



# Brochure

Form ADV Part 2A ■ March 27, 2020

*This brochure provides information about the qualifications and business practices of Johnson Wealth Inc. ("Johnson Wealth" or "Company"). If you have questions about the contents of this brochure, please contact us at the telephone number listed below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.*

*Additional information about Johnson Wealth is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Johnson Financial Group is the parent company and business name for its subsidiaries, Johnson Wealth Inc., Johnson Bank and Johnson Insurance Services, LLC.*

*Please note that registration of an investment adviser with the SEC does not imply a certain level of skill or training.*

# Item 2 - Material Changes

The following is a summary of material changes made to this Form ADV Part 2A - Brochure dated March 27, 2020 since the last annual ADV amendment dated March 28, 2019.

Item 4 – Advisory Business was revised as follows:

- Specific references to certain acquisitions and transactions, including the acquisition by Johnson Financial Group and purchase of accounts and staff from Alberts Investment Management were removed due to time passed.
- Assets under management were updated to reflect that, as of December 31, 2019, the Company advised on approximately \$5.7 billion of client assets on a discretionary basis and approximately \$1.6 billion of client assets on a non-discretionary basis. Detail with respect to subadvisory services for affiliate, Johnson Bank, was also added.

Item 5 – Fees and Compensation was revised as follows:

- A minimum fee was added to the standard advisor fee schedule.
- Financial planning services, and related fees, were added for planning only services, including planning for financial independence, legacy, and philanthropy.
- A brief description of the fee discounts and service models applied to employee accounts was added.

Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss was revised as follows:

- Methods of analysis relating to equity portfolio management were added to include income, profitability, valuation, and risk.

Item 10 – Other Financial Industry Activities and Affiliations was revised as follows:

- Reference to the provision of limited technology support to Cleary Gull Inc. was removed due to termination of the agreement.

Item 12 – Brokerage Practices was revised as follows:

- The donation of gains to charity was removed and updated to reflect that gains and losses are netted and held in an error account by the custodian or a general ledger account by the Company in accordance with the Company's trade error policy.

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## Item 4 - Advisory Business

Johnson Wealth Inc. (Johnson Wealth, we, our, or the Company) is an investment advisory firm registered with the SEC under the Investment Advisers Act of 1940 (Advisers Act). On October 15, 2018, the Company's name changed from Cleary Gull Advisors Inc. to Johnson Wealth Inc. Johnson Wealth is a wholly-owned subsidiary of Johnson Financial Group, a privately-held financial services company and marketing name for its subsidiaries, Johnson Bank, Johnson Wealth Inc. and Johnson Insurance LLC. The Company provides investment advisory and consulting services to high net worth families, individuals, trusts, not-for-profit hospitals and senior living organizations, public and private foundations and endowments, other business entities, municipalities and other government entities, and other investment advisers. Although the Company itself was formed in 2003, its predecessor firms have served clients nationwide since 1987.

### **Investment Advisory Services**

The Company believes the investment advisory business should be approached with an underlying sense of purpose. With decades of experience, the Company combines a blend of investing acumen and objectivity to assist clients in creating custom portfolios designed to address both short- and long-term goals. Advisory services are tailored to the individual needs of each client based on factors such as the client's objectives, income tax status, and size of the account. The Company's focus is on delivering investment advice aligned directly with the underlying purpose of a client's assets. Identifying how a client's assets will be used in the future begins the Company's process of identifying objectives and guidelines. These factors and others help form the basis of a client's investment strategy. While solutions may have wide applicability, each client's situation is unique.

The Company's investment advisory services include, but are not limited to:

- Analysis of objectives including customized risk budgeting
- Asset allocation and portfolio construction
- Investment policy development
- Investment research
- Evaluation and selection of investment managers (Managers)
- Responsible investing
- Custodian reviews
- Trustee and Board education

When engaging the Company, clients enter into a written agreement that sets the terms and conditions under which the Company renders its services. A client may negotiate for specific advisory services designed to achieve the client's goals and investment objectives. Clients may impose restrictions on investing in certain securities or types of securities. The Company also works with clients' other professional advisors, including other Managers clients may separately engage, to provide clients with an integrated approach.

### **Discretionary and Non-Discretionary Advisory Services**

The Company manages client accounts on either a discretionary or non-discretionary basis. Investment decisions are guided by the client's investment policy statement. If a client's account is managed on a discretionary basis, the Company will generally execute all investment selections that are determined to be appropriate to implement the client's policy without further consultation with the client. The Company provides discretionary investment advice primarily with respect to mutual funds, exchange traded funds (ETFs), fixed income securities, and non-traditional (complementary or alternative) investment vehicles, such as registered mutual funds and ETFs that have alternative strategies, real estate investment trusts and closed-end funds. The Company's discretionary authority also includes the ability to retain and terminate Managers to perform subadvisory services for client accounts. The Company generally selects Managers that are on the platform of a third party service provider that it retains (Program Administrator). Such Managers enter into a subadvisory agreement directly with the Program Administrator. In other cases, Managers may enter into an advisory agreement directly with the client.

