be charged for other services. Hourly fees range from \$300-\$500 per hour for professional staff, and \$100-\$150 per hour for administrative staff. The applicable fee will be as negotiated.

*Flat Fees/Minimum Fees* – Depending on the services to be provided and various other factors, including, for example, the complexity of a client's financial situation, a client may be able to negotiate a flat-fee arrangement with the applicable Adviser team. In general, flat fees are imposed where the team is not providing on-going investment monitoring services. However, teams may also impose a minimum annual fee for on-going investment monitoring services in lieu of the asset-based fees set forth above. The minimum fee typically applies in the event that a client's assets are less than our firm's minimum annual fee requirement for client accounts. Each client that is subject to a minimum annual fee should know that the client may be paying a fee that is higher than may be applicable for similar advisory services at another firm.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

WHI does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

WHI provides portfolio management services to individuals, high net worth individuals, banking or thrift institutions, corporate pension and profit-sharing plans, foundations, endowments, trust programs, and other U.S. institutions.

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

### Methods of Analysis

For programs for which WHI maintains discretionary authority or makes investment recommendations, methods of analysis are usually based on both fundamental and quantitative research and other independent research.

### Investment Strategies

All investors have objectives or goals, such as seeking income, growth & income, growth, or trading or speculating. All investors also have risk tolerance, which is the amount of risk of loss they are willing and able to tolerate in order to achieve their investment goals. Although all investments involve risk, including the potential loss of principal, some securities, such as equities (stock), among others, involve more risk. Higher risk investments may have the potential for higher returns, but also have the potential for greater losses. Generally speaking, investment objectives are on a spectrum, with "Income" investors generally holding the smallest percentage of higher risk investments and "Trading and Speculation" investors holding the largest percentage of higher risk investments. Similarly, risk tolerances are on a spectrum such that an investor with a "Conservative" risk tolerance will accept less risk than an investor with a "Moderate" risk tolerance; a "Moderate" investor less than a "Long Term" investor; and a "Long Term" investor less than a "Trading & Speculation" investor. The "Long Term" investor accepts short term market volatility associated with a large proportion of higher risk investments because he or she has a long term time horizon and seeks the higher long term return potential associated with these higher risk investments.

**Clients should consider their objective and risk tolerance carefully and understand that Investing in securities involves risk of loss that clients should be prepared to bear.**

Below are descriptions of the combined Investment Objective and Risk Tolerance:

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**Investment Objective - Income:** Income investors seek a maximum amount of income given their risk tolerance, and are willing to forgo capital appreciation and growth of income.

**Risk Tolerance- Conservative:** Conservative Income investors seek the maximum amount of income consistent with a modest degree of risk. They are willing to accept a lower level of income in exchange for lower risk. Higher risk investments, such as high yield bonds and some equities, are typically not a large percentage of the account.

**Risk Tolerance- Moderate:** Moderate Income investors seek to balance the potential risk of capital loss with increased income potential. Higher risk investments, such as high yield bonds and some equities, may be some percentage of the account.

**Risk Tolerance- Long Term:** Long Term Income investors seek a significant level of income, are financially able and willing to risk losing a substantial portion of investment capital, and, due to their long term horizon or other factors, they employ higher risk, more aggressive strategies that may offer higher potential income. Higher risk investments, such as high yield bonds and some equities, may be a significant percentage of the account.

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**Investment Objective - Growth & Income:** Growth and Income investors seek current income but also seek income and capital growth over time. These investors are willing to forgo a portion of current income in order to seek potential future growth.

**Risk Tolerance- Conservative:** Conservative Growth and Income investors seek the maximum growth and income consistent with a relatively modest degree of risk. They are willing to accept lower potential returns in exchange for lower risk. Equities, generally dividend paying equities, may be some percentage of the account.

**Risk Tolerance- Moderate:** Moderate Growth and Income investors seek to balance the risk of capital loss with higher potential growth and income. High yield bonds and equities, generally dividend paying equities, may be a significant percentage of the account.

**Risk Tolerance- Long Term:** Long Term Growth and Income investors seek a significant level of growth and income, are financially able and willing to risk losing a substantial portion of investment capital, and due to their long term horizon or other factors they pursue high risk, more aggressive strategies that may offer higher potential returns. High yield bonds and equities, generally dividend paying equities, may be the primary assets in the account.

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**Investment Objective - Growth:** Growth investors do not seek account income and their primary objective is capital appreciation.

