

MARSHFIELD ASSOCIATES, INC.

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This brochure provides information about the qualification and business practices of Marshfield Associates.

Marshfield's current brochure may be requested by contacting Carmen Colt, Chief Compliance Officer, at 202-828-6200 or compliance@marshfieldinc.com. The Brochure is also available on Marshfield's web site www.marshfieldinc.com free of charge in the clients-only section which requires registration, and additional information about Marshfield Associates is available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site additionally provides information about any persons affiliated with Marshfield who are registered, or are required to be registered, as investment adviser representatives of Marshfield. 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.

Additional information about Marshfield Associates is also available on the Internet at www.adviserinfo.sec.gov.

Item 2 - Material Changes

Advisory Business

There have been no material changes that have been made to the Marshfield Associates, Inc. ADV Part 2 since its update on March 31, 2019.

Marshfield's current brochure may be requested by contacting Carmen Colt, Chief Compliance Officer, at 202-828-6200 or compliance@marshfieldinc.com. The Brochure is also available on Marshfield's web site www.marshfieldinc.com free of charge in the clients-only section which requires registration, and additional information about Marshfield Associates is available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site additionally provides information about any persons affiliated with Marshfield who are registered, or are required to be registered, as investment adviser representatives of Marshfield.

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Item 4 - Advisory Business

Marshfield Associates, Inc. (“Marshfield Associates” or “Marshfield”)

Who we are

- Concentrated, long-only value equity manager.
- Established in 1989.
- Privately-owned by seven principals:
 - Christopher Niemczewski owns more than 25%.
- Average tenure of the six partners is 23 years.
- Approximately \$3.1 billion under management (as of 12/31/19).
- Approximately 3,100 accounts.

Investment Philosophy

One Product / Same Philosophy / Same Process

- Marshfield strives to build wealth while minimizing risk of sizeable loss two ways:
 1. Invest in companies in attractively structured industries that have (1) enduring competitive advantages that are difficult to duplicate and (2) a strong and appropriate corporate culture.
 2. Insist on a margin of safety between price paid and an internally generated, conservative estimate of what our research indicates a company is worth (“intrinsic value”).
- Concentrated portfolio of stocks (approximately 20 holdings).
- Marshfield’s performance goal is to exceed the performance of the S&P 500 Total Return Index, with lower risk, over a market cycle.

Account Discretion

- Assets under management as of December 31, 2019:
 - Discretionary basis: \$3.0 billion.
 - Non-discretionary basis: \$33 million.
- Marshfield’s Core Accounts / Separately Management Accounts (“SMA”) that share an inception date will typically mirror one another. Once decisions to buy/sell are made by the Research Team, the decision is implemented uniformly across portfolios.
- Any differences in an investment decision implementation among accounts are driven by cash availability and account-specific restrictions.
- Marshfield will accommodate reasonable policies, restrictions, and constraints a client places on an account.
 - A client may need to restrict or prohibit transactions in certain types of securities or industries for employment or mission reasons.
 - A client may require that positions transferred into a managed account be held for a reason specific to the account or client; these positions will be held as unsupervised positions, meaning they will not be part of the managed portfolios. (See Item 16 – Investment Discretion for more information about Unsupervised Positions).
- There are two vehicles for investing with Marshfield:
 - All Equity – This is referred to as Marshfield’s “Core Product”.
 - Balanced
 - Same equity style (Core Product) in addition to investing in fixed income for those clients who have requested Marshfield to do so.

In addition to the above, Marshfield will engage with a Program Sponsor to provide its advisory services that will allow other registered investment advisers and financial advisors to engage Marshfield as a Model Portfolio Provider or Separate Account Manager for accounts less than Marshfield's \$1 million account minimum if they determine the investment to be suitable for the client. These accounts are managed under an agreement between Marshfield and the Program Sponsor or Introducing Adviser and not between Marshfield and the end client.

Wrap Program

- Marshfield manages wrap accounts sponsored by unaffiliated registered investment companies.
- The wrap accounts are managed identically to other directed accounts, absent account-specific restrictions.
- Marshfield's fees and services for managing the wrap accounts are determined by contracts with the Program Sponsor. Marshfield receives a portion of the fee charged by the Program Sponsor of the wrap program.
- The servicing of clients is handled primarily through the Program Sponsor.
- The reports wrap clients may receive from Marshfield will vary. Please see Item 13 - Review of Accounts, for more information.
 - ❖ Marshfield participates in a wrap fee program called Consulting Solutions through RBC Wealth Management ("RBC"), the Program Sponsor.

Sub-Adviser Program

- Marshfield may from time to time be engaged as a "sub-adviser" by certain investment advisers, including advisers to registered investment companies ("Introducing Adviser"), to manage accounts identically to other directed accounts.
- Marshfield's fees and services for acting in this capacity are determined by contracts with the applicable advisers.
- With the exception of certain arrangements, pre-existing or otherwise, Marshfield will be granted full investment discretion to manage a client's portfolio based on the individual needs of that client, as communicated through the sponsor, the RIA or other designated intermediary.
- The servicing of clients is the responsibility of the Introducing Adviser. On an ongoing basis, the Introducing Adviser will communicate any changes in the client accounts to Marshfield.
- The reports these clients may receive from Marshfield will vary. Please see Item 13 - Review of Accounts, for more information.
 - ❖ Marshfield has entered into a sub-adviser agreement for the benefit of specific clients of:
 - Minnesota Valley Investments (MVIA).
 - Moloney Securities.
 - Professional Financial Advisors, Inc. \ TGS
 - Okabena Investment Services Inc.
 - Riverview Research LLC

Model Portfolio Provider

- Marshfield provides its model portfolio to the Program Sponsors, or the overlay portfolio manager appointed by the Program Sponsor, for unified managed accounts.
- Marshfield's fees and services for providing its model portfolio are determined by contracts with the Program Sponsor.
- The servicing of and reporting to the model portfolio clients is handled through the Program Sponsor or their overlay portfolio manager appointed to effect trades. The Program Sponsor (or overlay portfolio manager) retains investment discretion over the accounts and is not subject to

Marshfield's price discipline as discussed in Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.