Accounts managed on a discretionary basis are generally assigned to an appropriate model; in which case, trades are typically executed in mass when a strategy change is implemented. Accounts may be excluded from the model reallocation or the timing may be delayed at the discretion of the Company. Accounts that are not assigned to a model are traded at the discretion of the Portfolio Manager. Accounts that are not traded in mass when a strategy change is implemented may receive different execution prices (higher or lower). All Portfolio Managers are subject to the Code of Ethics and must act in the best interest of the client.

If a client's account is managed on a non-discretionary basis, the client may receive different execution prices (higher or lower) on securities bought or sold and may receive different transaction charges than if the account was managed on a discretionary basis.

The Company has partnered with a third-party technology platform to access due diligence and the online subscription process for a curated menu of private equity, private credit and hedge fund investment opportunities. We offer these investment opportunities on a managed, non-discretionary basis for our high-net-worth or business-entity clients who meet certain investment qualifications.

### **Other Services**

The Company's affiliate, Johnson Bank, also retains the Company to perform discretionary and/or non-discretionary subadvisory services for a significant percentage its wealth management clients. These services include discretionary investment management, broad investment trends analysis, investment policy direction, asset allocation modeling, Manager and fund due diligence, fixed income and equity strategy and analysis, portfolio construction advice, and model portfolios. Additionally, from time to time, the Company trades mutual funds and/or fixed income securities for Johnson Bank, as directed by Johnson Bank. The Company also provides non-discretionary fixed income subadvisory services to other investment advisers.

The Company provides pre-retirement planning services to airline pilots and their families under the firm's Pilot Program that include, among other things, risk tolerance profiling, asset allocation design, pension benefits review, retirement timing and transition consultation. As part of these services, the Company provides discretionary account management through the participant's 401(k) self-directed brokerage account. Investments are limited to the investments available through the 401(k) plan's self-directed brokerage account option. The Company also offers similar pre-retirement services to other individuals through their employer's 401(k) plan.

The Company offers financial planning services designed to help its clients evaluate the potential of attaining their financial goals. The diagnostic tool used for this purpose performs calculations based on information provided by the client or prospect as well as various market assumptions and scenarios. The results are hypothetical in nature and are intended to be reviewed at least annually. It is recommended that individuals consult with their legal and tax advisers regarding their financial plan.

### **Assets Under Management**

As of December 31, 2019, the Company advised on approximately \$5.7 billion of client assets on a discretionary basis and approximately \$1.6 billion of client assets on a non-discretionary basis. Discretionary and non-discretionary assets include those subadvised for its affiliate, Johnson Bank.

## Item 5 - Fees and Compensation

The Company offers investment advisory services for a negotiable fee based upon the amount and type of assets in client accounts, the level of service provided, and the complexity and scope of the assignment. Fees may be asset, retainer, or project based and may be subject to an annual minimum. Fees are generally paid quarterly in advance in accordance with a fee schedule set forth in each client's advisory agreement and are generally directly deducted from the client's account, unless the client requests to be billed. The Company and the client have the right to terminate the advisory agreement by written notice. If the agreement is terminated, the client will either receive a pro rata refund of unearned advisory fees or pay any advisory fees and expenses yet due. Refunds will be credited back to the account from which the advance fee was debited. In the event the account was transferred to another custodian, the refund will be forwarded to the new custodian. If the advance fee was paid by check, the Company will mail a check in the amount of the refund. Refunds are typically made in the quarter following termination. Clients may contact their Wealth Advisor if they believe they are entitled to, but have not received, a refund. A client may cancel an advisory agreement without fees within five (5) business days after it is signed.

The Company's current standard advisory fee schedule applicable to individual clients is as follows:

<b>Assets Under Management</b>	<b>Advisory Fee</b>
up to \$1,499,999	0.95%
\$1,500,000 - \$2,499,999	0.85%
\$2,500,000 - \$3,999,999	0.75%
\$4,000,000 - \$5,999,999	0.65%
\$6,000,000 - \$9,999,999	0.60%
\$10,000,000 - \$19,999,999	0.55%
\$20,000,000 - \$29,999,999	0.50%
\$30,000,000 and above	negotiable
Minimum Fee	\$5,000



The above fee schedule does not have breakpoints. For example, if the total market value of the account is \$3,000,000, 0.75% is charged on the whole account.

