

## Vontobel Swiss Wealth Advisors AG

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### FORM ADV PART 2A Brochure

of

**Vontobel Swiss Wealth Advisors AG**

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March 31, 2020

**This Brochure provides information about the qualifications and business practices of Vontobel Swiss Wealth Advisors AG ("VSWA"). If you have any questions about the contents of this Brochure, please contact us at +41 44 287 8111 and/or [info@vontobeladvisors.com](mailto:info@vontobeladvisors.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), any state securities authority or any other governmental body. This Brochure is deemed to constitute "marketing material" under Article 68 of the Swiss Financial Services Act.**

**Additional information about VSWA is also available on the SEC's website at <https://www.adviserinfo.sec.gov>**

As used in this Brochure, the words "we", "our" and "us" refer to VSWA and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm.

VSWA is an investment adviser registered with the SEC and is an exempt international adviser in the Canadian provinces of Alberta, British Columbia, Nova Scotia, Ontario and Québec. Please note that use of the term "registered investment adviser" and "exempt international adviser" and the description of VSWA as "registered" or "exempt" does not imply a certain level of skill or training. The oral and written communications we provide you, including this Brochure, is information you may wish to use in considering whether to hire or retain VSWA as your adviser.

The information contained in this Brochure is current as of the above date and is subject to change at VSWA's discretion. On an annual basis, VSWA will provide you with a summary of material changes and an "offer-to-deliver" the full and updated version of this Brochure without charge.

## 2 Material Changes

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This is an annual amendment filing of the Form ADV Part 2A Brochure that VSWA initially filed on March 13, 2019 and that is intended exclusively for certain existing clients of Lombard Odier Transatlantic, Limited, an SEC-registered investment adviser located in Montreal, Canada ("LOT") who had an advisory fee only relationship with LOT and whose relationships and advisory fee only models were acquired by VSWA from LOT effective April 1, 2019. This Item provides a summary of the revisions that VSWA has made to this Brochure since its initial filing to reflect the following significant updates:

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This Brochure constitutes "marketing material" under the Swiss Financial Services Act that entered into effect on January 1, 2020.

**Item 4 Services, Fees and Compensation** as updated to provide more information about the characteristics of VSWA's asset-based advisory-only fee.

**Item 6.3 Methods of Analysis, Investment Strategies and Risk of Loss** was updated to provide enhanced disclosure regarding material risk factors relating to investment strategies generally, fiduciary deposit risk, epidemics and market disruption and exchange-traded funds.

**Item 5.2 Compensation** has been added in order to highlight the conflicts of interest in regard to compensation and in regard to the compensation structure of our financial professionals and explain how we mitigate them.

**Item 9.2 Other Financial Industry Activities or Affiliations** was revised to provide updated information concerning potential conflicts of interest arising from relationships and arrangements with related persons.

This Brochure also includes certain other non-material changes.

Generally, VSWA summarize in this item all material changes to this Brochure on an annual basis. Additionally, we will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. You may request our Brochure at any time by contacting your Wealth Management Advisor or by sending a written request to our Chief Compliance Officer, Rebecca Brunner, Esq., to [info@vontobeladvisors.com](mailto:info@vontobeladvisors.com).

Our Brochure may also be viewed at the SEC website <https://www.adviserinfo.sec.gov>.

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## 4 Advisory Business

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Vontobel Swiss Wealth Advisors AG ("VSWA") is a wholly-owned subsidiary of Vontobel Holding AG, a Swiss holding company in Zurich, Switzerland. We are also a sister company of Bank Vontobel AG, one of Switzerland's foremost private banks for over 90 years.

With our principal office located in Zurich, Switzerland, and additional offices located in Geneva, Switzerland, and New York, New York, we are a Swiss company and are registered as an investment adviser with the US Securities and Exchange Commission ("SEC"). We have also filed under and rely on the Canadian international adviser exemption of *National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") in the Canadian provinces of Alberta, British Columbia, Nova Scotia, Ontario and Quebec. Additional information about VSWA's business and its affiliates can be found in our Form ADV Part 1 that is filed with the SEC and is publicly available at <http://www.adviserinfo.sec.gov/>. A copy can be provided by VSWA upon request.

We generally provide investment advice to individuals, trusts, estates, charitable corporations, and corporations or other business entities that are "US Persons," as such term is defined by the Internal Revenue Code of 1986, as amended. This term includes, among others, US citizens and permanent US residents. VSWA also provides advisory services to clients resident in or subject to the laws of Alberta, British Columbia, Nova Scotia, Ontario and Quebec who qualify as Canadian "permitted clients", as defined under NI 31-103. The individuals to whom we provide investment advice are primarily high net worth individuals.

The sole purpose of this brochure is to describe the investment advisory services provided by VSWA on an advisory fee-only basis to certain former advisory clients of Lombard Odier Transatlantic, an SEC-registered investment adviser located in Montreal, Canada ("LOT"), who were acquired by VSWA effective April 1, 2019. As of January 31, 2020, client assets held by VSWA in advisory fee-only discretionary accounts for former LOT clients amounted to USD 123,053,690 and client assets held by VSWA in advisory fee-only non-discretionary accounts amounted to USD 9,419,088. Note that these figures correspond to **all the assets** held by clients in VSWA's advisory fee-only accounts **and are not limited to VSWA's "Regulatory Assets under Management"** figures as disclosed in VSWA's Form ADV Part 1A, Item 5. VSWA does not offer any advisory fee-only services to any clients other than the former LOT clients described herein.

You should be aware that, in addition to the advisory fee-only accounts that VSWA offers exclusively to ex-clients of LOT, VSWA concurrently offers a wrap fee

program for the same or similar investment services, where the wrap fee charged generally includes brokerage and custody fees. We refer you in this regard to our separate Form ADV Part 2A Wrap Fee Brochure. As of January 31, 2020, VSWA held client assets in its discretionary Wrap Fee program amounting to USD 833,939,500 and client assets in its non-discretionary Wrap Fee programs amounting to USD 2,215,853,682. Note that these figures correspond to **all the assets** held by clients in VSWA's Wrap Fee programs **and are not limited to VSWA's "Regulatory Assets under Management"** figures as disclosed in VSWA's Form ADV Part 1A, Item 5.

For the former LOT clients referred to herein, client investment objectives, guidelines and restrictions are negotiated on a case-by-case basis and are memorialized in a signed written document referred as *Investment Policy Rules*, which are established for each account in accordance with the client's specific risk tolerance, objectives, restrictions and expected returns. VSWA manages assets on both a discretionary basis and non-discretionary basis.

For its discretionary mandates, VSWA is authorized to manage the client's assets on a fully discretionary basis, according to the client's investment needs, objectives and restrictions as described within the *Investment Policy Rules*. Under this mandate, VSWA is responsible for the determination of the account's asset allocation, subject to any restrictions imposed by the client. VSWA reviews the discretionary account's asset allocation and portfolio holdings on a regular basis, depending on the market, economic and political conditions.

For its non-discretionary mandates, VSWA provides investment advisory services and responds to the client's telephone calls within a reasonable time frame whenever the client seeks to obtain VSWA's investment advice concerning particular financial instruments and investment strategies and opportunities. VSWA also contacts the client from time to time with recommendations it believes to be in line with the client's investment profile and the *Investment Policy Rules*.