**Risk Tolerance- Conservative:** Conservative Growth investors seek maximum growth consistent with a relatively modest degree of risk. They are willing to accept lower potential returns in exchange for lower risk. Equities may be a significant percentage of the account.

**Risk Tolerance- Moderate:** Moderate Growth investors seek to balance the potential risk of capital loss with their goal of higher potential growth. Equities may be the primary asset in the account.

**Risk Tolerance- Long Term:** Long Term Growth investors seek a significant level of growth, are financially able and willing to risk losing a substantial portion of investment capital, and due to their long term time horizon or other factors, they employ higher risk, more aggressive strategies that may offer higher potential returns. Higher risk investments such as equities may be as much as 100% of the account.

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**Trading & Speculation:** Trading and Speculation investors seek out maximum return through a broad range of investment strategies, which generally involve a high level of risk, including potential for significant loss of investment capital.

## **Item 9 – Disciplinary Information**



Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of WHI or the integrity of WHI's management. WHI has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

WHI is owned by Northshore Community Bank & Trust, a subsidiary of Wintrust Financial Corporation (Wintrust), a financial holding company based in Lake Forest, Illinois. Wintrust engages in the business of providing traditional community banking services, primarily in the Chicago metropolitan area and southeastern Wisconsin, and operates other financing businesses on a national basis through several non-bank subsidiaries. Additionally, Wintrust offers an array of wealth management services. The Company conducts its businesses through three segments: community banking, specialty finance and wealth management. The Company provides community-oriented, personal and commercial banking services to customers located in the greater Chicago, Illinois and southern Wisconsin metropolitan areas through its 15 wholly owned banking subsidiaries (collectively, the Banks).

Affiliated companies related by common ownership or control include:

- **Wealth Management**
  - Great Lakes Advisors, LLC – SEC Registered Investment Advisor based in Chicago, IL. A wholly owned subsidiary of Wintrust Financial Corporation
  - The Chicago Trust Company, N.A
- **Community Banking**
  - Lake Forest Bank & Trust Company
  - Hinsdale Bank & Trust Company
  - North Shore Community Bank & Trust Company
  - Libertyville Bank & Trust Company
  - Barrington Bank & Trust Company, N.A.
  - Crystal Lake Bank & Trust Company, N.A.,
  - Northbrook Bank & Trust Company,
  - Schaumburg Bank & Trust Company, N.A.,
  - Village Bank & Trust,
  - Beverly Bank & Trust Company, N.A.,
  - Town Bank,
  - Wheaton Bank & Trust Company,
  - State Bank of The Lakes,
  - Old Plank Trail Community Bank, N.A.,
  - St. Charles Bank & Trust Company.
- **Specialty Finance**
  - First Insurance Funding

Contractual Relationships:

- First Clearing, LLC (“FC”) – A wholly owned subsidiary of Wells Fargo Advisors, Inc. FC is a Broker/Dealer and Clearing Firm for which WHI is Introducing broker.

Other industry activities include:

- **Investment Company (Mutual Fund) Managers**

GLA acts as an investment adviser to Managed Portfolio Securities Trust: Great Lakes Small Cap Opportunity Fund (“Small Cap”), Great Lakes Bond Fund (“Bond”), Great Lakes Large Cap Value Fund (“Large Cap Value”) and Great Lakes Disciplined Equity Fund (“Large Cap Systematic”) for which Great Lakes Advisors renders investment advisory services for a fee. When appropriate, recommendations may be given directing Wrap Account assets into these or other investment companies.

- **Insured Bank Deposits**

Additionally, all accounts that are under the custody of FC typically will participate in a “sweep program” for the automatic purchase and redemption of cash balances in connection with free credit balances and to satisfy debit balances in the custodial brokerage accounts (net of free credit balances). Through Insured Bank Deposits Program (IBD), available cash balances in a Wayne Hummer brokerage account (“Brokerage Account”) are automatically deposited into one or more interest-bearing, bank deposit accounts established at Wintrust banks (“Program Banks”) and insured by the Federal Deposit Insurance Corporation (“FDIC”). In this event, the Adviser will waive or refund the pro rata portion of its quarterly wrap fee attributable to that portion of the client’s Account for the period of time such assets are deposited.