Following is the standard fee schedule for institutional clients:

<b>Total Assets Under Management</b>	<b>Breakpoints</b>	<b>Annual Fee Rate</b>
Institutional < \$1 million	Total Market Value	1.50%
Institutional \$1 to \$5 million	Total Market Value	1.00%
Institutional \$5 to \$15 million	First \$5,000,000	0.65%
	Over \$5,000,000	0.55%
Institutional > \$15 million	First \$10,000,000	0.45%
	Next \$10,000,000	0.35%
	Next \$10,000,000	0.25%

The institutional fee schedule above does have breakpoints for portfolios over \$5,000,000. For example, if the total market value of the account is \$10,000,000, 0.65% is charged on the first \$5,000,000 and 0.55% is charged on the next \$5,000,000.

Management fees for portfolios that are limited to fixed income securities typically range from 0.30% to 0.50% of total market value per annum.

Financial planning only services are also available to clients who do not engage the Company to manage assets. Clients pay these planning fees based on the complexity of the plan, ranging from \$2,500 for a plan focusing on financial independence to \$5,000 for a plan focusing on legacy and philanthropy. The scope of engagement is defined in the agreement executed with each client.

The Company may modify its fee schedules from time to time and accounts acquired through mergers or acquisitions may be contracted with different rates and calculation methodology. Therefore, some clients may pay fees that are higher or lower than the standard fee schedules shown above. Clients pay a separate fee to each Manager retained to manage the client's account, which is generally deducted from the client's account.

Clients with assets invested in mutual funds or ETFs (collectively, a "fund" or "funds") will indirectly pay a proportionate share of the funds' expenses,

including the investment management fees to the funds' investment advisers. More information about each fund's fees and expenses is available in the fund's prospectus. Investments in private investment vehicles, such as hedge funds and other collective investment funds, typically involve additional fees directly or indirectly paid at the fund level. Clients subscribing to private equity, private credit and hedge fund investments through the online platform described in Item 4 will pay an additional platform fee to the third-party provider.

Clients are responsible for all fees and charges imposed by third parties, including clearing and other transaction charges, brokerage commissions, custodian fees, dealer spreads and transfer fees and taxes. Please see Item 12 for a discussion of brokerage practices.

The Company's fees for certain projects are billed and payable at project completion, unless otherwise agreed. The Company may request, in advance and with approval of the client, reimbursement of travel expenses and/or special costs incurred at the request of the client.

The Company also manages accounts on behalf of employees. Services are available to employees at discounted rates or a la carte service models, including investment management only services.

### **Other Fees**

The Company utilizes a third-party service provider to provide class action litigation monitoring and securities claim filing administration involving securities held or previously held in existing client accounts. The service provider currently charges a contingency fee of 20% of the amount of each claim settlement award, which is deducted from the client's award at the time of payment. There are no minimum fees or other fees deducted from a client's account related to this service.

### **Account Valuation Practices**

The Company generally relies on its Program Administrator to value client portfolios in order to calculate investment performance and client fees, where applicable. In instances where the Program Administrator is unable to determine a price for a security or if the Company determines a price received from the Program Administrator is not reflective of fair market value, the Company will determine a fair value for that security according to the methodology outlined in the Company's Valuations of Securities Policy.

There are inherent conflicts of interest when the Company values the securities held in client accounts, as higher security prices increase market values, thereby enhancing performance results and increasing fees. In addition, because clients pay different fees based on differing fee schedules or the size of the account, the Company has an incentive to favor those accounts where it earns the highest fees. The Company maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address such conflicts of interest.

## Item 6 - Performance-Based Fees

The Company does not manage any accounts for a fee based on performance.

## Item 7 - Types of Clients

The Company provides investment advisory, financial planning, and consulting services to high net worth families, individuals, trusts, not-for-profit hospitals and senior living organizations, public and private foundations and endowments, other business entities, and municipalities and other government entities.

As described in Item 4, the Company provides discretionary and non-discretionary subadvisory services to its affiliate, Johnson Bank, as well as other investment advisers.

The Company also provides pre-retirement planning services to airline pilots and other individuals within their 401k plans that may include, among other things, risk tolerance profiling, asset allocation design, pension benefits review, retirement timing and transition consultation.

The Company manages accounts on behalf of employees. Although not common practice, the Company may also manage accounts on behalf of the Company or an affiliate which may be considered “proprietary accounts”. Employee and proprietary accounts are managed and traded alongside other client accounts, which may create an incentive for the Company to put the interests of the employees or proprietary accounts ahead of other clients. Our Code of Ethics requires employees to put clients’ interests ahead of their own, or the firm’s, as well as to report personal trades and holdings. Our Trading

Policies and Procedures include controls designed to avoid preferential treatment of employee and proprietary accounts. See also Item 12 – Brokerage Practices - Aggregation and Allocation of Trades.

#### **Conditions for Managing Accounts**

Clients are responsible for notifying the Company of any changes in their financial situation, investment objectives, or account restrictions. The Company recommends clients have \$1,000,000 in investable assets to allow for diversification of Managers and assets but generally does not require a minimum amount to be invested. The Company generally requires a minimum of \$200,000 per separately managed account; however, individual Managers may impose a higher minimum. The Company may impose minimum fees for certain investment advisory and consulting services.