- ❖ Marshfield is a Model Portfolio Provider for:
 - Separate Account Management Program ("S.A.M") and Unified Managed Accounts ("UMA") through D.A. Davidson.
 - Unified Portfolio ("RBCUP") platform sponsored by RBC Wealth Management
 - Castlevue Partners

Mutual Fund Portfolio Management

- Marshfield is the Adviser to the Marshfield Concentrated Opportunity Fund (the "Marshfield Mutual Fund" or "The Fund"), which is managed according to the same philosophy, discipline and objectives as our Core Product.
- Elise Hoffmann and Chris Niemczewski are the Portfolio Managers.
- Ultimus Fund Distributor is the Distributor.
- Assets under management as of December 31, 2019 are approximately \$140.0 million.
- The Adviser has overall supervisory responsibility for the general management and investment of The Fund's securities portfolio.

Item 5 - Fees and Compensation

General Account Conditions

- Clients may authorize Marshfield to directly debit fees from a client account or they may elect to be billed directly. Clients may select either method.
- A client may terminate the standard contract, without penalty, if written notice is provided to Marshfield within five (5) business days after the contract has been executed.
- Either party may terminate the contract by providing thirty days' written notice to the other party.
- Marshfield will confirm to the client in writing the date on which management of and responsibility for the account will cease.
- Marshfield will not reimburse or bill clients for a partial quarter when it is a de minimis amount:
 - Marshfield will not bill less than \$100 for a partial quarter when an account opens.
 - Marshfield will not refund a client for pre-paid advisory services when an account closes if the amount to return is \$25 or less.

Asset-Based Fees

- Fees are based upon a percentage of assets under management.
- Fees are assessed quarterly in advance.
- Accounts opened or terminated mid-quarter will be charged or refunded a prorated fee.
 - The prorated fee is based upon the number of days such account is active for such quarter using a ratio in which (i) the numerator is equal to the number of days such account is active for the applicable quarter and (ii) the denominator is equal to the number of days in the applicable quarter.
- Such Asset-Based Fees are not negotiable, subject to the exceptions discussed in the "Fee Exceptions" set forth below.

Equity Assignments:

- 1.50% under \$1 million.
- 1.25% \$1-\$10 million.
- 1.00% on mandates of at least \$10 million.

Balanced Assignments (including 40% or more in fixed income)

- 1.25% under \$1 million.
- 1.00% up to \$10 million.
- 0.90% on mandates of at least \$10 million.

Performance Fee

- In rare cases, Marshfield may charge a performance fee along with a flat management fee.
 - Flat management fee varies with the size of the account but is lower than it would be without the performance fee.
- The performance fee is 10% of gains on supervised equities in the client's portfolio.
- Realized and unrealized capital gains and losses, and portfolio income, will be used in measuring clients' assets for the calculation of performance-based fees.
- Performance fees are charged quarterly in arrears.
- Accounts terminated mid-quarter will be charged a fee from the beginning of the quarter through the date of termination.
- Such Performance Fee is not negotiable, subject to (i) the exceptions discussed in the "Fee Exceptions" set forth below and (ii) Item 6 hereof.

Fee Exceptions

- For portfolios managed under unique or extraordinary circumstances, fees may be negotiated on an individual basis. This includes, but is not limited to:
 - When an entire relationship - but not a single account - warrants a different fee level.
 - Accounts for employees and their friends and family.
 - Larger-asset-value accounts.
 - Mutually agreed upon arrangements where fees are not assessed or paid quarterly in advance.
 - Accounts managed by Marshfield that are offered via platforms that allow other registered investment advisers to engage Marshfield as a Model Portfolio Provider or Separate Account Managers as the fee is negotiated between Marshfield and the Program Sponsor.

"Grandfathered" Fee Schedule

- Certain accounts with long-standing clients may be charged fees based on an older fee schedule that has been "grandfathered."

Annual Fee Review:

Annually Marshfield will review each client's assets under management to determine if it has either increased or decreased, above or below the above fee schedule threshold amounts or if the account has changed from an Equity account to a Balanced account or vice versa. The percentage fee for assets in the account(s) will be increased or decreased, as appropriate, as of the end of such quarter. Notice will be provided to the client if a new fee is warranted as a result of this review. The fee shall remain in effect until a subsequent annual review reflects that a further adjustment in the fee charged should be made based on either an increase or decrease in assets under management or a change from an Equity to Balanced account or vice versa. An account's assets falling below a threshold level due to depreciation will not result in an increased fee. A client may request an ad hoc fee review at any time other than the annual review.

Other Fees

Marshfield'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, and other third party providers, such as custody fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts, securities transactions or money market mutual funds. Such charges, fees and commissions are exclusive of and in addition to Marshfield's fee, and Marshfield shall not receive any portion of these commissions, fees, and costs.

Item 12 - Brokerage Practices further describes the factors that Marshfield considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Marshfield Concentrated Opportunity Fund

- The Marshfield Mutual Fund pays the Adviser a monthly management fee that is calculated at the annual rate of 0.95% of The Fund's average daily net assets with a total expense ratio, inclusive of the fee, capped at 1.10% of The Fund's average daily net assets. Please see prospectus for more information regarding early redemption and other fees and expenses.

Item 6 - Performance-Based Fees and Side-By-Side Management

In some cases, Marshfield has entered into performance-based fee arrangements with qualified clients which are subject to individualized negotiation with such client in which the fees to be paid by such clients are based on a share of the capital gains on or capital appreciation of the assets of such clients. Any performance or incentive fee arrangements are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). As a result, Marshfield manages both accounts that are charged a performance-based fee and accounts that are charged other types of fees, including, without limitation, Asset-Based Fees and has designed and implemented procedures to ensure that all clients are treated fairly and equally, regardless of applicable fee structure.

Potential Risks Associated with Performance-Based Fee Arrangements:

- Could create an incentive to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.
- Could create an incentive to favor higher fee paying accounts, such as these performance-based fees, over other accounts in the allocation of investment opportunities.