We do not hold ourselves out as specializing in a particular type of advisory service or strategy. Instead, we offer a broad range of strategies, asset allocations and features.

VSWA's SEC file number is 801-71790 and its CRD number is 154750.

## 5 Fees and Compensation

### 5.1 Fees

Clients receive at the opening of their account an advisory fee schedule. Fees of VSWA are calculated on a quarterly basis in arrears in CHF as a percentage of the market value (in CHF) of the holdings held in custody with your Custodian (total assets including all securities, fiduciary deposits, metals, other assets and cash positions in your portfolio). The fee is based on the average value of your assets as of the last day of the prior three months (i.e., the fee charged in March for the first quarter is calculated by the average of the portfolio value on the last day of February, January and

December). The market value (i.e., the valuation of the assets in your account, in CHF) is provided by VSWA affiliate Bank Vontobel AG, even in cases where the client's Custodian is not Bank Vontobel AG, but rather Pershing Advisory Solutions LLC. Bank Vontobel AG will value client positions using automatic pricing feeds from independent data providers (such as Telekurs and Bloomberg). At the end of each quarter, VSWA will calculate and request the respective Custodian to pay the pro-rata portion of the annual advisory fee to VSWA from your account.

#### Pricing scale:

##### Discretionary Mandate

Tiers	Total Assets in CHF <i>Cumulative Scale</i>	Discretionary Mandate	Effective Annual Rate
1	0 to 3 million	0.90%	
2	3 to 5 million	0.80%	From 0.90 to 0.86%
3	5 to 10 million	0.70%	From 0.86 to 0.78%
4	10 to 20 million	0.60%	From 0.78 to 0.69%
5	20 to 35 million	0.50%	From 0.69 to 0.61%
6	35 to 50 million	0.40%	From 0.61 to 0.55%
7	Over 50 million	0.30%	From 0.55%

##### Tailored (Non-Discretionary) Mandate

Tiers	Total assets in CHF <i>Cumulative Scale</i>	Tailored Mandate	Effective Annual Rate
1	0 to 3 million	1.000%	
2	3 to 5 million	0.900%	From 1.00 to 0.96%
3	5 to 10 million	0.800%	From 0.96 to 0.88%
4	10 to 20 million	0.700%	From 0.88 to 0.79%
5	20 to 35 million	0.550%	From 0.79 to 0.69%
6	35 to 50 million	0.450%	From 0.69 to 0.62%
7	Over 50 million	0.325%	From 0.62%

These standard fee rates are negotiable and we reserve the right to negotiate fees on a client-by-client basis. VSWA has been granted authority by each client to direct the client's respective Custodian to pay VSWA's quarterly investment advisory fee. This fee is based on a tiered (break-point) schedule. With break-points, the fee (a percentage of assets) varies based on asset level changes, as the assets in your account increase or decrease. As a result, your investment advisory fee will change in the future should the assets in your account increase (or decrease) and trigger the listed break points.

If your account is terminated, then the investment advisory fee will be calculated on a **pro-rata** basis, including the day on which the termination enters into effect but excluding any days thereafter.

The client will designate a "Base Currency" in the Account Opening Application, which is the currency in which investment performance is measured and the currency in which the majority of the assets are invested. The Base Currencies available are generally Swiss Franc (CHF), Euro (EUR) and US Dollar (USD). Since the investment advisory fee is calculated in CHF, if the Client's Base Currency is not CHF but USD or EUR, then the debiting of the investment advisory fee to the USD or EUR account will result in a foreign-exchange transaction (CHF are bought against USD or EUR), on which the respective Custodian charges a margin spread. To the extent that you have selected Pershing Advisory Solutions LLC as your Custodian, your investment advisory fee will be calculated in CHF, as described above, but be debited in USD, even if

your Base Currency is CHF or EUR. See Item 8 “Risk of Loss” for a description of the difference between your “Base Currency” and your domestic currency.

Termination of your client agreement with VSWA shall not result in the interruption of ongoing transactions. As of the effective date of termination of our investment management services, we will have no obligation or authority to recommend or take any action with regard to your previously managed assets. You will bear the sole responsibility to work with the Custodian for proper liquidation and/or management of your assets upon termination. The client agreement may not be assigned, as such term is defined in the US Investment Advisers Act of 1940, as amended (the “Advisers Act”), to any third party by either you or us without the written consent of the other party.

In addition to the advisory fees, clients are required to pay custodial fees. For information on fees charged by the Custodian of your account, including any charges relating to foreign exchange or precious metal transactions or how your custodian executes foreign exchange or precious metal transactions for your account, you should contact your Custodian or refer to any agreement you have entered into with your Custodian. The clients to whom this Brochure are directed use VSWA affiliate Bank Vontobel AG as well as Pershing Advisory Solutions LLC (“PAS”) as their custodian (each a “Custodian”).

In general, unless otherwise agreed, third party brokerage fees will be charged separately to clients for the execution of buy or sell orders for securities. Please see Item 12 of this Brochure for more details. The investment advisory fee also does not include third party fees and duties that might apply to your account, such as value added taxes (e.g., on precious metals transactions) as well as stamp taxes, local taxes, and third party fees. Examples include, without limitation, the French transaction tax and exchange fees levied by exchanges such as Singapore and Hong Kong. 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 the advisory fees set out above. As an exception, for clients who have PAS as their Custodian, the Swiss stamp tax (but no other such taxes or fees) is included in the investment advisory fee.

Your VSWA Wealth Management Advisor can assist you to effect payments and withdrawals from your account with your Custodian and transmit your written payment instructions to your Custodian.

You may add or withdraw funds from an account at any time. However, in order for VSWA to maintain accurate information regarding your account, you should provide written notice of any such additions or withdrawals several days prior to the anticipated transaction. Note also that withdrawals from discretionary mandate accounts will tend to have a negative impact on your account's performance and, if material in amount, might

result in a need to rebalance the portfolio and/or a temporarily failure to stay in line with the chosen investment strategy. For information concerning the rebalancing process, see item 7.

We are not responsible for accurate reporting if you fail to provide us with accurate information. We strive to maintain your account data as accurately as possible; however, we must rely on accurate information being provided to us by you and the Custodian, through electronic or other means, in order to do so.

In cases where a client purchases or sells an investment against his or her account and the account has a Base Currency that is different than the currency in which the investment is traded, such trade will automatically lead to a foreign exchange transaction. Additionally, in case of time differences between the trade and the settlement date on the account, the client might be exposed to a currency risk for this period.

Neither VSWA nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. VSWA does not charge its clients any transaction-based fees. In addition, VSWA does not charge client routing fees when transmitting orders to third party brokers for execution. VSWA is not a broker and therefore does not provide brokerage services. See Item 14 below for more details on client referrals and other compensation.

Clients do not have an ability to direct VSWA to use a specific broker of their choosing. While none of the brokers to whom VSWA routes purchase orders for investment products is an affiliate of VSWA, in the limited case where a client has pre-existing holdings in non-US registered investment funds, VSWA will nonetheless use its affiliate Bank Vontobel AG for the limited purpose of redeeming such pre-existing client holdings. For more information in this regard, see Item 12.

Other than as described above, VSWA does not use any affiliates to effect securities transactions for clients.

The information contained in this Item is subject to change at any time upon notice to clients.

