



## FORM ADV DISCLOSURE BROCHURE

1919 INVESTMENT COUNSEL, LLC  
One South Street, Suite 2500  
Baltimore, MD 21202  
(410) 454-2171 / (888) 770-5642

WWW.1919IC.COM

MARCH 30, 2020

**This brochure provides information about the qualifications and business practices of 1919 Investment Counsel, LLC (“1919ic”). If you have questions about the contents of this brochure, please contact us at (410) 454-2171. 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.**

**1919 Investment Counsel, LLC is a registered investment adviser. Additional information about 1919 Investment Counsel, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Investment adviser registration does not imply a certain level of skill or training.**

---

## ITEM 2. MATERIAL CHANGES

This brochure reflects certain material changes made since the updates of the brochure dated May 20, 2019. These changes are referenced in a separate Summary of Material Changes to this brochure (the “Summary”) that is available free of charge upon request to 1919ic.

The Summary, which is also available through the Investment Adviser Public Disclosure (IAPD) System at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), may be requested by sending an e-mail to [Compliance@1919ic.com](mailto:Compliance@1919ic.com) or calling 1919ic at (410) 454-2171 or (888) 770-5642. 1919ic is sending a copy of the Summary to existing clients, and any client may request the Summary at any time by contacting their usual contact at 1919ic.

---

## TABLE OF CONTENTS

ITEM 1. COVER PAGE.....	1
ITEM 2. MATERIAL CHANGES.....	2
ITEM 3. TABLE OF CONTENTS.....	3
ITEM 4. ADVISORY BUSINESS.....	4
ITEM 5. FEES AND COMPENSATION .....	7
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	13
ITEM 7. TYPES OF CLIENTS .....	14
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	15
ITEM 9. DISCIPLINARY INFORMATION .....	28
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	29
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	30
ITEM 12. BROKERAGE PRACTICES.....	33
ITEM 13. REVIEW OF ACCOUNTS .....	44
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION .....	45
ITEM 15. CUSTODY .....	47
ITEM 16. INVESTMENT DISCRETION .....	48
ITEM 17. VOTING CLIENT SECURITIES.....	49
ITEM 18. FINANCIAL INFORMATION.....	51
 APPENDIX A – EXPLANATION OF CERTAIN INVESTMENT RISKS.....	 52

---

## ITEM 4. ADVISORY BUSINESS

### A. Firm Description

1919 Investment Counsel, LLC ("1919ic") is a wholly-owned subsidiary of Stifel Financial Corp. ("Stifel"). On November 8, 2014, Stifel acquired 1919ic from Legg Mason, Inc. Prior to and as a result of this acquisition, 1919ic changed its name from "Legg Mason Investment Counsel, LLC" to "1919 Investment Counsel, LLC".

1919ic's core business is providing comprehensive investment counsel services that are in its clients' best interests, including equity and fixed income discretionary and non-discretionary investment advisory services. 1919ic also provides financial planning services and family office services (as described in Item 8 of this brochure) and may provide other types of investment advisory services. 1919ic provides investment advisory services as follows:

- High Net Worth
- Institutional
- Socially Responsive Investing
- Global Equity
- Multi-Cap Core
- Wrap
- Arthur Karafin Investment Advisors \*

\*1919ic maintains a separate Form ADV brochure for Arthur Karafin Investment Advisors ("AKIA"). Clients of, and persons considering entering into investment advisory relationships with, AKIA should refer to that brochure for information about AKIA. You may request a copy of AKIA's separate brochure by calling AKIA at (215) 981-0110.

High Net Worth Strategy. 1919ic's High Net Worth Strategy manages equity, fixed income and balanced portfolios for high net worth individual, family and trust clients, and seeks to maximize risk-adjusted performance and achieve client objectives. Portfolio managers work directly with clients to develop investment policy statements and tailor portfolios to reflect individual client considerations including time horizon, risk tolerance, restrictions on investing in specific securities or types of securities, income needs and tax situation. Portfolio managers primarily focus on liquid mid- to large-cap stocks and investment grade fixed income securities and, using third-party managers, may supplement with strategies they believe complement these core assets. 1919ic refers to this as a "smart architecture" approach. For certain client accounts, the High Net Worth Strategy provides a mutual fund investment program in which 1919ic directs the investment of client assets in mutual funds.

Institutional Strategy. 1919ic's Institutional Strategy manages institutional client accounts except for those institutional accounts managed by the Socially Responsive Investing, Global Total Return, Multi-Cap Core, and Wrap Strategies of 1919ic.

**Socially Responsive Investing Strategy.** 1919ic's Socially Responsive Investing ("SRI") Strategy manages 1919ic client accounts that select a socially responsive investment strategy. The SRI Strategy employs specialized research and applies customized social guidelines to align a client's ethical investing goals with their financial goals. The SRI Strategy specializes in constructing social investing policies and guidelines, supported by both proprietary investment research and social research analysis, to eliminate companies that do not align with a client's social guidelines and to select investments that do align with those guidelines. The SRI Strategy also manages two mutual funds, including the 1919 Socially Responsive Balanced Fund.