Marshfield Attempts to Mitigate these Risks by:

- Absent client-specific restrictions, including directed accounts for which transactions may not be able to be executed at the same time as non-directed accounts, Marshfield implements investment decisions uniformly among all Core Product clients regardless of size or fee structure.
- If an order is filled in its entirety during the applicable trading period, each participating client receives/sells its allotted shares at the average share price.
- Transaction costs are shared pro-rata based on each client's participation in the transaction.
- If an order is not filled in its entirety during a single trade day, it may be allocated pro-rata among all participating clients unless there are only a few shares executed, in which case the trade may be allocated according to a randomized rotational basis so that over time each client is treated fairly.

- Marshfield aggregates trades when the same security is being bought for Core clients and the Marshfield Mutual Fund.

Item 7 - Types of Clients

Marshfield provides investment advice to individuals, pensions and profit-sharing plans, trusts, estates, charitable organizations, corporations or other business entities and municipalities, and a mutual fund.

Account Requirements

Separately Managed Accounts

Marshfield's SMA account minimum is \$1 million.

- Marshfield will in its sole discretion make exceptions to this minimum account value and has, in certain situations, allowed accounts of a lesser value to be opened and maintained with the firm.
 - When a client has multiple accounts and at least one account meets the minimum requirement.
 - A combined relationship is over the minimum.
 - Accounts for employees including special consideration for friends and family.

Wrap Program and Sub-Advisory Accounts

Minimums for these accounts are determined by agreement between Marshfield and the Program Sponsor or Introducing Adviser.

- Subject to Marshfield's minimum account value discretion as described above.

Model Accounts

Accounts where Marshfield is Model Portfolio Provider, the minimums are determined by the Program Sponsors.

Marshfield Concentrated Opportunity Fund (Marshfield Mutual Fund):

The Marshfield Mutual Fund minimum initial investment for non-retirement accounts is \$10,000 and \$1,000 for an IRA or a gift to minors accounts. Additional purchase of Marshfield Mutual Fund shares may be made at any time in any amount. These minimum investment requirements may be waived or reduced at the discretion of Marshfield.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Characteristics of Marshfield's Core Investment Strategy (the "Core Strategy")

Separately Managed Accounts

- Marshfield invests slowly.
 - Equity portfolios that are separately managed typically take a full market cycle to be fully invested. The pace of investing is dictated by opportunity at the individual security level and not when cash comes in.
 - Typically the time frame to get invested will be quicker when the market experiences periods of volatility and will take longer during a prolonged up-market.
- Marshfield tends to purchase out-of-favor stocks while shying away from popular ones.

- Marshfield Core Product is a concentrated portfolio; a fully invested portfolio will hold approximately 20 stocks.
- Marshfield holds stocks, on average, for a very long time, with turnover that averages 10-15%.

Model-based accounts and The Fund

- Accounts that are model-based, including the Marshfield Mutual Fund, are invested immediately to reflect the holdings and position sizes of the Marshfield's Equity Composite which includes all fully-discretionary, fee paying SMA portfolios invested in the Core Strategy.
- Because the Marshfield Mutual Fund is a concentrated fund that has regulatory requirements, there may be a limit to the position size of certain securities which would in turn increase the cash position in The Fund as compared to Marshfield's Equity Composite.

Marshfield's Core Strategy

Marshfield looks to invest in high quality, "built-to-last" companies that are well-managed and in good industries, which are mostly resilient in bad times and profitable in good times. Marshfield's objective is to build wealth while minimizing risk of sizeable loss of principal.

1. Limit investments to companies with enduring competitive advantages that are difficult to duplicate, and which pass Marshfield's tests of corporate culture, industry structure and management quality.
 - **Corporate Culture**
 - The internal compass expressed by the company's attitude toward customers and shareholders, which needs to permeate the organization and be appropriate to the business.
 - Looks for managements with integrity, courage and resolve.
 - **Industry Structure:**
 - This refers to attributes like competitive rivalry and the power of customers and suppliers. Marshfield wants its companies to have leverage within their industry's value chain. Companies need to have the discipline to remain focused on maintaining and exploiting those advantages.
2. What Marshfield pays for a stock matters, which is why it insists on a margin of safety between prices paid and a conservative estimate of what its research indicates a company is worth.
 - **Strict Price Discipline:**
 - Willing to hold cash.
 - Will buy stocks opportunistically when prices are attractive rather than when cash comes into a SMA account.
 - With patience, stock price paid can be less than if bought on day one.
 - During a trade, the price that Marshfield is willing to pay for a security may be less than where it is trading, resulting in accounts not receiving the intended full position or the stock at all. (Please see Marshfield's Aggregation Procedures in Item 12 for further information).
 - **Margin of Safety:**
 - Demand a discount between price paid and Marshfield's internally generated estimate of company value.
 - The more Marshfield knows and likes a company, the smaller the discount (though not less than 20%).

- A larger discount will be required if a company is new to the portfolio or to compensate for the possibility of an adverse outcome for risks that are material and known (e.g. lawsuits, disputes with regulatory authorities, etc.).

Marshfield is less concerned about short-term corporate performance than it is about the long-term health of a company. Accordingly, the drivers of a company's long-term business are considered:

- Its corporate culture.
- The components of its long-term performance.
- The market environment in which it operates.
- The regulatory environment.
- The company's own enumeration of risk factors (e.g., matters under litigation, disputes with tax or other regulatory authorities).

Marshfield's Research Team (The Decision-Makers)

- Works collaboratively as Marshfield's "Portfolio Manager" to make all the investment decisions for the Core Product.
- Each member of the team participates in all aspects of the research process, analysis, valuation and critique.
- Team members weigh in on each decision.
- Although final authority ultimately rests with Chris Niemczewski and Elise Hoffmann, investments decisions are implemented upon unanimous agreement by the voting members of the Research Team.

➤ **Rigorous Analysis**

- Group process aimed at flushing out truths/anomalies.
- Group speaks to the management teams and competitors of potential investments, as well as to others that might shed light on them, such as suppliers and customers.
 - Seeks to visit approximately 15-25 companies per year.
 - Talks on the phone to about 75-100 companies annually.
- Vets financials, reads public filings, follows the news, and remains abreast of regulatory changes, litigation and other developments in order to identify any emerging issues that might impact the riskiness of its investments or plant seeds for new ideas.