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

#### **Methods of Analysis**

The Company's methods of analysis for funds and Managers include the following:

- Screening of Managers and funds using both qualitative and quantitative factors. The quantitative review consists of a proprietary, multivariate scoring methodology meant to screen out sub-par managers. The scoring methodology incorporates such factors as total return, information ratio, batting average, management tenure, and expense ratio, among others. Qualitative reviews evaluate investment strategies based on what the Company's internal Investment Research Team refers to as the 4 Ps: Firm/Product, People, Philosophy/Process, and Performance.
- Because the Company believes turnover is expensive, it also considers transaction volume during its analysis.
- The Company selects Managers and funds that it believes have demonstrated adherence to a clearly defined investment strategy and process. The Company also considers Managers' and funds' fees, account size requirements, and client servicing capabilities. Thus, the Company will not necessarily recommend a Manager or fund based solely on the best historical performance or the lowest possible fees.

The Company's methods of analysis relating to equity portfolio management include, but are not limited to, income, profitability, valuation, and risk. Fixed income management methods include, but are not limited to, liquidity, issue selection including credit quality, yield curve positioning, duration, and technical analysis. Technical analysis includes a study of relationships among security variables such as price levels, trading volume, price movement and supply and demand. Fundamental credit analysis may be used for individual credits or structures and will generally include an assessment of the issuer's business and strategy, balance sheet, income statement, and cash flow analysis. The Company may also use charting, technical analysis and cyclical analysis in development of investment strategies.

Research sources used by the Company related to Managers, funds, equities, and fixed income securities include, but are not limited to:

- Research services and products of third party providers, including statistical data, due diligence, and access to a database of Managers, mutual funds, ETFs, fixed income securities, and other investment vehicles
- Financial newspapers and magazines
- Manager interviews, conference calls or on-site visits
- Rating services
- Annual reports, prospectuses, and other filings with the SEC and MSRB
- Company press releases
- Portfolio modeling tools

The Company's Investment Research Team also oversees the due diligence processes and selects the alternative investments, including private equity, private credit and hedge funds, made available for client portfolios through the third-party technology platform described in Item 4.

### **Investment Strategies**

The Company focuses on the purpose of the client's assets in developing investment strategies. The Company primarily uses an investment approach that is long-term in focus and centered on asset allocation.

### **Risk of Loss**

Investing in securities involves risk of loss which clients should be prepared to bear. Past performance is not a guarantee of future results; therefore, clients should not assume that future performance of any specific investment, investment strategy or objective will be profitable. Clients could lose some or all of their investment. Risks to which client accounts may be subject include, but are not limited to, the following:

- *Management Risk.* With respect to discretionary accounts, the Company and Managers are delegated the authority to buy and sell securities on behalf of clients who must rely upon their abilities, judgment, and investment abilities. There is no guarantee that the investment techniques of the Company or a Manager will be successful.
- *Allocation Risk.* The performance of client accounts will depend in part on the Company's decisions as to strategic asset allocation and tactical adjustments made to the asset allocation. At times or for extended periods, asset classes or the investment markets in general may not perform as the Company expected.
- *Equity Security Risk.* Common stocks and other equity securities generally increase or decrease in value based on the earnings of the issuer and on general industry and market conditions. The value of a company's share price may decline for many reasons including, but not limited to, poor decisions made by management, lower demand for the company's services or products, or if the company's revenues fall short of expectations. There are also risks associated with the stock market, which may experience periods of turbulence and instability.
- *Fixed Income Security Risk.* The market value of fixed income securities is affected significantly by changes in interest rates – generally, when interest rates rise, the market value of fixed income securities declines and when interest rates decline, their market value rises. Generally, fixed income securities with longer maturities entail greater interest rate risk but have a higher yield. Conversely, fixed income securities with shorter maturities generally entail less interest rate risk but have a lower yield. The value of a fixed income security may also be affected by changes in its credit quality rating or the issuer's financial condition, which may result in credit or default risk.
- *Mutual Fund and ETF Risk.* Mutual funds and ETFs are subject to investment advisory, transactional, operating, and other expenses. Each fund is subject to specific risks, depending on its investments. The value of a fund's investments and the net asset value of the fund's shares will fluctuate for many reasons including, but not limited to, responses to changes in market and economic conditions, as well as the financial condition and/or performance of the securities held within the fund. The performance of each fund will also depend on whether the fund's investment adviser is successful in pursuing the fund's investment

strategy. ETFs may trade at a discount or premium to net asset value and are subject to trading and commission costs.