**Benefits to Wayne Hummer, Program Banks, and FC**

Wayne Hummer Investments will receive a fee directly from the Program Banks for each Brokerage Account that has funds swept to Banks as part of the sweep arrangement. The fee is currently \$25 per Brokerage Account per Program Bank. This fee is subject to change to a maximum of \$40 per Brokerage Account and Wayne Hummer may waive all or part of this fee. A portion of this fee may go to FC for 1099 reporting, statement issuance and other services provided in connection with IBD. In addition, Wayne Hummer’s Financial Advisors receive compensation for services rendered to clients enrolled in IBD. Other than applicable fees imposed by Wayne Hummer on a Brokerage Account, there will be no charge, fee, or commission imposed on your Account with respect to IBD. Wayne Hummer and FC may also receive distribution (12b-1), service fees and other compensation as a result of sweep investment in Money Funds. The Program Banks may benefit financially from cash balances held in IBD. As with other depository institutions, the profitability of the Program Banks is determined in large part by the difference or “spread” between the interest they pay on deposit accounts, such as IBD, and the interest or other income they earn on loans, investments and other assets. The participation of the Program Banks in IBD is expected to increase their respective deposits and, accordingly, may increase their overall profits.

## Item 11 – Code of Ethics

WHI has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

WHI's employees and persons associated with the Adviser are required to follow the Code of Ethics. Compliance with the Code of Ethics is a condition of employment. Subject to satisfying this policy and applicable laws, officers, directors and employees of the Adviser and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for WHI's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of the Adviser will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the Adviser's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between WHI and its clients.

WHI anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which the Adviser has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which the directors, officers, employees and registered persons of the Adviser and its affiliated broker-dealer, WHI, may purchase or hold securities that are recommended for purchase or sale to clients. Personal securities transactions by persons associated with the Adviser and WHI are subject to the firm's Code of Ethics, which includes various reporting, disclosure and approval requirements, described in summary below, in order to prevent actual or potential conflicts of interest with transactions recommended to clients. The Code of Ethics applies not only to transactions by the individual, but also to transactions for accounts in which such person has an interest individually, jointly or as guardian, executor, or trustee or in which such person or the person's spouse, minor children or other dependents residing in the same household have an interest.

In accord with SEC rules relating to recordkeeping by investment advisers and Rule 17j-1 promulgated under the Investment Company Act of 1940, the Adviser and WHI require prompt

reports of all covered transactions. Each entity further requires that all brokerage account relationships be disclosed, that the entities receive duplicate confirmations of transactions and custodial account statements, and annual certifications of compliance with the Code of Ethics from all covered persons. Transactions in government securities, bank certificates of deposit, and shares of unaffiliated open-end mutual funds are excluded from the reporting requirements.

In addition to reporting and recordkeeping requirements, the Code of Ethics imposes various substantive and procedural restrictions on covered transactions. These include the following:

1. Certain securities transactions must be submitted by "Investment Personnel" (generally, a person who makes decisions regarding the purchase or sale of securities by or on behalf of an advisory client) for pre-approval by the Adviser's Ethics Committee.
2. Purchases or sales by Investment Personnel of securities (other than de minimis trades) are prohibited for a period of seven days before and after an account of an advisory client that the Investment Personnel manages trades in that security.
3. Subscriptions by Investment Personnel to any initial public offering are prohibited.
4. Certain short-term trades of Investment Personnel are subject to review by the Adviser's Ethics Committee, which may require disgorgement of profits. Purchases of certain private placement securities require approval of the Ethics Committee.

As part of its responsibilities, the Adviser's Ethics Committee monitors and verifies compliance of covered persons with the requirement of the Code of Ethics, and reports apparent violations to the Adviser's senior management. Under the Code of Ethics, the Ethics Committee has the authority to require reversal or adjustment of a personal transaction, or the disgorgement of a profit realized on a transaction in personal investment activities and those carried out for clients. The Ethics Committee also may recommend to management the imposition of more severe sanctions, including suspension of personal investing privileges, or termination of employment, in the case of certain types of violations.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with WHI's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. WHI will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

WHI's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the WHI Compliance Department at 800-621-4477.

## **Item 12 – Brokerage Practices**

A client who establishes Account(s) under the FC Program(s) is required to maintain one or more brokerage accounts with First Clearing, Wells Fargo Advisors' affiliate and clearing firm. Accordingly, the sub-manager or Adviser Representative, as applicable, will usually effect all brokerage transactions on behalf of the client through First Clearing. Thus, the sub-manager and Adviser Representative will not solicit prices from other broker-dealers and may not otherwise obtain "best execution." As a result, clients may receive less favorable net prices and executions of some transactions than might otherwise be obtainable from another broker-dealer. Mutual fund shares are purchased at net asset value pursuant to the prospectus of each particular fund.