➤ **Synthesis**

- Focuses on how an individual company earns returns over time.
- Includes in its valuation a "stress test" study of how the company responds to different economic environments; test is biased toward more conservative assumptions.
- Focuses on broad strategic questions and on the structural and cultural issues deemed critical to analysis.
- Develops an internally generated conservative estimate of intrinsic value and sets a buy price limit that is a discount to it. (See the "Margin of Safety" discussion above for additional information).
- While Marshfield does not purport to know what the economic future holds, it consults with an economist to interpret key economic events and trends.

Continued Analysis for Suitability

- Once a security is added to the Core Holdings, it remains subject to the Research Team's analysis for continued suitability as a portfolio holding, including valuation work.

- When assumptions or theories change in a way that undermines Marshfield's confidence in the investment:
 - The security will be sold, or
 - The size of the holding in the portfolio will be reduced.
- Marshfield analyzes the portfolio as a whole and very occasionally makes strategic sales when it feels risk is over-concentrated in a particular industry.

When Marshfield Sells

Marshfield's objective going into an investment is to hold it for a very long time. The primary reasons Marshfield sells a stock are:

1. Marshfield should not have bought the stock in the first place.
2. When the company or the industry has changed for the worse.
3. To limit a portfolio-wide systematic risk, as with too great an exposure to a single industry or sector of the economy.
4. When a stock becomes excessively overvalued, typically at or above 150% of intrinsic value.
5. When a stock comprises too great a portion of the portfolio, typically 10-15%.

Investing in securities involves risks of loss that clients should be prepared to bear.

Potential Risks Associated with Marshfield Strategy:

1. There is a risk in owning a concentrated portfolio of relatively few stocks, as the impact of mistakes may be larger than it would be in a diversified portfolio.
2. There is a risk in avoiding popular stocks while investing in out-of-favor stocks and those ignored by the market, as unpopular stocks may continue to be unpopular for a while.
3. A significant cash position can be held in accounts for up to 2 years, and sometimes longer, which can negatively impact portfolio performance in a rising market and may positively impact portfolio performance in a falling market.
4. The Research Team may misjudge a company's competitive advantages, culture, or strategy; may mis-analyze an industry's structure; or may make erroneous assumptions about a company's growth rate, margins or other forward-looking metrics in conducting its valuation

Marshfield Attempts to Mitigate These Risks by:

1. The first line of defense against risk in Marshfield's investment strategy is its philosophy and its disciplined process of finding companies that have all of the required attributes to be part of the Core Strategy. Marshfield believes that by being patient and disciplined, it will ultimately be rewarded for the discomfort of owning temporarily out-of-favor stocks. Human nature compels investors to want to own popular stocks, and conventional wisdom holds that wide diversification protects against risk. On the contrary, Marshfield believes that it is far easier to make money by knowing the companies you own very well, while being extremely careful about the prices you pay for those companies – which by definition means Marshfield will largely own unknown or out-of-favor stocks.
2. Marshfield scrutinizes each company through its research analysis the same way – by evaluating whether it offers the attributes that have been identified as essential for a Core Holding. This eliminates the temptation to skew the analysis over time, as each stock is subjected to the same tests. The objective is not just to find the right stocks, but to find the right stock at the right price. Marshfield's analysis focuses on the long-term and whether a company will do well for a long time into the future, notwithstanding any near-term weakness. Finding high quality, "built-to-

last" companies that are well-managed and in good industries *at a discount* generally does not typically happen unless:

- The stock is ignored by the market.
- The stock is out-of-favor.

The additional layer of price protection Marshfield requires on these out-of-favor stocks is to further protect against the possibility of an adverse outcome (see margin of safety discussion above).

3. Marshfield is a patient investor and lets the pace of investing be determined by opportunities (therefore it is often slow) and not when cash is available. Marshfield is disciplined about security price paid and is willing to hold cash until it can buy stocks at cheaper prices than if it bought them all on day one when cash came in. The simplest way to make money is to pay much less for a stock than it is worth.
4. Risk is managed at the portfolio level by:
 - Occasionally trimming or selling a stock position if it is determined that too much of the portfolio is exposed to a single market or other risk.
 - Holdings new to the portfolio are gradually introduced through an initial purchase with a limited position size (generally a 3% position size initially) and often with a greater discount of price paid compared to Marshfield's estimate of the company's worth. .

Balanced Accounts

For Marshfield clients who request that a portion of their portfolio be invested in bonds, Marshfield requires the client to instruct Marshfield on the portfolio allocation to bonds vs. equities (or the Core Product). Marshfield will incorporate any reasonable client-specific restrictions into the choice of individual bonds for each portfolio, including ratings restrictions, tax bracket, and the choice of index. Once the client sets the percentage allocation, Marshfield's trader begins the process of buying bonds.

Balanced Account Strategy

- Because Marshfield does not believe it (or anyone) can predict the future direction of interest rates, its bond portfolios are built to match portfolio duration to the relevant index, rather than incorporating any interest rate or economic bets. Maturities are usually no more than 10 years.
- Marshfield's traders buy specific bonds for client portfolios by reviewing inventories and competitive offerings from multiple institutional traders.
- Bonds are purchased that are appropriate for each specific client's tax bracket, maturity ladder, and account restrictions.

Tax-Sheltered, Tax-Exempt, or Low-Tax-Bracket Taxable Clients

Marshfield buys U.S. government and agency bonds as the default option. Marshfield buys debt in the form of corporate paper only if Marshfield believes it understands the issuer's credit quality and is paid to take the risk of buying corporate obligations (e.g. the yield-to-maturity spread over government bonds is high enough to justify the risk of investing in corporate bonds). This means that Marshfield usually buys bonds from companies whose stock Marshfield would be willing to own (at a price), as Marshfield will have done an in-depth analysis and affirmed the security of the bond's underlying cash flows.