- *Complementary (Alternative) Investments Risk.* Complementary investments present different and potentially magnified risks compared to other more conventional asset classes, such as those resulting from the use of leverage, complicated tax consequences, difficulty in illiquid markets and general volatility in pricing/valuation, among others.
- *Foreign Investment Risk.* Investments in companies and markets other than the U.S. carry a number of economic, financial and political considerations that are not associated with the U.S. markets and that could unfavorably affect performance. Among those risks are greater price volatility; weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; fluctuations in foreign currency exchange rates and related conversion costs; adverse tax consequences; and settlement delays.
- *Liquidity Risk.* Liquidity risk is the risk that securities may be difficult or impossible to sell at the desired time and price. The liquidity of a particular security depends in part on the continued functioning of the market for the security, for example the willingness of broker-dealers to make a market in the security, and the demand for the security in the market. Liquidity risk may be heightened for certain securities, such as fixed income securities, particularly those that are purchased in small lots, and non-traditional (complementary or alternative) investments, such as hedge funds, private equity, and other private investments.

## Item 9 - Disciplinary Information

The Company has no disciplinary events to disclose.

## Item 10 - Other Financial Industry Activities and Affiliations

### **Affiliations and Dual Roles**

The Company is a wholly-owned subsidiary of Johnson Financial Group, a privately-held, multi-generational, family-owned organization. As discussed



in Item 4, Johnson Financial Group also owns Johnson Bank and Johnson Insurance. Johnson Bank provides financial services including wealth management, mortgage, leasing, and consumer and commercial banking. Johnson Insurance is an independent insurance agency providing personal and commercial insurance to its clients. The Company, Johnson Bank and Johnson Insurance refer clients to each other in order to offer a full range of financial services to our clients. Certain officers and employees of the Company or its affiliates, receive referral fees and/or compensation for referring clients between the affiliated entities. The Company has entered into a Solicitation Agreement with Johnson Bank whereby Johnson Bank receives a solicitation fee for referring new clients to the Company. We understand these solicitor and referral fee arrangements create a conflict of interest; however, we believe the services our affiliates provide are appropriate and we disclose these affiliations to our clients. Also see Item 14 – Client Referrals and Other Compensation.

The Company provides discretionary and non-discretionary subadvisory services to Johnson Bank. The services include discretionary investment management, Manager and fund due diligence, recommendation and selection, fixed income and equity strategy, analysis and portfolio construction advice, and model portfolios. The Company also performs discretionary and non-discretionary subadvisory services for other investment advisers. These arrangements create a potential conflict of interest with regard to providing preferential treatment of one group of clients over another; however, the Company maintains policies and procedures relating to investment decisions and trade allocations to ensure that clients are treated fairly and equitably.

The Company and Johnson Financial Group, and/or its affiliates, share office space, computer systems and personnel. Access to the Company's records and systems is limited to those individuals who require access to provide services to our clients or to operate our business. Certain other employees of the Company's affiliates have access to limited client information in order to offer a full range of services to our clients. All individuals who have access to relevant information regarding investment recommendations and/or client transactions are subject to the Company's Code of Ethics.

Certain officers and employees of Johnson Bank also have similar roles with the Company including client-relationship employees such as portfolio managers, client advisors, wealth advisors, and client service individuals. A conflict of interest exists in performing these dual roles. The Company



maintains policies, procedures and controls to routinely monitor such conflicts, and does not believe it results in unfair treatment of its clients.

The Company has a fiduciary duty to act in the best interest of our clients, as defined in the Code of Ethics which is further discussed in Item 11.

Certain management functions are performed by Johnson Bank on behalf of the Company. These include, but are not limited to, information systems, legal/governance, human resources, marketing, compliance, risk and audit services, facilities, finance and senior management. Johnson Bank allocates expenses related to these services to the Company.

#### **Administrative and Non-Discretionary Services**

The Company also provides administrative and non-discretionary services such as account reporting, portfolio accounting, performance calculation and trade order entry for accounts that it does not manage. The Company does not have investment discretion over these accounts and does not believe these services create a conflict of interest for its existing clients.

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

#### **Code of Ethics**

The Company has adopted a Code of Ethics to assist employees in carrying out its duties as a fiduciary to its clients. The Code of Ethics is based upon the principle that the Company and its employees owe a fiduciary duty to clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid: (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. The Company has made efforts to disclose and minimize potential conflicts of interest and has policies, procedures and controls in place to monitor areas where potential conflicts exist. The Code of Ethics is designed to maintain the Company's high ethical standards. The purpose of the Code of Ethics is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and

other forms of prohibited or unethical business conduct and to provide guidelines to employees related to charitable and/or political contributions, giving and accepting gifts/entertainment, serving as a director or trustee for an external organization, and engaging in outside business activities. Existing or prospective clients may contact the Company for a full copy of the Code of Ethics.

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

As discussed in Items 4 and 10, the Company acts as a subadvisor to Johnson Bank as well as other investment advisers. This creates a potential conflict of interest with regard to providing preferential treatment to one group of clients over another; however, the Company maintains policies and procedures relating to investment decisions and trade execution and allocation to ensure that clients are treated fairly and equitably.