## **5.2 Compensation**

### **5.2.1 Conflict of Interest in Regard to Compensation**

We maintain investment policies reflecting a variety of factors used in assessing investment opportunities and making recommendations to you. These factors do not include, and we do not consider, the nature or amount of compensation to be received by, or any financial or other interest held by, us or any affiliate in connection with any recommended transaction.

### 5.2.2 Conflict of Interest in Regard to Compensation of Our Financial Professionals

Our financial professionals receive an annual fixed salary. In addition, they are eligible to receive an annual discretionary compensation award. This VSWA incentive compensation plan is operated in VSWA's sole and absolute discretion and may be amended or discontinued at any time. Eligibility and potential payout for the annual discretionary compensation award is calculated by taking into account a variety of factors. For VSWA's Investment Management team, such factors include the performance of discretionary mandates managed by them relative to the relevant benchmark. For VSWA's Investment Advisors, these factors include the performance of the investment ideas and recommendation lists that they put together for Advisory Program clients.

For VSWA's Wealth Management Advisors (WMAs), the factors used to determine the annual discretionary compensation award include among others the amount of net new money attributed to the WMA, the overall revenues generated by their clients for VSWA as well as the return on investment spreads, margins and interest on loans that accrue, if any, to its affiliate Bank Vontobel AG. Such factors have historically, and can in the future, incentivize a financial professional to take actions that would benefit the adviser, possibly at the expense of the investor, for example, by encouraging a client to increase the assets in his or her accounts with us or carry out transactions resulting in higher revenues of any kind for Bank Vontobel AG when it is potentially not in the client's best interest to do so or to make investments carrying a higher risk-return profile than would be warranted if the investment opportunity were being assessed solely from the perspective of the client's best interest. We have mitigated these conflicts by adopting a code of ethics that requires each financial professional to act in your best interest at all times in his or her professional interactions with you, by instituting training and affirmation programs on our Code of Ethics that are mandatory for all employees and by disclosing these conflicts to you. See Item 11, "Code of Ethics, Participation or Interest in Client Transactions, Personal Trading and Potential Conflicts of Interest".

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Hence, we do not engage in the practice of side-by-side management (i.e., the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not).

Nonetheless, we do manage client accounts that have objectives that are similar to, or that overlap with, those of other clients. The investment advisory strategies we use for certain clients could conflict with the

transactions and strategies employed for other clients and might affect the prices and availability of the securities and other financial instruments in which clients invest. For example, on a regular basis, and in particular after investment strategy changes have been approved by VSWA's Investment Committee, the Head of the Committee informs members of VSWA's Wealth Management Advisor team of investment recommendations or changes in investment strategies. As a result, clients should understand that transactions effected for one or more discretionary account can have already been recommended to clients of non-discretionary accounts before the transactions for the discretionary accounts have been effected. These previous non-discretionary account transactions can, depending on their volume, impact the prices of instruments obtained in later transactions on behalf of discretionary accounts. Accordingly, if the Investment Management Team implements the investment recommendations or changes in investment strategies provided by the Investment Committee over a certain period of time, the prices received for transactions in discretionary accounts may not be advantageous relative to the prices previously received on behalf of non-discretionary accounts, or in general. The same applies to transactions effected by us on behalf of clients with non-discretionary accounts, if such transactions are effected after VSWA implements the investment recommendations or changes in investment strategies in its discretionary accounts.

## 7 Account Requirements and Types of Clients

VSWA provides investment advice to individuals, trusts, estates, charitable corporations, and corporations or other business entities that are considered "US Persons", as such term is defined in the US Internal Revenue Code, or who are otherwise residing in the United States. VSWA may also serve non-US trusts, non-US foundations and non-US companies whose ultimate beneficial owner(s) and/or beneficiary or beneficiaries is/are considered "US Persons" or who are otherwise residing in the US. In addition, VSWA provides advisory services to clients resident in the Canadian provinces of Alberta, British Columbia, Nova Scotia, Ontario and Quebec who are Canadian "permitted clients", as such term is defined under *National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations*. We do not serve or provide investment advice to registered or private investment companies, pension plans or profit sharing plans. The individuals to whom we provide investment advice are primarily high net worth individuals.

VSWA's investment advisory service is typically only available for discretionary accounts larger than CHF 1,000,000 and for non-discretionary accounts larger than CHF 2,000,000. We nonetheless reserve the right in our sole discretion to accept a client where the minimum investment amount is not met, change the

minimum investment amounts for new accounts, impose higher minimum investment amounts for certain strategies or portfolios that are offered from time to time, terminate accounts that fall below the minimum investment amount or to require that additional cash or securities be deposited to bring an account up to the required minimum value.

For clients with discretionary accounts, VSWA as a fiduciary with full discretion for your discretionary account must act in your best interests, including with respect to the timing of investing your account. VSWA employs both strategic and tactical asset allocation for these accounts. Discretionary account assets are evaluated as part of a regular rebalancing process. You are not allowed to direct the rebalancing frequency or methodology, or opt out of rebalancing on your account. The regular rebalancing process considers:

- market actions;
- your contributions;
- any withdrawal requests; and
- asset allocation changes that have been directed by our Investment Committee.

In the context of non-discretionary accounts, VSWA offers an opportunity for clients who want to have more control over their accounts to direct transactions after discussing recommendations with VSWA. Clients with non-discretionary accounts are permitted to purchase investments in either "core investments" or "satellite investments." Core investments are those securities which can be found on VSWA's Master lists. The Investment Management Team monitors the securities on the Master Lists (stocks, bonds and alternative investments) on a frequent basis. Securities selected from these Master Lists will be found as investments for the discretionary accounts. Satellite investments are those securities not found on the VSWA Master Lists. Clients with non-discretionary accounts may select and direct the purchase of satellite investments but only after the client's VSWA Wealth Management Advisor has discussed the selected satellite investment with VSWA's Investment Advisory Team ("IAT") and provided the client advice on the client's selected investment. The allocation between core investments and satellite investments will ultimately be selected by the client after a thorough discussion with the Wealth Management Advisor. Satellite investments are not actively monitored by VSWA. Hence, sudden changes in the satellite's valuation may go undetected by VSWA for some time, unless the client is actively monitoring the satellite security in his Advisory Program account.

The IAT, composed of VSWA's Investment Advisors, is responsible for generating investment ideas for Advisory Program clients jointly with the Investment Management team, analyzing the portfolios of Advisory Program clients and putting together recommendation lists and handling special requests from Wealth Management Advisors with respect to their Advisory Program clients.

Upon request, clients with total non-discretionary assets of CHF 3 million or more may choose to have direct contact with the IAT and become IAT-advised clients. IAT-advised clients receive all investment-related services from the Investment Advisors within the IAT, with the Wealth Management Advisor remaining responsible for general relationship management and administrative matters.

If you have a non-discretionary account with us, it is your responsibility to determine whether and how to implement your target asset allocation/investment strategy and ensure that your asset allocation continues to be consistent with your objectives over time. We will monitor deviations from your target asset allocation and inform you from time to time should your allocation shift significantly and these deviations continue for a period of time. You are responsible for addressing any inconsistencies by updating your *Investment Policy Rules* to select a different investment strategy or modifying your asset allocation.