Periodically, when yield spreads between corporates, governments, and municipals justify, Marshfield will buy tax-exempt bonds for low tax bracket taxable clients (see Taxable Clients below).

Taxable Clients

Marshfield's goal is to buy tax-exempt bonds with what it believes to be minimal credit risk while still obtaining average to above-average returns. Therefore, it often buys debt which is pre-refunded or

escrowed to maturity or otherwise guaranteed as a direct obligation of the U.S. Government. Marshfield will often buy sinking fund bonds (where part of the issue may be redeemed prior to maturity on a lottery basis) where the yield-to-worst total return is higher than bullet debt of the same maturity. Marshfield buys odd lot pieces at lower prices than it would pay for round lot pieces. It buys out-of-state where after-state-tax yields justify.

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 Marshfield Associates or the integrity of Marshfield's management. There are no legal or disciplinary events that are material to your evaluation of Marshfield Associates.

Item 10 - Other Financial Industry Activities and Affiliations

Marshfield has no affiliated advisers. Marshfield is the Adviser to a Mutual Fund, Marshfield Concentrated Opportunity Fund, which uses the same discipline and strategy as for our SMA Clients.

Marshfield's Procedures for side-by-side management of the Marshfield Mutual Fund and core accounts:

- If the Mutual Fund trades in the same securities as client accounts, the trade will often be done on an aggregated basis consistent with Marshfield's obligation of seeking best execution.
- The Mutual Fund and client accounts will share commission costs equally and receive securities at a total average price.
- Completed orders will be allocated as specified in the initial trade order.
- Partially filled orders will be allocated on a pro rata basis.

Other Conflicts between Core and Marshfield Mutual Fund:

- Trading in the same security but on different sides of the transaction.
 - An example may be due to different investment strategies and/or risk management
 - Research may direct a buy in Marshfield's Core Accounts to increase the holding to a new position size or the stock may be or come into buying price range for new accounts.
 - A sale of the same security is sold in the Mutual Fund account as a risk management function because its designated position size grew due to the increase in value from its average cost basis or from a large shareholder withdrawal.

Marshfield will memorialize in their compliance files why the "conflict" situations were appropriate for all clients involved without being advantageous to one client over another.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Marshfield has adopted a code of Ethics ("Code of Ethics") that sets forth the standards of conduct expected of Marshfield's personnel, which includes, but is not limited to, the following:

- Where a conflict of interest may arise, Marshfield shall place the interests of its clients ahead of its own interest and those of its principals at all times.
- Marshfield employees shall act at all times in a manner that preserves and promotes their reputation for honesty, integrity and professionalism.
- Marshfield employees shall not take improper advantage of their positions.
- Marshfield employees shall conduct their personal securities transactions in such a way as to avoid any actual or potential conflict of interest with their clients and to avoid the abuse of such employee's position of trust and responsibility.
- Marshfield employees shall protect and hold confidential all information concerning the identity of clients, clients' securities holdings, and clients' personal and financial circumstances except when clients authorize disclosure.
- The Key Employees of Marshfield, which include all principals, shall only buy for themselves what they buy for their clients and will hold a meaningful position in each Client Security and cannot own anything that isn't owned by their clients.
 - Exceptions are made in extremely limited circumstances which are subject to approval by a majority of principals (e.g. inheritance, ownership of a private investment that might itself own publicly traded securities).
- Marshfield employees shall protect and maintain independence in the investment decision-making process.

Personal Trading Policy

Marshfield manages their employees' portfolio in the same manner as their clients', but Marshfield requires that client transactions take priority. This process is to avoid any conflicts of interest that may arise from employees of the Marshfield participating in the same trades that Marshfield recommends to and effects on behalf of its clients, such as employees of Marshfield obtaining a financial advantage from affecting a trade for themselves prior to affecting such trade on behalf of Marshfield's clients. Marshfield addresses these conflicts of interest by adhering to the following standards:

- All purchases and sales of equity securities in a Key Employee's personal account shall take place the following trading day after transactions for clients are completed, if the order is the result of a new investment decision being made for a blocked client trade. Otherwise, Key Employee trades will be executed the same day after client transactions are completed or aggregated with client transactions as the situation warrants.
- All Key Employees will hold a meaningful position in Marshfield's holdings.
- All Access Persons are limited to the purchase and sale of the securities in the Marshfield Core Product or the Marshfield Mutual Fund held at a firm designated custodian.
- All personal trades by Access Persons in non-restricted securities must be pre-approved through the Pre-Clearance Committee.

Marshfield will provide a copy of its Code of Ethics to any investor or prospective investor upon request by contacting Carmen Colt at 202-828-6200 or compliance@marshfieldinc.com.

Item 12 - Brokerage Practices

Clients must hire a brokerage firm, bank or trust company to act as custodian of the client's securities.

1. If a client does not specify a brokerage firm to execute the client's orders, Marshfield may recommend certain unaffiliated custodians with which it has contractual relationships and has negotiated custodial services and rates for its clients. (Please see the discussion on Free Accounts below for more information).
 - Marshfield does not receive client referrals or compensation in exchange for these recommendations.
 - Factors Marshfield considers when recommending a firm for custody:
 - The execution, clearance and settlement capabilities of the custodian.
 - The custodian's financial stability.
 - Best net price, after giving effect to brokerage commissions and other transaction costs.
 - Nature of the security being traded or held.
 - Ability to provide account statements to clients on a monthly basis for comparison to reports Marshfield provides (see Item 13 – Review of Accounts).
2. Marshfield's clients may choose a broker-dealer as custodian of their securities and direct Marshfield to execute transactions only through their custodial broker-dealer. (Please see the discussion on Directed Accounts below for more information).
3. In rare situations, if a client asks for a referral to utilize a financial consultant in addition to a custodian for their securities, Marshfield may refer a client to a registered representative with whom they work.
 - These are directed accounts (Please see the discussion on Directed Accounts below for more information) and may limit Marshfield's ability to seek best execution in that client account.
 - Financial Advisers who have an established relationship with Marshfield due to their history of hiring Marshfield on behalf of their clients are often suggested. Recommendations are made as a result of familiarity built during a long-term relationship but Marshfield recognizes there is a potential conflict of interest in making referrals to financial consultants that routinely hire Marshfield to manage their clients' accounts.
 - For all Directed Accounts, Marshfield requires that clients negotiate commission rates and other fees charged to the client-directed brokerage accounts directly with their financial consultant or custodian.