Employees and officers of the Company, dual employees of the Company and Johnson Bank, and certain employees of Johnson Bank who have access to investment product research and investment strategy recommendations (Access Persons) may buy or sell investments that are also recommended to clients. This may present a conflict of interest because the Company, its affiliates, or related persons may have an economic incentive in making recommendations to clients. The Company maintains the Code of Ethics, to which all Access Persons are subject, and trade allocation policies and procedures to ensure that clients are treated fairly and equitably. Also see Personal Trading below.

### **Personal Trading**

Certain officers, directors and employees of the Company, or its affiliates, or proprietary accounts of the Company or an affiliate, may also be clients, in which case they are invested in the same strategies as other clients, and trade alongside other client accounts. Trading alongside other client accounts may create an incentive for the firm to put Company, affiliate, officer, director and employee interests ahead of other clients' interests. The Company has adopted the Code of Ethics which includes trading rules for personal/related accounts of its employees and maintains policies regarding aggregation and allocation of trades. These rules, among other restrictions, require clients' interests to be placed ahead of employees, officers and directors and prohibit trading ahead of or in competition with client orders. Employees who 1) have access to strategy decisions, 2) are not clients, and 3) trade their own accounts are subject to personal trading black-out periods for reportable securities surrounding a strategy change. Employees are also required to pre-clear certain trades and to report personal trades and personal holdings on a

regular basis. The Company's compliance department reviews personal trades to help ensure that client interests are placed first. Also see Item 7 – Types of Clients and Item 12 – Brokerage Practices-Aggregation and Allocation of Trades.

## Item 12 - Brokerage Practices

### **Broker/Dealer Selection**

If so authorized by the client, the Company executes the purchase and/or sale of securities through brokers or dealers it selects. The Company uses its best efforts to have transactions executed at prices that are advantageous to clients and at commission rates that are reasonable in relation to the benefits received. If an account is held in custody at a broker-dealer, the Company will generally execute mutual fund, ETF, and equity trades through that broker-dealer, if consistent with its best execution obligations. This is typically the case for individual-type accounts and certain institutional relationships. Mutual fund trades for accounts held at a custodian other than a broker-dealer, which is the case for most institutional accounts, are submitted to the custodian who is responsible for executing the trade either through a broker of its choice or directly through the fund company. The Company also utilizes third-party brokerage firms to execute some equity, primarily ETF, trades for accounts held at a custodian other than a broker-dealer. Trades for fixed income securities are typically executed through third-party broker-dealers. Purchased bonds are delivered to the custodian either directly to the client account or to a block account for allocation to client accounts.

The Company endeavors to obtain “best execution”, as defined by securities regulations, in transactions of securities for client accounts. In evaluating which broker or dealer will provide best execution, the Company considers the full range and quality of a broker's or dealer's services, including among other things, the value of research provided as well as execution capability, financial responsibility and responsiveness.

In instances where a Program Administrator trades a separately managed account, the Program Administrator is responsible for obtaining best execution. In other cases, where the Manager trades an account on the Program Administrator's platform or where there is a direct contract between the client and a Manager, the Manager decides upon broker-dealers and commissions paid on trades they direct. The Company periodically reviews

the trading practices of the Program Administrator and Managers. Please refer to Item 4 – Advisory Business - Discretionary and Non-Discretionary Advisory Services, for additional information.

Certain broker-dealers who provide best execution may also furnish research and brokerage services to the Company or a Manager. Commission payments in exchange for research and brokerage services are commonly referred to as “soft dollars.” The Company has entered into a formal soft dollar agreement with RBC Advisor Services, a division of RBC Capital Markets, LLC (RBC), under which research and/or services may be obtained from RBC or third parties. During 2019, the Company used this soft dollar arrangement to purchase subscriptions from third-party vendors of economic and securities research. This information is used to assist in the development of our overall investment strategies. The Company may also receive research materials on an informal basis from other brokers. Managers may also use soft dollars. In accordance with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, clients may pay higher than the lowest commission rates available in return for such services. However, we will only engage in such a transaction when we determine the commission paid is reasonable in relation to the value of the research services provided by the broker-dealer. Research and brokerage services received will not be used solely for the accounts that generated the brokerage commission, but will generally be used in managing all of our client accounts. Soft dollar arrangements provide a benefit to the Company because we do not have to produce or pay for research or brokerage services received from brokers with whom we transact or other research providers. Soft dollar arrangements also create an incentive for the Company to select a broker-dealer based on the research or other products received rather than the clients’ best interest in receiving best execution. Please refer to other paragraphs in this Item 12 for further discussion on broker selection and brokerage options. The Company has committees to provide oversight of our business practices including trading, soft dollar arrangements and broker commissions, to provide reasonable assurance these conflicts are mitigated.