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

### **8.1 Methods of Analysis**

We employ a disciplined investment approach based on a top-down macroeconomic view combined with bottom-up stock selection. VSWA's Investment Committee agrees on a global macro view and formulates an asset allocation decision by taking into account expectations of gross domestic product, inflation, short- and long-term interest rates, currency developments, labor market trends, asset class valuation, sentiment data, technical analysis as well as major central bank actions. We actively seek international diversification in an effort to enhance portfolio return while trying to diversify risks.

For stock selection, we employ a combined approach based on quantitative and qualitative methods to identify attractive investments. Our quantitative analysis addresses factors like quality, stability, profitability, growth, risk and valuation. The subsequent qualitative analysis may cover, but is not limited to, aspects like a company's business model, competitive advantages, barriers to entry and management quality. We put strong emphasis on understanding underlying business features, industry dynamics and potential future opportunities. To be considered as an investment, the market price of a company should trade at a significant discount to its intrinsic value.

Although we primarily rely on the research capabilities of our Investment Management Team and Investment Advisory Team, we also receive and take into account a broad range of investment analysis information and research from our affiliate Bank Vontobel AG as well as external sources. The selection of the individual securities, whether US or non-US securities, will depend on the Base Currency selected by the client.



The sources of research and information that we use include:

- financial publications;
- inspections of corporate activities;
- company press releases and securities filings;
- research and due diligence material prepared by Bank Vontobel AG and third parties;
- rating services;
- regulatory and self-regulatory reports;
- third-party data providers and research consultants;
- outside consultants, experts and other professionals; and
- other public sources.

The information covers, among other things, general economic conditions, industries, groups of securities and specific securities, market data, political developments, pricing and appraisal services, credit analysis, risk measurement analysis and other information that may affect the economy and industries.

As mentioned above, in making investment decisions for discretionary accounts, VSWA's Investment Management Team uses research issued by a number of sources, including affiliate Bank Vontobel AG. Nonetheless, we are not required to follow Bank Vontobel-issued research and will in our discretion take positions for your account from time to time that contradict the research issued by our affiliate.

## **8.2 Investment Strategies**

Client investment objectives, guidelines and restrictions are negotiated on a case-by-case basis and are memorialized in a signed written document referred to as *Investment Policy Rules*, which are established for each account in accordance with the client's specific risk tolerance, objectives, restrictions and expected returns.

For non-discretionary clients, VSWA monitors investments provided they are within VSWA's recommended investment universe (i.e., those securities found on the VSWA's Master Lists from time to time) provides advice on investments proposed by the clients and recommends changes from time to time. For discretionary clients, VSWA monitors the investments and implements the necessary changes in your portfolio on an ongoing discretionary basis.

VSWA has an investment committee (the "Investment Committee"), which is chaired by VSWA's Chief Investment Officer, who is responsible for the prudent management of VSWA's client assets, and is further comprised of the other members of the Investment Management Team, one representative of the IAT as well as certain senior members of VSWA, including the Chief Executive Officer or, in his absence, the Deputy Chief Executive Officer. The Investment Committee meets on at least a monthly basis with interim meetings as necessary to discuss, in general terms, allocation within each investment strategy, securities selection, risk management, overall investment strategy, and

performance. The Investment Committee may also invite others to serve as advisors or consultants to the Investment Committee.

Taking into account the recommendations for the assets and securities for each investment strategy, the Investment Committee will determine the allocation of such assets and securities for each investment strategy. Thereafter, individual client accounts holdings and transactions are constructed taking into consideration any specific client guideline requirements. The Investment Managers will then transmit orders to VSWA's US registered broker-dealers for execution and clearance.

VSWA has established a risk and oversight committee (the "Risk and Oversight Committee") which is led by the Chief Executive Officer, or in his absence, the Deputy Chief Executive Officer. The Risk and Oversight Committee meets regularly, generally on a monthly basis, to review and as necessary resolve and approve, among other things:

1. Any compliance risks and issues that have arisen, including but not limited to Code of Ethics violations;
2. Investment management issues and operational risks, including best execution and evaluation of the US brokers as well as any trading related issues and trade errors;
3. Client related issues, including the onboarding of new client accounts, client complaints, and annual review of client accounts;
4. Performance of portfolios;
5. Valuations issues;
6. Service provider arrangements, including any operational issues; and
7. Business risk management issues.

The Risk and Oversight Committee will review, with regard to trade errors, the facts surrounding each circumstance to determine whether an error has in fact occurred. If the Risk and Oversight Committee determines an error has occurred, it will consider (i) the nature and cause of the error, (ii) whether the client has been disadvantaged by the error, and (iii) suitability of the allocations resulting from an error. Unsuitable trades will always be resolved in the client's favor. See Item 12 below for further information on VSWA's trade error procedures.

## **8.3 Risk of Loss**

Investments in financial instruments, including securities, involve a risk of financial loss that clients should be prepared to bear. The selection of an appropriate investment strategy must fit your investment risk profile and objectives. Each such strategy involves investment in a certain type or types of securities, each of which have their own risks. Set forth below are some of the material risk factors that are often associated with the investment strategies and types of investment relevant to many of our clients.

**This is a summary only.** The information included in this brochure does not include every potential risk

associated with each investment strategy or applicable to a particular client account. You should not rely solely on the descriptions provided below. You are encouraged to ask questions regarding risk factors applicable to a particular strategy or investment product, read all product-specific disclosures and determine whether a particular investment strategy or type of security is suitable for your account in light of your own specific circumstances, investment objectives and financial situation.

- **Bulk risk:** The risk of being invested in a single security or issuer is considered and while diversification in general is sought by VSWA, there is no assurance that this will necessarily mitigate or eliminate the risk of loss in every market environment.

- **Concentration risk:** Certain investment strategies or accounts can be more highly concentrated in certain market segments or in the securities of certain companies than other strategies, though these strategies or accounts will still adhere to the same general investment objectives. Concentration in certain market segments or companies could lead to an increased risk of loss due to a lack of diversification. Concentration can also result in higher volatility and exacerbate the risks described herein.

- **Credit risk:** Fixed income securities also involve the risk that the issuer could default on its obligation to pay interest and/or principal, or go bankrupt, which could cause the holder of such a security to suffer a partial or total loss.

- **Currency risk:** A client's account may be invested in securities and other investments that are denominated in currencies other than the client's domestic currency. Accordingly, the value of such assets can be affected favorably or unfavorably by fluctuations in currency rates. Currency exchange rates can be extremely volatile, particularly during times of political or economic unrest or as a result of actions taken by central banks, which may be intended to directly affect prevailing exchange rates. Each strategy under consideration must be reviewed for the currency risk, i.e., the risk (or opportunity) for additional financial loss (or profit) depending on how much of the investments will occur in the client's domestic versus foreign currency and the rate of the foreign currencies relative to the client's domestic currency. In addition, a client may have selected a "Base Currency" for its account that is different from the client's domestic currency. In these cases, account values as set out in monthly and quarterly statement of assets will be reflected in the Base Currency. When a client selects a Base Currency other than the domestic currency, all of the assets in the client's VSWA portfolio are converted to the selected Base Currency for purposes of calculating account performance. However, fluctuations in the exchange rate between the client's Base Currency and the client's domestic currency would mean that the performance shown in account statements (in the Base Currency) is higher or lower than the actual

performance of the account in the client's domestic currency.

- **Equity investment risk:** Investments in equity securities present a risk of loss that may result in the loss of all or part of an investment. Prices are volatile and market movements are difficult to predict. These price movements may result from factors affecting individual companies or industries. Price changes may be temporary or last for extended periods. The value of specific equity investments correlate to the fundamentals of each particular security, and prices of equity investments can fall or fail to appreciate regardless of movements in securities markets.