Brokerage Fees

Clients may incur certain charges imposed by custodians, brokers, third party investment professionals and other third parties, such as custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

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

Please see Item 5 – Fees and Compensation for additional information on Brokerage Fees.

Best Execution

Marshfield strives to achieve best execution – *the best qualitative execution for the managed account* – for all client trades to the best of its abilities. Best execution does not necessarily mean that the client has the lowest total costs or proceeds in each transaction, but that they are most favorable under the

circumstances. During the best execution review process, Compliance reviews trades, looking at price, commission, execution, trading errors (and resolution) and other factors.

Approved Broker List

Marshfield maintains a list of approved brokers and brokerage firms with whom it may execute trades or transmit orders for its non-directed accounts. The factors considered include but are not limited to:

- **Execution Capability:**
 - Some brokers may have good execution capabilities with respect to large, exchange-listed equity block positions. The broker's ability to buy/sell without moving the market is critical.
 - Other brokers are more efficient in the execution of difficult orders in the over-the-counter market or fixed-income securities.
- **Commission Rate:**
 - Evaluation of commission rates charged by a broker is an integral part of evaluating order execution.
 - Commission rates may be a function of the size of the order, the price of the security, the degree of difficulty or liquidity, the volume of transactions placed (historically) with a broker and whether the receipt of goods or services is involved.
 - When all other factors are equal, we will always seek to minimize execution costs.
 - We do not have the ability to negotiate with accounts that direct their custody and brokers (see the discussion on Directed Accounts for more information).
- **Financial Stability:**
 - We will consider the capital strength, reputation and financial stability of a broker when making best execution decisions
- **Responsiveness to Money Manager:**
 - Responsiveness includes such factors as willingness and ability of a broker to take financial risks in the facilitation of large block transactions.
 - How accommodating, in general, a broker is to facilitating Marshfield's business needs.
- **Value of Research Provided:**
 - If all things are equal, trades may be directed to certain brokers who provide market-related research that is used when implementing the investment decisions made by the Research Team who have done their own research regarding companies and securities.
 - Please see the below discussion on Research and other Soft Dollar Arrangements.

Types of Accounts:

- "Free accounts" (non-directed):
 - Accounts where the client has granted Marshfield broker discretion to effect trades.
 - Marshfield has the option to pursue trades through brokers on its approved broker list.
 - Accounts provide Marshfield the ability to seek best execution without limitations.
 - Marshfield does not direct "free account" transactions to a particular broker-dealer in return for client referrals.
 - Marshfield Mutual Fund is a Free account.
- "Directed accounts":
 - Accounts may not benefit from best execution.
 - Trades are executed through the broker chosen by the client, at rates negotiated by the client.

- Prime Brokerage Ineligible Accounts:
 - Marshfield is unable to pursue trades with brokers other than the client's custodian due to minimum account value requirement of the custodian. This can range from \$100,000-\$125,000 depending on the custodian.
 - Accounts can be at a custodian Marshfield recommended in order to facilitate trading of such prime broker ineligible accounts.

Best Execution and Directed Accounts

Marshfield's clients may utilize a broker-dealer as custodian of their securities and direct Marshfield to execute transactions only through their custodial broker-dealer. Below are the characteristics associated with Directed Accounts:

- Clients, not Marshfield, must negotiate their own commission rates and other fees with such brokers or dealers.
- Clients should consider the results of such designations, for example:
 - Client may pay higher commissions or receive less favorable executions.
 - Clients may negotiate fees that could result in a discount from their standard commission rate in exchange for brokerage and custodial services.
- Clients may miss out on limited participation opportunities such as IPOs or secondary market purchases for which allocation to outside brokers may not be easily accomplished.
- Clients who direct the use of a broker-dealer may also be subject to certain disadvantages discussed further in the Aggregation of Orders section below.
- Clients may change their broker-dealer at their discretion.
- Marshfield reserves the right to decline continued management of an account placed with a broker-dealer that Marshfield deems burdensome to work with.

Marshfield's Aggregation Policy

It is Marshfield's practice, where feasible, to aggregate orders for execution as a single transaction for the purchase or sale of a particular security for numerous accounts. Marshfield believes that aggregating orders enables them to treat all clients in a fair and equitable manner over time.

Aggregation of orders will only be effected when Marshfield believes that to do so will be in the best interests of the affected clients. Trades for Core Account clients may be aggregated with proprietary trades, including employee, where the Adviser's best execution and personal trading policies will allow.

Marshfield's Aggregation Procedures

In general, and to the extent possible, all orders for execution of the same security will be aggregated during the same trading period. Once a trade is specified by the Research Team and the total number of shares required is derived, the trades are generally divided into two groups for execution, in the following order:

1. Free Accounts

- Marshfield allocates pro-rata among non-directed accounts.
- If an order is filled in its entirety, each participating client receives/sells its allotted shares at the average share price.
- Transaction costs are shared pro-rata based on each client's participation in the transaction.

- Partially filled orders will be allocated on a pro rata basis. The trade may be allocated according to a randomized rotational basis so that over time each client is treated fairly.
- If The Fund trades in the same securities as client accounts, the trades will often be done on an aggregated basis consistent with Marshfield's obligation of seeking best execution and will share commission costs equally and receive securities at a total average price.

2. Directed Accounts

- Because clients who have directed accounts must negotiate their rates with those broker-dealers, Marshfield is precluded from negotiating further volume discounts which may be available from batching client orders.
- Marshfield will make every effort to maximize the best execution for the client under these circumstances by using limits when entering orders and monitoring executions.
- Marshfield will block trades when clients share a directed broker and pro-rate partial executions where possible, except when clients have negotiated commission rates making this punitive.
- The fact that many clients have individually negotiated commission rates with their designated broker-dealers means that some clients may pay a higher commission than others who have aggregated their orders or negotiated more favorable commission rates.