The Company also provides subadvisory investment management services for Johnson Bank client accounts on a discretionary and non-discretionary basis. Johnson Bank typically acts as the qualified custodian for these accounts with SEI Private Trust Company (“SEI”) acting as subcustodian. Johnson Bank has entered into a soft dollar arrangement with SEI Investments Distribution Co. (“SIDCO”) whereby SIDCO pays a portion of each commission charged to client accounts to third parties providing research services to Johnson Bank.

### **Brokerage Options**

The Company has entered into agreements with certain broker-dealers (Select Broker(s)), including RBC, for the provision of brokerage services for our client accounts. These services include, but are not limited to, trade execution, statements and confirmations, collection of investment adviser fees and maintenance of books and records. The Company may also benefit from operating efficiencies such as daily electronic trade files, electronic fee payments and website access to account information. Assets held in accounts opened through a Select Broker are held in custody by that broker-dealer. The Company may present one or more Select Brokers for a client's consideration. For certain accounts, such as accounts managed within a 401k plan, the broker/custodian may be mandated. There is a conflict of interest in recommending Select Brokers as the Company benefits from operating efficiencies and other services provided by the brokers. Additionally, a conflict of interest exists when the Company presents RBC as a custodian for the Client to consider, as the Company receives soft dollars on trades executed through RBC. The Company will present RBC or other Select Brokers only when appropriate for the client.

### **Directed Brokerage**

Clients may direct the Company to effect transactions through particular brokers or dealers. In such cases, the Company may be unable to achieve the most favorable execution of client transactions. Directed brokerage clients may receive commission rates that are different from what might be attained through other brokers and may not receive volume discounts on bunched/aggregated orders, which could result in a less advantageous price and/or greater trading costs.

### **Aggregation and Allocation of Trades**

The Company aggregates trades of clients, primarily in an attempt to gain favorable pricing and execution. The Company will not aggregate transactions unless it believes that the aggregation is consistent with its duty to seek best execution and is in each client's best interest. A separate aggregated trade order is most often placed with each custodian who will execute the transaction. Each client that participates in an aggregated order participates at an average execution price for the trades executed by that custodian. Clients participating in an aggregated order generally pay the same commission rate for the trades executed by that custodian, which could be a flat fee per trade or total commission prorated across all accounts participating in the trade. Execution prices, commissions and transaction fees may vary depending on the custodian. Managed employee or proprietary

accounts trade alongside other client accounts and may be included in aggregated orders provided they are not treated differently than other clients participating in the order.

If an aggregated order is filled in its entirety, it will be allocated in accordance with written instructions prepared by the Company in advance of placing the order, which will specify the participating client accounts and how it intends to allocate the order among those clients. If an order is partially filled, it will be allocated on an equitable basis as determined by the Company and as may be necessitated by multiple custodians. When the Company allocates a partially filled order, allocations will typically be made on a "pro-rata" basis where possible. In instances where pro-rata allocation is not possible, a random selection or "lottery" basis will be used. A lottery selection could result in a managed employee or proprietary account receiving an allocation when other client accounts do not. At times it may not be possible to purchase or sell a sufficient quantity of a security at a particular time to allocate among all clients that have comparable investment objectives and positions due to market conditions, trading volume, minimum trade or position size, and/or other factors. In such a case, it may be desirable to allocate trades to a particular client or group of clients in order to accumulate or dispose of a position and otherwise respond to market conditions. Officers, directors and employees of the Company or proprietary accounts participating in an aggregated order will not receive allocations in the case of a partially filled order, if the method of allocation deviates from the normal pro-rata or lottery allocation procedures.

The Company has committees to provide oversight of our business practices including trade aggregation and allocation, to provide reasonable assurance that clients are treated fairly and potential or actual conflicts are mitigated.

### **Cross Transactions**

The Company does not enter into cross transactions between ERISA or other client accounts.

### **Trade Errors**

During the course of client transactions, trade errors may inadvertently occur. The Company takes steps to correct any such error as soon as practicable. If a trade error resulting in a loss occurs in a client account as a fault of the Company, the Company will make the client account "whole," meaning that in correcting the error, the client's account will be restored to the position the account should have been in had the trade error not occurred. The Company tracks and reconciles all trade errors and the resulting gains or losses. Gains



and losses are netted and held in an error account at the custodian processing the trades. In the event a net gain is paid to the Company by one of its custodians or brokers, it is netted against trade losses in a Company general ledger account and handled in accordance with the Company's trade error policy. Program Administrators and Managers of separate accounts maintain their own policies with regard to trade errors. If a trade error occurs in a client's account due to the action or failure to act by a third party, the Company generally assists to ensure the client's account is made whole by such party and may seek, or assist in seeking, reimbursement or contribution from such party.

## Item 13 - Review of Accounts

Advisory client portfolios are reviewed periodically by the primary portfolio manager, management, and/or the trading team. The current portfolio asset allocation is compared to the target allocation, which is based on the client's objectives, at least quarterly. Financial planning reviews are offered annually, as applicable, and are also performed at the client's request or as a need is determined.