- **Exchange traded fund (ETF) risk:** Investing in ETFs carries the risk of the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held. Further, ETFs incur fees and expenses (such as brokerage commissions, management fees, etc.), and such fees and expenses will reduce the overall performance of the ETFs that incur them. For further information regarding the structure, fees, and risks associated with investing in ETFs, see the SEC's Investor Bulletin on ETFs: <https://www.sec.gov/servlet/sec/investor/alerts/etfs.pdf>

- **Fiduciary deposit risk:** Fiduciary deposits are investments made by a financial institution in its own name, but in response to a written order, exclusively for the client's account and at the risk of the client. The Custodian Bank Vontobel AG places fiduciary deposits for VSWA clients with the non-US third party financial institutions selected by it for this purpose from time to time. Such fiduciary deposits for VSWA clients are subject to both the credit risk of the third party financial institutions with whom Bank Vontobel AG has placed the deposits as well as the credit risk of Bank Vontobel AG, with the possible consequence that the client could lose all or part of his investment.

- **Fixed income risk:** Fixed income securities fluctuate in value based on interest rate changes. If rates increase, the market value of fixed income securities will generally decrease. On the other hand, if rates fall, the value of the fixed income investments generally increases. The market value of debt securities with longer maturities is more volatile and likely to fluctuate in response to changed interest rates to a greater

degree than the market value of debt securities with shorter maturities.

**- Geographical and sector risk:** The same applies as stated under bulk risk, where there is risk in concentrating investments in geographic regions or business or industry sectors. While geographic and sector diversification is in general sought, there is no assurance that this will necessarily mitigate or eliminate risk of loss. Also, certain strategies necessarily require concentration in a geographic region, and thus those client accounts invested in accordance with that strategy will be subject to increased risk associated with that region.

**- Liquidity risk:** Some companies are not well-known, have a smaller market capitalization than others and lower trading volume and/or can be significantly affected by political and economic events. Securities issued by these companies may be difficult to buy or sell, and the value of strategies that purchase these securities may rise and fall substantially, especially during periods of crisis or stress in markets.

**- Market risk:** Due to general economic and market conditions, the market price of securities go up and down, sometimes rapidly or unpredictably, and can impair profitability or result in losses. Factors affecting market price include interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws and national and international political circumstances. Market risk exists in all types of investments.

**- Epidemics and Market Disruption Risk:** Widespread disease outbreaks that affect local economies or the global economy may materially and adversely impact our investment portfolios and/or our business. These types of outbreaks have the potential to cause severe decreases in core business activities such as manufacturing, purchasing, tourism, business conferences and workplace participation, among others. These disruptions also have the potential to lead to instability in the marketplace, including market losses and overall volatility. In the face of such instability, governments may take extreme and unpredictable measures to combat the spread of disease and mitigate the resulting market disruptions and losses. The full impact of a pandemic or disease outbreak is unknown, which could result in a high degree of uncertainty for potentially extended periods of time. Since the outbreak of the novel coronavirus (COVID-19), VSWA and Vontobel Group have been closely monitoring the situation as it develops. The measures we have implemented are aligned with the recommendations of the World Health Organization (WHO), local government and relevant health authorities. Based on the current situation, we expect our business to continue operating at a normal level, with employees continuing to be available to you, in part working from temporary offices at home or elsewhere. However, because a large epidemic may create significant market and business uncertainties and disruptions, not all events that could affect VSWA's

business and/or the markets can be determined and addressed in advance. Given how closely our revenues are tied to capital markets, market declines and lower asset prices will negatively impact our performance and put pressure on our business. We may face challenges with respect to our day-to-day operations if our key personnel are unavailable due to health and safety issues, quarantines, travel or other restrictions. Moreover, we rely on a network of service providers to run our business. Disruptions to their operations, availability of key personnel, technology infrastructure or finances caused by the recent coronavirus outbreak could have negative effects on our operations and business.

**- Small and mid cap equities market risk:** The small and mid cap market segments consist of a greater number of companies, are generally less transparent, are covered by fewer analysts, have less market liquidity than companies with larger market capitalizations and may be prone to higher price fluctuations and a greater risk of business failure than the large cap market segment.

**- Transfer risk:** There is also a risk that a creditor will not be able to convert local currency into foreign exchange, and so be unable to make debt-service payments in foreign currency. The risk normally arises from exchange restrictions imposed by the government in the creditor's country.

There is no assurance that any investment risk mitigation efforts undertaken by VSWA will be successful or otherwise eliminate the relevant risk. Further, there is no assurance that a client will achieve his or her stated investment objective.

## 9 Disciplinary Information

Under Item 9, SEC-registered investment advisers such as VSWA are required to disclose all material facts regarding any legal or disciplinary events involving the firm or our management persons that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

We have no legal or disciplinary events to report.

## 10 Other Financial Industry Activities and Affiliations

### 10.1 Registered Representatives

Neither we nor any of our employees or management persons are registered, or have an application to register, as a broker-dealer or registered representative of a broker-dealer or as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of such an entity.

## 10.2 Relationships and Arrangements with Related Persons and Conflicts of Interest Arising Therefrom

We are a wholly-owned subsidiary of Vontobel Holding AG, a Swiss holding company in Zurich, Switzerland, which also owns Bank Vontobel AG, a bank and securities trader licensed and supervised in Switzerland by FINMA as well as various other subsidiaries active in the financial services industry. VSWA is a part of the Vontobel Wealth Management division.

There are various forms of relationships and cooperation between us and our affiliate Bank Vontobel AG as well as certain other affiliated companies. These arrangements as well as the potential conflicts of interest arising therefrom are described below:

### Bank Vontobel AG

Bank Vontobel AG serves as a Custodian for the majority of the VSWA clients to whom this Brochure is directed (although VSWA clients may alternatively or additionally select PAS as their Custodian). The custody services that Bank Vontobel AG provides to VSWA and its clients include but are not limited to: (i) trade reconciliation (including matching of orders, electronic delivery of trades, settlement of trades); (ii) valuation of portfolio holdings; (iii) pursuant to client authorization, the debiting from the client account fees owed to VSWA; (iv) maintenance of certain books and records; and (v) client reports reflecting trading activity, account valuation information, and tax reporting information and tax reclaim services.

VSWA's clients may obtain banking, custody, lending, margin or bank-related products and services from Bank Vontobel AG. The fees and margins for such products and services create revenue for it and may be more or less favorable to clients than those that can be obtained from unaffiliated third parties. While Bank Vontobel AG does not pass on to VSWA any of the margins and fees that it applies to VSWA clients and VSWA clients who use such products and services from Bank Vontobel AG are not granted preferential treatment by VSWA vis-à-vis other clients, VSWA nonetheless has a general indirect incentive, being part of the Vontobel Group, to encourage clients to seek such services from Bank Vontobel AG. Further, VSWA Wealth Management Advisors have a direct incentive to do so due to the fact that the overall revenues generated by their clients not only for VSWA, but also for Bank Vontobel AG, are taken into partial consideration by VSWA senior management when it determines the amount of the annual discretionary bonus, if any, to be awarded to a Wealth Management Advisor. See Item 5.2.2 in this regard.