3. Model Accounts

- Marshfield does not trade these accounts. Rather Marshfield provides their Core Equity Composite Information and the Plan Sponsor or their appointed overlay manager will effect the trades. Model Accounts are not subject to Marshfield's price discipline.

Research and other Soft Dollar Arrangements

Marshfield does its own research for five primary reasons:

- The information Marshfield looks for is different from what most sell-side analysts are looking for; we believe that you cannot understand a company simply by putting together an elaborate excel spreadsheet.
- Marshfield is not subject to the conflicts of interest endemic to the analyst/investment bank/client ecosystem.
- Marshfield prefers to keep control over our intellectual property, as proprietary information confers a competitive advantage.
- Understanding a company in depth allows for good decisions to be made while under stress.
- Marshfield trusts its own judgment.

Marshfield does not actively engage in any soft-dollar arrangements but may as a result of its relationship with broker dealers receive unsolicited research materials.

- Marshfield has a small number of directed accounts that participate in commission recapture programs. The commissions recaptured are to the benefit of the specific client and done only when directed by a client.

Item 13 - Review of Accounts

I. Individually Managed Accounts

Decision-Makers

The Research Team makes investment decisions on behalf of the entire firm which are to be executed in every client account, absent account-specific restrictions.

- Team consists of four research analysts, a research assistant and an economist.
- Three of the analysts are Marshfield principals and are the voting members of the team.
- On a weekly basis, a member of the Research Team reviews firm-wide trades to confirm that buy-versus-sell and specific price limit instructions have been interpreted correctly and followed.

Trading Team

The trading team implements the orders received from the Research Team. Before green-lighting an account to participate in the trade, they:

- Put together the trade sheet.
- Review cash balances, asset allocation and existing positions.
- If there is any policy or account-specific restrictions, the account will not be added to an active trade until the it has been reviewed for its ability to participate in the trade.

Portfolios are monitored on an ongoing basis by the trading team to ensure compliance with Marshfield-directed absolute position sizes (positions are pared back should they exceed our internally-generated guidelines).

Relationship Managers

Each account that has an investment management agreement with Marshfield is assigned an individual relationship manager who may meet or consult with clients on a periodic basis or at the request of the client. At the start of a relationship, or on an as-needed basis, relationship managers will review the client's investment objectives, discuss Marshfield's investment philosophy (and its application to individual securities holdings), and answer client questions.

- Each relationship manager is assigned a group of clients (between 5-200 per manager).
- Clients of wrap, sub-advisory or model portfolio programs are not assigned a relationship manager as Marshfield is engaged by the Service Provider and not the individual clients.

Daily Reviews

- Qualified accounts are reviewed daily by the operations team to ensure that the custodians positions and cash match the positions within Marshfield's portfolio accounting software.

Monthly Reviews

- Each account is reviewed at least monthly by a portfolio administrator to ensure that the account's custodian's list of positions matches Marshfield's records in its portfolio accounting software.
- Portfolios with policies are reviewed by a manager for continued compliance with policies.

Quarterly Reviews

- On a quarterly basis, every Marshfield account is reviewed by two staff members to confirm that Marshfield records match the account's custodian's information.

Quarterly Reports

- *Separately Managed Accounts*
Materials for those accounts we are required or have agreed to report to:

- Letter to Clients
 - Marshfield's interpretation of the ending quarter's current market environment within the context of Marshfield's holdings and philosophy.
 - Formal portfolio appraisals
 - Include the amount of each security held, unit cost, total cost, market price, market value, market value as a percentage of assets, and current yield.
 - Performance information, provided once an account has been managed for a full quarter.
 - Year-end reports may include additional information such as income received and expenses incurred.
- *Wrap Program Accounts*
 - It is the responsibility of the Plan Sponsor to provide formal portfolio reviews, monthly and quarterly statements, performance reporting and client communications.
 - Upon request, Marshfield will provide the Plan Sponsor with a written quarterly commentary that may be included with their reporting.
 - At the request of the Financial Adviser for the Plan Sponsor, and at the discretion of Marshfield, additional ad hoc communication may be provided directly to the Financial Adviser or their clients.
 - Additional communications can include: newsletters and quarterly letters and reports, all of which are written.
 - *Sub-Advisory Accounts:*
 - Marshfield may provide the primary adviser with quarterly investment reports reflecting the activity in each client's account.
 - At the discretion of the Introducing Adviser, Marshfield will provide ad hoc communications directly to clients.
 - *Model Portfolio Accounts:*
 - The Plan Sponsor handles all reporting and communication with the client.

Quarterly Communications may be temporarily delayed in the event of extreme circumstances beyond our control including, but not limited to, such events as hurricanes, acts of terrorism, and pandemics.

Non-Scheduled Reviews of Accounts

- When a client informs Marshfield of any material changes in a client's investment objectives.
- On an ad hoc basis when requested by a client.

Ad Hoc Communication with Clients

- Newsletters
 - Marshfield uses these periodic letters as an opportunity to communicate directly with clients and offer insights into its thought process, decision-making process, reactions and interpretations of market events both generally and in relation to Marshfield holdings, as well as reflection on successes, mistakes or other pertinent matters.
 - These letters are generally written four times per year, and are not intended as recommendations or a guarantee of future results.

Disclosure Statements

- **Wrap Accounts:**
 - When a new Consulting Solutions account opens, RBC will provide the client with a copy of Marshfield's Form ADV Part 2, as well as, making an annual offer to provide it to existing clients.
 - Marshfield shall provide any summaries of material changes or any other-than-annual updates of its ADV Part 2 directly to clients.
- **Sub-Advisory Accounts:**
 - When a new account opens, the Introducing Adviser will provide the client with a copy of Marshfield's Form ADV Part 2, as well as, making an annual offer to provide it to existing clients.
 - Marshfield shall provide any summaries of material changes or any other-than-annual updates of its ADV Part 2 directly to clients.
- **Model Portfolio Accounts:**
 - Marshfield shall provide the Plan Sponsor copies of Marshfield's ADV Part 2.