Account reviews may be triggered by the client's investment policy, market conditions, and/or changes in client circumstances and risk tolerance. All clients are encouraged to discuss their needs, goals and objectives with their Company representative and to keep the Company informed of any changes.

Clients generally receive account statements including holdings and transaction listings from the custodian. For accounts at certain custodians, statements are also available online via secured account access through a link to the custodian's website provided on the Company's website.

For continuous relationships, clients generally receive a regular client review that may include relevant account and/or market-related information such as account holdings, investment performance, statistical review, account analysis, and future strategy. Clients under a consulting relationship generally receive a written and/or oral presentation on a periodic basis as agreed to with the client or at the completion of the project.

## Item 14 - Client Referrals and Other Compensation

The Company pays compensation to affiliated solicitors, including Johnson Bank, for new business in accordance with Rule 206(4)-3 under the Advisers Act.

Certain employees of the Company or its affiliates, including Johnson Bank and Johnson Insurance, receive compensation for attracting new or additional advisory business to the Company. Johnson Financial Group also pays employees for referring clients to other business lines of Johnson Financial Group such as insurance, banking and brokerage account services. Employees who are licensed to sell insurance products also receive commission for referring business to Johnson Insurance. We understand this creates a conflict of interest; however, we believe the services our affiliates provide are appropriate and we disclose these affiliations to our clients. The Company also has a fiduciary duty to act in the best interest of our clients, as defined in the Code of Ethics which is further discussed in Item 11.

Please see Item 10 – Other Financial Industry Activities and Affiliations for further information on solicitor and referral fee arrangements with affiliates.

The Company may refer clients to Select Brokers. See also Item 12 – Brokerage Practices – Brokerage Options.

## Item 15 - Custody

Client accounts are held at a qualified custodian chosen by the client. The custodian maintains possession of all funds and securities in the account. Assets held in accounts opened through a Select Broker are held in custody by that broker-dealer. For certain accounts, such as accounts managed within a 401k plan, the broker/custodian may be mandated. See also Item 12 – Brokerage Practices – Brokerage Options.

The Company is considered to have custody of client assets for purposes of the Advisers Act for the following reasons: 1) our ability to withdraw fees from client accounts 2) the Company manages client accounts on a



discretionary basis under a subadvisory agreement with its affiliate, Johnson Bank, who acts as the qualified custodian of those assets, and 3) our ability to direct client requests for the transfer of funds from certain custodial accounts. This creates a potential conflict of interest because it is possible for the Company to instruct certain custodians to make a payment to a third party from a client account which has not been authorized by the client. The Company has adopted the Code of Ethics, which requires employees to act solely in the best interest of the client. Additionally, policies and procedures, and dual controls for the safeguarding of clients' assets are maintained to avoid unauthorized distributions. The Company is also required to engage an independent public accountant to annually conduct a surprise examination of the client assets over which we have custody and obtain a written internal control report from its affiliated qualified custodian, Johnson Bank. In addition to receiving periodic reports from the Company, clients will receive account statements from the custodian that maintains their assets. Clients should carefully review the account statements they receive from the custodian. The Company strongly urges clients to compare the reports they receive from the Company to the account statements they receive from the custodian. Comparing statements will allow clients to confirm that account transactions, including deductions to pay advisory fees, are proper.

## Item 16 - Investment Discretion

The Company manages client advisory accounts on either a discretionary or a non-discretionary basis. Each client enters into an advisory agreement with the Company whereby the client authorizes the Company to manage the client's investment account on a discretionary or non-discretionary basis. The advisory agreement with respect to discretionary advisory services includes a trading authorization giving the Company and each Manager authority to exercise discretion over the account.

## Item 17 - Voting Client Securities

Unless otherwise agreed to in writing, the Company does not have authority to vote proxies. Clients (or the plan fiduciary in the case of an account subject to the provisions of ERISA) expressly retain the authority for voting proxies solicited by, or with respect to, securities held in client accounts that are recommended and advised on by the Company. Clients will generally

receive proxies or other solicitations directly from their custodian. Clients may contact their Client Advisor or Wealth Advisor with questions about a particular solicitation. In the event the Company receives written authority from the client to vote proxies, the Company follows two basic standards in its proxy voting policy: (i) decisions are based on the best interests of clients; and (ii) decisions are based on the potential economic impact of a specific issue for a company or fund and its shareholders. Where applicable, a client may obtain a copy of the Company's proxy voting policies and procedures, or a copy of the specific voting record for the account, upon request to the Company.

Managers generally assume the responsibility for voting proxies solicited by, or with respect to, securities held in client accounts that are managed by Managers, unless the client expressly indicates in writing their preference to retain this responsibility.

## Item 18 - Financial Information

The Company has no material financial condition that would reasonably impair its ability to meet contractual commitments to clients.