While VSWA and Bank Vontobel AG do not share staff, three of VSWA's members of the Board of Directors (including the Chairwoman) have executive functions at Bank Vontobel AG.

Since Bank Vontobel AG is a related person to VSWA pursuant to Rule 206(4)-2 under the Advisers Act,

VSWA undergoes a surprise examination conducted by an independent accounting firm each calendar year. This surprise examination is to confirm the accuracy of our custody records. VSWA will engage an independent accounting firm each year to perform this examination at a date to be selected by the accounting firm in accordance with the Advisers Act requirements.

In addition, as a related entity to VSWA, Bank Vontobel AG must obtain a written internal control report, that it provides to VSWA and that includes an opinion from an independent public accountant with respect to its controls relating to the custody of VSWA's client assets. This exercise must be undertaken no less frequently than once each calendar year.

The accountant performing the surprise examination and the accountant issuing the internal control report will be registered with, and subject to regular inspection by, the US Public Company Accounting Oversight Review Board.

Apart from the custody and other services that it provides to VSWA clients, Bank Vontobel AG provides to VSWA itself various mid and back office services such as in the area of operation and maintenance of IT infrastructure, including telephony, and application services, compliance, human resources, operation and maintenance of financial information platforms. In addition, VSWA receives research from Bank Vontobel AG and has been granted access to the platforms of the Bank's external research providers. Further, VSWA relies on the Bank for the construction of model portfolios for certain of its discretionary mandate strategies. VSWA is charged for these services pursuant to various service level agreements.

VSWA does not use Bank Vontobel AG to effect securities transactions other than in the following limited instance: Although VSWA does not recommend the purchase of non-US registered investment funds for its clients, from time to time clients may have pre-existing holdings in such funds that they wish to transfer into their VSWA portfolios custodied with Bank Vontobel AG. In the event that the client transfers such non-US fund shares into their VSWA portfolios at Bank Vontobel and subsequently wishes to redeem the shares, VSWA's US-regulated brokers are not typically in a position to carry out the redemption. Nonetheless, it may be possible in such situations for the fund shares to be redeemed via Bank Vontobel AG as Custodian, at no extra charge to the client. VSWA will clarify this possibility in advance of transfer and notify the client if a potential redemption of such fund shares via Bank Vontobel is not possible. In the event of a fund redemption via Bank Vontobel AG, the Bank will not receive any compensation from the non-US funds (or investors in such funds) in the form of trading commissions or performance incentives in connection with the redemption of fund shares on behalf of VSWA clients. Nevertheless, the Bank will in such cases typically receive a trailer fee from the non-US fund, which means that non-US funds held by the Bank on

behalf of VSWA clients will generate trailer fee revenues for Bank Vontobel.

We believe, however, that this additional revenue for VSWA's affiliate Bank Vontobel AG does not create a conflict of interest for VSWA because Bank Vontobel does not directly or indirectly pass on any of this revenue to VSWA. Further, since the non-US fund shares in question were purchased by the client before the client established the advisory relationship with VSWA, VSWA did not exert any influence over the client's investment decision. The trailer fee potentially generated for Bank Vontobel AG by the holding will not be applied to reduce or offset the investment advisory fee paid by the VSWA client.

VSWA and Bank Vontobel AG share premises but do not share any staff, with the exception of compliance personnel, who also work to a very limited extent for Bank Vontobel AG. In addition, three of VSWA's members of the Board of Directors (including the Chairman) have executive functions at Bank Vontobel AG.

#### **Vontobel Securities Ltd.**

Vontobel Securities Ltd., a Swiss broker-dealer that is also registered as a broker-dealer under US securities law, is a sister company of VSWA. VSWA's New York office personnel currently share space on the 40<sup>th</sup> floor of 1540 Broadway, New York, NY, with Vontobel Securities Ltd.'s New York branch office staff. However, we have no reason to believe the sharing of such space creates a conflict of interest with our clients because VSWA does not use Vontobel Securities Ltd. as introducing, executing or clearing broker or otherwise, and neither VSWA nor any VSWA employee receives any compensation from Vontobel Securities Ltd. from the purchase or sale of securities or investments.

#### **Vontobel Asset Management, Inc.**

Vontobel Asset Management Inc. is a SEC-registered investor adviser based in New York and a wholly-owned subsidiary of Vontobel Holding AG. Vontobel Asset Management, Inc. provides VSWA services in the area of human resource and payroll administration with respect to VSWA's US-based staff. VSWA is charged for these services. We do not believe that this poses any material conflict of interest with our clients, however, because we do have any business dealings with Vontobel Asset Management Inc. in connection with advisory services we provide to clients, do not conduct shared investment operations with Vontobel Asset Management, Inc., do not refer prospective clients or business to Vontobel Asset Management, Inc. (or vice-versa) and do not share any supervised persons or premises with Vontobel Asset Management, Inc.

#### **Potential Conflicts with Affiliates In General**

Except as prohibited by law, VSWA may purchase, sell or recommend for purchase or sale for its clients, securities issued by companies (1) for which our affiliates act as an investment banker or financial

adviser; (2) with which our affiliates have business or other relationships; (3) in which our affiliates have a financial interest or other interest, through ownership of securities, loan arrangements, or otherwise; (4) in which our affiliates act as a market maker or maintain a position; or (5) in which our officers, directors or employees, or those of our affiliates, own securities or otherwise have an interest. VSWA may give investment advice and take action in the performance of its duties for a client that differ from the advice given, or the timing and nature of actions taken, for other client accounts which may invest in some of the same securities recommended to clients. VSWA may recommend to its clients, or purchase for its clients, securities of issuers in which Vontobel Holding AG or one of its affiliates has an interest. In addition, advice provided by VSWA may differ from advice given by its affiliates.

### **11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

VSWA has a Code of Ethics in place that applies to all of our employees. The Code of Ethics is designed, among other things, to govern personal securities trading activities in any employee account or account in which an employee has control or a beneficial interest. The Code contains general ethical principles and personal securities reporting provisions for VSWA employees. In summary, the Code prohibits employees of VSWA from taking inappropriate advantage of their positions and the access to information concerning the investments or investment intentions of VSWA on behalf of its clients, or their ability to influence such investment intentions, for personal gain or in a manner detrimental to the interests of its clients. VSWA's employees must obtain pre-clearance for transactions in defined "reportable securities" as set forth by the SEC, which includes stocks, securities futures, and bonds and provide account information about personal securities transactions and holdings.

It is our express policy that any person employed by us is prohibited from profiting at the expense of our clients and from competing with our clients.

The VSWA Code of Ethics, Compliance Manual and other compliance policies and procedures adopted by VSWA contain the following provisions to handle conflicts of interest:

- (1) Each access person of VSWA obtains pre-trade approval for transactions and submits quarterly reports of transactions and securities holdings.
- (2) We maintain records of all securities holdings for our clients and our employees. These holdings are reviewed on a regular basis by our Chief Compliance Officer.
- (3) No individual shall cause or attempt to cause any of our clients to purchase, sell or hold any interest in a security in a manner calculated to create any

- personal benefit or benefit for any access person account.
- (4) Each employee receives annual compliance training and must acknowledge the firm's policies and procedures with respect to the Code of Ethics on an annual basis.
  - (5) Any employee not in observance of the above may be subject to disciplinary action, and possible termination.