II. Marshfield Mutual Fund

Decision-Makers

The Research Team makes investment decisions on behalf of the Core Product which is used to determine the holdings and position sizes of The Fund.

- Team consists of four research analysts, a research assistant and an economist.
- Elise Hoffmann and Chris Niemczewski are The Fund's Portfolio Managers.

Trading Team

- The Trading Team implements the orders received from the Research Team. Cash balances, asset allocation and existing positions are reviewed to ensure compliance with regulatory and internal guidelines.

Daily and Monthly Reviews

- Position and cash are monitored both daily and are reconciled by both Fund Accounting and the Adviser.
- The Fund is reviewed at least monthly by the CCO and the Head Trader to ensure compliance with regulatory and internal guidelines.

Item 14 - Client Referrals and Other Compensation

Client Referrals

Marshfield has arrangements whereby it has agreed to pay qualified parties a mutually acceptable percentage of the investment advisory fees charged to clients referred to Marshfield by such persons.

These payments for referrals do not increase the advisory fees charged to clients referred to Marshfield by such persons and are disclosed to clients in accordance with, and are otherwise in compliance with, Rule 206(4)-3 under the Advisers Act.

Item 15 - Custody

Clients must utilize a qualified custodian, such as a brokerage firm, bank or trust company, to safeguard their funds and securities. Marshfield does not maintain custody of client assets except in limited circumstances permissible by complying with the requirements of the Securities and Exchanges' "custody rule". Marshfield does not have the authority to access or wire money in a client's account without a client signature or authorization for any account.

Clients should receive at least quarterly, but typically monthly, statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. Marshfield urges clients to carefully review such statements and compare such official custodial records to the account statements that Marshfield provides quarterly. Marshfield's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 - Investment Discretion

Marshfield generally requires a client to provide it with full discretionary authority to determine the securities to be bought or sold and the amounts thereof.

The Investment Management Agreement between Marshfield and each client provides discretionary authority to Marshfield. Clients also must grant discretion to Marshfield via paperwork to establish their custodial accounts which will allow Marshfield the ability to effect trades in their account on their behalf.

Discretionary Limitations

It is the client's obligation to inform Marshfield, *in writing*, of any changes to their investment objectives, policies or limitations or restrictions which may include:

- Restricting or prohibiting transactions in certain types of securities or industries.
- Requiring that positions transferred into a managed account that are not part of Marshfield's Core Holdings be held either for tax or other reasons specific to the account or client.
- The applicable fiduciary obligations imposed by the law with respect to any such client.
- The amount and nature of assets contained in the client's account.

Unsupervised Positions

Marshfield will allow clients, in limited circumstances, to keep securities – either Marshfield Core Holdings or other securities – in an "unsupervised" portion of their account, where Marshfield must receive client instructions to purchase or sell unsupervised securities.

- Transactions are effected on a non-discretionary basis and are generally held in a separate "unsupervised" section of the portfolio or a separate account.
- Marshfield must receive written instruction from the client in order to execute any transaction.
- Unsupervised portions of the portfolio are not managed on a discretionary basis pursuant to Marshfield's recommendations.
- No management fees are assessed on unsupervised securities.
- Unsupervised assets are not included in reported portfolio performance.

Item 17 - Voting Client Securities

Proxy Voting / Separately Managed Accounts:

- Marshfield typically abstains from voting proxies unless (i) when otherwise instructed by its clients, (ii) when required to vote by law or regulation, or (iii) when the firm is in disagreement either with (a) a management proposal (or opposition to a dissident proposal) or (b) a voting recommendation broadly issued by its nationwide proxy voting consultant, including to other institutional investors, upon a key voting matter.
- When proxy votes are cast, Marshfield will do so in accordance with general voting guidelines, taking into consideration all relevant facts and circumstances at the time of the vote, in accordance with the best interests of clients as Marshfield shall determine in its sole discretion. When voting, votes will generally be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders.
- Clients may direct Marshfield on how to vote their proxies on specific matters or furnish guidelines according to which Marshfield will vote their proxies.
- Marshfield will not be responsible for voting proxies, issuing consents or exercising other similar rights associated with any securities held in client accounts for which Marshfield serves only as the Model Portfolio Provider.

ERISA Consideration: In addition to the above, Marshfield will refer to any guidelines or directions issued by Plan's trustees in voting client proxies.

Marshfield Mutual Fund:

Proxies will be voted in a manner consistent with the best interest of The Fund and its shareholders. As the quality and depth of management is a primary factor considered when investing in a company, the recommendations of management on any issue will be given substantial weight. When voting, votes will generally be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders.

Proxy Voting Conflicts of Interest

1. If there is a conflicted vote, the Voting Manager will either vote the proxy in accordance with the recommendation from Institutional Shareholder Services, Inc., or abstain from voting the proxy, after determining what is in the best interest of the client or shareholders.
2. If no recommendation is available, the Voting Manager (or Proxy Voting Coordinator, as directed by the Voting Manager) will refer the vote back to the client of the account, disclosing the conflict of interest. The Voting Manager will then vote the proxy according to the direction of the client.
3. If a conflict of interest is material, the Voting Manager will disclose the conflict to the Marshfield Mutual Fund's trustees to determine and document the resolution.

Marshfield has adopted policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 under the Advisers Act of 1940. These policies and procedures are designed to ensure that proxies received with respect to securities in the accounts where the Adviser exercises voting discretion are voted in the best interest of the Client and that the Adviser maintains a record of its proxy voting in compliance with the Advisers Act. Marshfield will provide to any client at no cost a copy of its full proxy voting policies and procedures and information regarding how such client's proxies have been voted in the past. Clients wishing to receive this information should contact Marshfield at 202-828-6200 during normal business hours. The Marshfield Mutual Fund will file an annual report indicating how The Fund voted its proxies for the year and is available without charge by calling 855-691-5288 or on the SEC's website at www.sec.gov.

Class Action Lawsuits

It is not Marshfield's policy to file on behalf of its clients for class action lawsuits. Marshfield will assist clients in gathering the information necessary for them to file, should they so choose.

Item 18 - Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Marshfield's financial condition.

Marshfield 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.