Clients in the WHI Institutional Advisory Services Program do not maintain brokerage accounts with FC. Per client direction, trades are executed through unaffiliated broker dealers.

Generally as a matter of firm policy, WHI neither inventories securities for trading profit nor engages in underwriting activities. To the extent permitted by applicable law, however, WHI may (1) buy securities from or sell securities to a client for WHI's own account, as principal, and (2) effect "agency cross" transactions in which WHI or any person controlling, controlled by or under common control with WHI act as agent for both the buyer(s) and seller(s) in the transaction. In both types of transactions, WHI may have potentially conflicting divisions of loyalties and responsibilities. In an "agency cross" transaction, WHI may receive compensation from parties on both sides of the transaction (the amount of which may vary). In a principal transaction, WHI may realize customary dealer profits or losses on the trade based on the spread between the client's cost and WHI's cost to purchase. Clients should be aware, however, that because of current legal constraints, which, among other things, require the Adviser to obtain the client's prior written consent to any transactions to which WHI acts as principal, WHI generally does not expect to effect transactions with advisory clients on a principal basis. Should WHI transact with a client on a principal basis, appropriate disclosures will be made by WHI to the client.

WHI may purchase securities such as municipal bonds in a principal capacity as to accommodate specific orders on behalf of client accounts. These types of transactions, on which there is a spread between the customer's cost and WHI's cost to purchase, are commonly known as "riskless principal" transactions. Similarly, WHI may participate in a selling group to accommodate specific orders for Accounts. The Adviser will comply with the provisions of Section 206(3) of the Investment Advisers Act of 1940 when the foregoing transactions so require.

## **Item 13 – Review of Accounts**

Account reviews are carried out on a regular basis throughout the year. Account reviews include the monitoring of equity, fixed income, and cash levels for each account by investment objective (asset allocation), the concentration of any security in an account, the security selection, and the investment rating of any bond held in the account.

Clients receive an account statement from First Clearing on no less than a quarterly basis showing all transactions, receipt of sale proceeds, dividend and interest income, and payments for security purchases and other disbursements. Clients may also request a portfolio performance review at any time. The review consists of performance reports that reflect assets held, income for the period, and increases or decreases in the market value of the account. Other information may be provided which lists each of the holdings in an account priced at the close of a specified date, the market value, unit and aggregate cost of each holding, the interest/dividends paid, and yield.

The Financial Advisor will also provide the client with a performance report and review no less than annually showing the allocation of assets in the Accounts as well as the performance of the client's Accounts during the previous year. In addition, the review should monitor and identify changes in client objective, risk tolerance, or financial status that may require a re-evaluation of the investment portfolio.

#### **Item 14 – Client Referrals and Other Compensation**

From time to time WHI enters into agreements, which comply with Rule 206(4)-3 and other requirements of the Investment Advisers Act of 1940, providing for the payment of a portion of the advisory fee to employees of the Adviser or Adviser Affiliates who secure clients for the Adviser. Additionally, the Adviser may enter into agreements with independent contractors or firms not affiliated with the Adviser ("Solicitors") for the promotion of investment advisory services to qualified prospects. These solicitors may receive a retainer payment and/or a percentage of the fee to be paid to the Adviser as disclosed in the Solicitor's Agreement. Solicitor payments will not increase the overall fee charged to clients.

#### **Item 15 – Custody**

Clients should receive at least quarterly statements from your custodian. WHI urges you to carefully review such statements and compare such official custodial records to the account reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

For PIM Accounts, WHI usually receives discretionary authority from the client at the outset of an advisory relationship. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account as stated and agreed in the Investment Advisory Agreement. Any investment guidelines and restrictions that deviate from those in the Investment Advisory Agreement must be provided to WHI in writing.

When selecting securities and determining amounts, WHI observes the investment policies, limitations and restrictions of the clients for which it advises.

#### **Item 17 – Voting *Client* Securities**

As a matter of firm policy and practice, WHI does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. WHI Financial Advisors may provide advice to clients regarding the clients' voting of proxies.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Adviser's financial condition. WHI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.