The Advisers Act makes it unlawful for VSWA employees to engage in conduct which is deceitful, fraudulent, or manipulative, or which involves false or misleading statements, in connection with the purchase or sale of securities. The VSWA Code of Ethics acknowledges the general principles that VSWA and/or its employees:

- (a) Owe a fiduciary obligation to their clients;
- (b) Have the duty at all times to place the interests of their clients first;
- (c) Must conduct all personal securities transactions in such a manner as to avoid any actual or potential conflict of interest or abuse of an individual's position of trust and responsibility;
- (d) Should not take inappropriate advantage of their positions in relation to client accounts;
- (e) Must comply with the US federal securities laws and applicable Swiss laws; and
- (f) Must safeguard non-public information.

The Code of Ethics also imposes restrictions on outside business activities, gifts and entertainment and political contributions.

A copy of the VSWA Code of Ethics is available to clients and potential clients on request.

## 12 Brokerage Practices

In order for us to actively manage your assets, we require that you appoint us as attorney-in-fact with full discretionary trading authority. This authority will allow us to buy or sell securities, as well as specify the amount of securities to invest, without first obtaining your specific consent. This authority also enables the transfer or exchange of your funds between asset classes and other securities agreed to by you in accordance with the investment management service selected by you.

### Factors Used to Select Broker-Dealers

VSWA transmits securities transactions to US regulated broker-dealers that it selects based on its fiduciary obligation to seek "best execution", and does not permit clients to direct brokerage to the firm of their choice.

For clients who use Bank Vontobel AG as Custodian, the following applies: For equity security transactions, VSWA uses Citibank NA, Pershing LLC and (for certain

European and Swiss equity security transactions) Mainfirst Securities US, Inc. For fixed income security (bond) transactions, VSWA uses various US firms. The SEC defines best execution as "best qualitative execution", not merely the lower possible execution cost. In determining which brokers it selects, VSWA may consider various factors, such as execution capability, commission rate (spread), responsiveness and the ability of the relevant Custodian to settle transactions with the broker.

Trades for clients selecting PAS as Custodian will be executed by the broker specified by PAS, namely Pershing LLC in its capacity as broker-dealer, as part of the PAS integrated custody platform, and VSWA will therefore have no ability to select the broker-dealer. In such case, VSWA cannot guarantee that the client will receive best execution because VSWA does not control the selection of the broker.

Note that US brokers acting as clearing brokers will have independent regulatory obligations to select executing brokers taking into account best execution considerations. In certain circumstances for securities traded in Swiss and possibly other non-US markets, Bank Vontobel AG, an affiliate of VSWA, might be selected by the clearing broker as the executing broker, which might be viewed as a potential conflict of interest. However, VSWA has no influence over the clearing broker's choice of executing broker.

Note further that because our Investment Management Team is located in Switzerland but our brokers are located in the United States, there is a time difference that can, depending on the timing of the order, result in additional time being needed for the execution of a specific trade over a US stock exchange.

### Soft Dollars

VSWA may select a broker that charges more on a per-share basis than another broker, provided that the additional charges are paid in exchange for execution services. VSWA does not "pay up", i.e., select a broker and pay more for execution than is otherwise available in exchange for the receipt of research materials (e.g. research reports or analysis) or third party-provided services (e.g. Bloomberg). Together, the aforementioned practices are commonly referred to as "soft dollars", and VSWA has no formal soft-dollar arrangements.

### Brokerage for Client Referrals

VSWA does not consider, in selecting or recommending broker-dealers, whether it or a related person receives client referrals from a broker-dealer or third party.

### Trade Aggregation and Allocation of Investment Opportunities

VSWA strives to aggregate trades for discretionary accounts. However, such aggregation is not mandatory and is made at VSWA's full discretion. Aggregation of trades is a method that seeks to increase the

consistency in the execution process and support the quality and cost of execution. Aggregation of trades under these circumstances should, on average, decrease the costs of execution. VSWA may aggregate orders so that all participating client discretionary accounts benefit equally from the reduced price (i.e., all receive an average price of the aggregated orders). Execution of aggregated trades is generally completed by the end of the trading day. In some circumstances, an aggregated trade may be executed over a period of more than one day.

Notwithstanding, VSWA can always require immediate trade execution for a particular client's discretionary account, without being part of the aggregation process, as may be necessary or appropriate for that client's account.

There may be situations – particularly in connection with aggregated trades for discretionary accounts - where a particular security must be purchased or sold for more than one client, but the investment opportunity is limited. In these situations, VSWA will in principle use a pro rata allocation method. For example, the VSWA Investment Manager places an aggregated order of 2,000 shares for discretionary clients A, B and C. Because client C has twice as much in assets under management than clients A and B, this results in an order of 500 shares each for clients A and B and an order of 1,000 shares for client C. However, only 1,000 shares (50% of 2,000) can be obtained on the market, so the 1,000 shares will be allocated proportionally. Clients A, B and C will each receive 50% of their respective orders (i.e., 250 shares for clients A and B and 500 shares for client C). In the unusual situation where the number of securities available is fewer than the number of clients interested in purchasing the security (i.e., 20 clients wish to purchase share X, but only 15 shares of X are available on the market), the available securities will be allocated in accordance with the "first in, first out" (FIFO) principle, i.e., the shares will be allocated to the clients with the "oldest" orders. In other words, when the aggregated order is created in VSWA's electronic trading system, each individual order will be automatically assigned a time stamp and the "oldest" orders will be executed by the system first.

#### **Trade Error Handling**

From time to time, VSWA may make an error in submitting a trade order on your behalf. VSWA's policy and practice is to monitor and reconcile all trading activity, identify and resolve any trade errors promptly, document each trade error with appropriate supervisory and oversight approval and maintain a trade error file. Pursuant to its trade error procedure, VSWA strives to correct and otherwise resolve trade errors in a manner assuring that the client is made whole. The client may retain gains resulting from an error on a transaction that has settled in the client's account; however, if the client is unable/restricted from receiving that gain, or if the gain results from an error that has not impacted the client's account, VSWA will donate the gain to charity.

## **13 Review of Accounts**

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### **Annual Review**

VSWA Wealth Management Advisors are responsible for a periodic review of client accounts and outlook discussion with all of their clients (at least annually). The annual review can be conducted either during a personal meeting or by way of a telephone call and covers all key aspects of the relationship, including but not limited to any changes in the client's personal and financial situation or in the client's risk profile and whether the existing strategy chosen by the client is still appropriate in light of the client's current circumstances and/or risk appetite. In case of a change in risk appetite and/or investment strategy, the Client and Account Risk Profiles will be updated accordingly.

While Wealth Management Advisors remain fully responsible for the annual review of the client relationship, they also work in close contact with the Investment Advisors within the Investment Advisory Team (in the case of non-discretionary accounts) and the Investment Managers within the Investment Management Team (in the case of discretionary accounts).

### **Other Reviews**

Selected client relationships are also periodically reviewed by Wealth Management Advisors and their supervisors, as well as compliance officers and business risk management, in connection with other risk- and policy-related controls of various aspects of the client relationship (e.g. unusual events in a client's account, suitability, know your client information, etc.). On a regular basis, internal and external audit will also select client relationships for review in connection with topical audits.

### **Reports and Information Provided to Clients**

The statements and information that you receive on a periodic basis from your Custodian regarding your client relationship allow you to regularly review and verify your investments held in your account.