**Global Equity Strategy.** 1919ic's Global Equity Strategy manages global equity accounts of individual and institutional clients that select the Strategy's Global Growth Equity ADR investment strategy.

**Multi-Cap Core Strategy.** 1919ic's Multi-Cap Core ("MCC") Strategy manages equity accounts of individual and institutional clients that select the Strategy's MCC investment strategy.

**Wrap Strategy.** 1919ic has arrangements with investment advisory firms ("sponsors") under which 1919ic's Wrap Strategy provides discretionary investment advisory services to clients through a wrap fee program. In wrap fee programs, sponsors offer clients services, which include brokerage, custody and investment advice, for fees that are not directly related to transactions in client accounts (typically asset-based fees instead of trade-by-trade commissions). 1919ic does not manage wrap fee program accounts any differently than other accounts managed in the same investment strategy. As described in Item 12 of this brochure, however, 1919ic's brokerage practices for such accounts are different than its brokerage practices for client accounts that do not pay wrap fees. In wrap fee programs, 1919ic either receives a portion of the wrap fee charged to the client by the program's sponsor or receives a separate fee from the client.

The Wrap Strategy provides the following investment strategies: International ADR Equity Wrap, Large Cap Value Equity Wrap, Quality Growth Equity Wrap, Balanced Wrap and Intermediate Duration Fixed Income Wrap.

## **B. Non-Discretionary Investment Advice**

1919ic typically provides discretionary investment management services, which involve 1919ic selecting investments for client accounts. However, 1919ic has agreed to provide certain clients with non-discretionary investment advisory services. When 1919ic provides non-discretionary investment advisory services, the client decides whether or not to approve 1919ic's investment recommendations. If 1919ic has agreed to implement approved non-discretionary advice, then 1919ic will implement the recommendations after receiving the client's approval.

1919ic's non-discretionary investment advisory services may include:

- providing another financial firm (the client) with, and continuously monitoring and updating, a model investment portfolio that the client, in turn, may implement for accounts of its own clients;
- continuously monitoring and making investment recommendations for specific client accounts; or
- reviewing and making investment recommendations for client accounts at periodic intervals.

## **C. Tailoring of Investment Advisory Services to Client Needs**

---

1919ic tailors the investment advisory services it provides to client needs in multiple ways. In addition to making available a wide range of investment advisory services, 1919ic (excluding the Wrap Strategy) tailors its investment advisory services to client needs by creating and updating investment policy statements, or by agreeing to client-developed investment guidelines reflecting client investment objectives and guidelines. 1919ic then manages client accounts in accordance with these tailored investment policy statements and guidelines. As noted above, 1919ic's Wrap Strategy manages client accounts in accordance with the strategy the client or its sponsor firm selects and other information and guidelines the sponsor firm provides. All 1919ic Strategies, including the Wrap Strategy, accommodate written client-imposed restrictions on specific securities and types of securities if they determine that such restrictions are reasonable.

1919ic has client relationships in which it provides model investment portfolios to other financial firms, which such other firms then may implement for accounts of their own clients. In these relationships, 1919ic generally does not tailor its investment advisory services to the needs of these other firms' clients. Instead, any such tailoring is done by the firm that receives the model portfolio.

#### D. Assets Under Management

As of December 31, 2019, 1919ic managed approximately \$15.1 billion in assets, consisting of approximately \$14.9 billion of assets managed on a discretionary basis and approximately \$128.8 million of assets managed on a non-discretionary basis.

## ITEM 5. FEES AND COMPENSATION

### A. How 1919ic is Compensated

Generally, clients agree to pay 1919ic compensation for its investment advisory services based on a percentage of the assets 1919ic manages. 1919ic generally considers client requests to negotiate a fixed dollar fee instead, but in its sole discretion may refuse to agree to fixed-dollar fees.

1919ic's standard fee schedules for its Strategies and different types of clients and accounts are set forth below. These may not apply to (i) clients who opened accounts under prior fee schedules, (ii) clients who transition their accounts to 1919ic from a firm that is affiliated with, or acquired by, 1919ic, or (iii) clients who obtain 1919ic investment advisory services pursuant to agreements such clients have with other firms, such as wrap fee program sponsors and 1919ic affiliates Stifel Trust Company, National Association ("Stifel Trust") and Stifel, Nicolaus & Company, Incorporated ("Stifel Nicolaus"). In addition, 1919ic may offer different fee schedules in certain programs of other firms in which 1919ic investment advisory services are available. Clients who obtain 1919ic's services in programs of other firms, including pursuant to agreements with other firms, should contact those other firms for information about applicable fees and expenses, including information about how 1919ic is compensated.

For clients with greater servicing needs, 1919ic and the client may agree to fee rates that are higher than those under the standard fee schedules set forth below. Also, for certain new accounts, 1919ic in its discretion may require clients to agree to minimum fees even if such fees are not part of the applicable standard fee schedule.