In addition, when a security is removed from the Equity Recommended List by the Investment Management team and VSWA therefore sells all positions in such security held in the discretionary accounts, clients with non-discretionary accounts holding the security in question will be contacted by their Wealth Management Advisor and informed that the security is no longer being actively monitored. Similarly, if a bond is downgraded to non-investment grade and the corresponding bonds of this issuer are thus sold in discretionary accounts, clients with non-discretionary accounts holding the bond in question will be notified by their Wealth Management Advisor about the rating change and the fact the security is no longer being actively monitored.

Apart from the regular statements received from the Custodian, VSWA delivers to clients via email periodic

reports on general economic conditions, industries, market data, political developments and other matters that may affect the economic outlook or general asset classes.

#### 14 Client Referrals

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We may enter into marketing arrangements with third party financial institutions and individuals, such as investment advisers, pursuant to which representatives of such firms ("Solicitors") can solicit clients on behalf of VSWA. A portion of the advisory fee collected by VSWA will be shared with or a finder's fee paid to the Solicitor for introducing the referred accounts. However, the costs of any such payment are borne entirely by VSWA, and under no circumstances will VSWA charge a referred client a higher advisory fee than it would have charged without the introduction. Compensation received by the Solicitor may or may not be more than what the Solicitor would receive from another adviser; therefore, the Solicitor may have a financial incentive to recommend VSWA's services to you over and services of other advisers. Before VSWA enters into any agreement with you, the Solicitor must provide you a copy of VSWA's most current Form ADV Part 2 and request you to sign a Solicitor's Statement acknowledging receipt of both the Form ADV as well as certain disclosures relating to the solicitation arrangement.

If a prospective client is referred to VSWA by VSWA's affiliate Bank Vontobel AG, the Bank Vontobel AG client advisor will receive part of the net new money credit. The net new money accrued is merely a factor in determining the Bank client advisor's yearly bonus paid by Bank Vontobel AG. However, no cash payments are made by VSWA to Bank Vontobel AG (or its client advisors) for referring clients to VSWA.

#### 15 Custody Services

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The clients to whom this Brochure is directed use either Bank Vontobel AG or Pershing Advisory Solutions LLC (PAS) as Custodian for their cash, securities and other holdings.

Bank Vontobel AG, Zurich, Switzerland, is an affiliate of VSWA and provides custody of client assets in Switzerland.

In addition, VSWA has entered into a custodial arrangement with PAS. Through its Advisor Solutions integrated custody platform, PAS makes available to VSWA clients certain bank custody services and products, based in turn on an arrangement with BNY Mellon, N.A., a national banking association with its principal office in Pittsburgh, Pennsylvania and an affiliate of PAS ("BNY Mellon"). The PAS platform allows a client to grant VSWA a limited power of

attorney to have trading authority over the client's account held by the broker-dealer Pershing, LLC. VSWA is independently owned and operated and not affiliated with either Pershing LLC, BNY Mellon or PAS.

Both Custodians provide services such as (i) trade reconciliation services (including matching of orders, electronic delivery of trades, settlement of trades); (ii) valuation of portfolio holdings, (iii) pursuant to your authorization, the debiting from your accounts of fees owed to VSWA, (iv) maintenance of certain books and records, and (v) client reports reflecting trading activity, account valuation information, and tax reporting information.

The Custodians will at least quarterly provide to you directly an account statement showing purchases and sales of securities, receipt and disbursement of cash (including the adviser's fee) and securities positions. The Custodian selected by you will provide you with an account statement (at least quarterly) identifying the transactions, movement of funds and disbursement of cash (including VSWA's advisory fee) during the reporting period, as well as listing each security in your account as of the end of the reporting period. Individual confirmations for any transactions will be provided to all VSWA clients. You should review these statements and confirmations to ensure their accuracy. VSWA itself does not provide any account statements to clients.

#### 16 Investment Discretion

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For discretionary accounts, VSWA receives and exercises discretionary authority to manage the accounts on behalf of clients. The terms of our discretionary authority are set forth in the discretionary portfolio management agreement entered into with the client, coupled with the *Investment Policy Rules*. Under these agreements, the clients typically grant VSWA full power and authority to buy, sell and otherwise deal in securities in the account as investment manager, subject to any limitations or restrictions the clients may have imposed with respect to certain aspects of the management of their accounts. In the context of non-discretionary mandates, VSWA's investment discretion is limited to an advisory role and it does not implement investment decisions without the approval of the client.

#### 17 Voting Client Securities

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VSWA does not accept proxy-voting responsibility for securities held in VSWA client accounts. Clients retain responsibility for voting all securities maintained in their accounts. However, VSWA does exercise investment authority for certain corporate actions (including but not limited to takeover, dividend election to take cash or securities, rights offering, offer to redeem, split, reverse split, change in nominal value, etc.) in connection with the discretionary accounts.



Clients whose Swiss shares are custodied with Bank Vontobel AG and registered in Switzerland in their name with the respective companies receive their proxies from such companies directly. With respect to all other shares held in your account, you will be responsible for obtaining any applicable proxy information. We do not monitor proxies solicited by issuers on an ongoing basis for Client accounts and will not be responsible for sending proxy-related information to you. If you choose to custody your securities with PAS, we will instruct PAS to send you all mailings relating to the voting of proxies directly, in which case you will be able to act on these materials as you see fit.

VSWA does not act for the client in legal proceedings, including class actions.

## 18 Financial Information

Not applicable. VSWA has never filed for bankruptcy and, as of the date of this Brochure, is not aware of any financial condition reasonably likely to impair its ability to meet its contractual commitments to clients.

## 19 Data Protection and Privacy Policy

We recognize and respect the privacy of each of our customers and their expectations for confidentiality. The protection of customer information is of fundamental importance in our operation and we take seriously our responsibility to protect non-public personal information. The SEC has issued Regulation S-P that requires, among other things, that financial institutions provide a notice to clients of the firm's policies relating to private client information.

VSWA obtains non-public personal information about you from the following sources:

- Information we receive from you on applications and other forms such as information and records pertaining to personal background, investment objectives, financial situation, investment holdings, account numbers, account balances, etc.;
- Information about your transactions with us or others;
- Information we may receive from a consumer reporting agency;

We do not disclose any non-public personal information about you unless VSWA is:

- Previously authorized by you to disclose information to individuals and/or entities not affiliated with VSWA, including, but not limited to the client's other professional advisers and/or service providers (i.e., attorney, accountant, insurance agent, broker-dealer, investment adviser, account custodian, etc.);
- Required to do so by judicial or regulatory process; or
- Otherwise permitted to do so in accordance with the parameters of Regulation S-P.

VSWA also adheres to the data protection standards within Europe under the EU General Data Protection Regulation – in short, "GDPR". VSWA's GDPR Privacy Notice, which can be found at <https://www.vontobeladvisors.com/en-int/legal-notice/gdpr/>, sets out information as to:

- how and for what reasons we collect, process and store your personal data, as well as on what legal basis this is done;
- what rights you have in this regard;
- what obligations we have with regard to the processing of personal data.

VSWA restricts access to your personal and account information and limits its availability to its employees and employees of affiliates who need to know that information to provide products or services to you, such as Bank Vontobel AG for custody matters. If you decide to close your account(s) or become an inactive customer, we will continue to adhere to our normal privacy policies and practices.