#### Standard Annual Fee Schedule for High-Net-Worth Clients

##### Equity/Balanced Accounts

1.00% on the first \$3 million under management  
 0.70% on the next \$7 million under management  
 0.50% on the next \$30 million under management  
 0.40% on the balance

Minimum account or client relationship size: \$2 million

##### Fixed Income Accounts

0.50% on the first \$3 million under management  
 0.35% on the next \$7 million under management  
 0.25% on the next \$30 million under management  
 0.20% on the balance

Minimum account or client relationship size: \$2 million

##### Mutual Fund Program Accounts

0.50% on all assets under management  
 (internal mutual fund and ETF fees and expenses are additional –

---

see Section D below and Item 8 of this brochure for additional information)



---

**Standard Annual Fee Schedule for Institutional Clients**Equity/Balanced Accounts

0.75% on the first \$10 million under management  
0.60% on the next \$15 million under management  
0.50% on the next \$25 million under management  
0.40% on the balance

Fixed Income Accounts

0.30% on the first \$10 million under management  
0.20% on the next \$15 million under management  
0.15% on the next \$25 million under management  
0.10% on the balance

**Standard Annual Fee Schedule  
for Accounts Managed by the Socially Responsive Investing  
and Global Equity Strategies**

The Socially Responsive Investing and Global Equity Strategies generally follow the standard fee schedules, including minimum account or relationship sizes and minimum annual fees, set forth above for High-Net-Worth and Institutional client accounts.

**Standard Annual Fee Schedule for Accounts Managed by the  
Multi-Cap Core Strategy**

For client accounts managed by 1919ic's Multi-Cap Core Strategy, 1919ic's annual fees generally are based on the market value of each account as follows:

1.00% on the first \$10 million under management  
0.85% on the next \$15 million under management  
0.75% on the balance

The Multi-Cap Core Strategy generally requires the minimum account or relationship size set forth above for High-Net-Worth clients.

---

### **Fees for Accounts Managed by the Wrap Strategy**

In a wrap fee program, a client pays an asset-based fee to the program sponsor that typically covers the sponsor's investment advisory and custody services and the cost of brokerage transactions executed by the sponsor or by a broker-dealer designated by the sponsor. This wrap fee may also cover 1919ic's investment management fees where 1919ic's Wrap Fee Strategy manages the client's wrap fee account. Alternatively, the client may pay 1919ic a fee for such investment management services that is separate from the wrap fee paid to the sponsor. Clients with accounts in a wrap fee program should contact the program's sponsor for information regarding fees and expenses associated with program accounts.

### **Fees for Accounts in Employee Investment Programs**

As described in Item 8 of this brochure, 1919ic offers two investment programs exclusively to 1919ic employees, the Fund Asset Allocation Program and the Investment Strategies Program. The standard fee rates and minimum account sizes for accounts in these programs are as follows:

Fund Asset Allocation Program  
0.35% of assets under management  
Minimum Account Size: \$10,000

Investment Strategies Program  
0.35% of assets under management  
Minimum Account Size: \$100,000

### **Different Fee Rates for Different Types of Assets – Associated Conflict of Interest**

1919ic has agreed with certain clients to charge different fee rates for different types of assets in a single account. For example, for certain clients, 1919ic's fee rate with respect to account investments in mutual funds, exchange-traded funds ("ETFs"), private investment funds and other collective investment funds ("Funds") is lower than the fee rate applicable to other types of assets in the client's account, such as individual stocks and bonds. Another example is where 1919ic and a client agree to a lower fee rate on fixed income assets in a balanced account that includes equities, which are subject to a higher fee rate, and fixed income assets.

Although the purpose of these types of fee arrangements is to reduce client expenses, they involve a conflict of interest because they give 1919ic a financial incentive to increase its fee revenue by investing more of a client's account in the higher-fee assets and less in assets subject to the lower fee rate, even though this may not be in client's best interest as an investment matter. 1919ic addresses this conflict by making investment decisions solely in the interests of its clients and without regard for any benefits to 1919ic from particular investments.

In addition, as described in Item 14 of this brochure, 1919ic incurs referral fee payment obligations the amount of which varies depending on the types of assets in which 1919ic exercises its discretion to invest referred client accounts in the Fidelity Wealth Advisor Solutions® Program. The structure of the referral fee in this program causes 1919ic to have a conflict of interest in investing client accounts in the program. Refer to Item 14 of this brochure for more information, including how 1919ic addresses this conflict.

---

### **Fees for Family Office Services**

As described in Item 8 of this brochure, 1919ic may provide family office services. If the client agrees, 1919ic may charge fees for these services that are separate from, and in addition to, fees it charges for investment advisory services. 1919ic fees for family office services generally are calculated based on one or more of the following factors: account value, account activity (e.g., disbursements processed), and estimates of employee time devoted to performing the services.

### **Fees for Financial Planning Services**

As described in Item 8 of this brochure, 1919ic may provide financial planning services. 1919ic typically provides clients with financial planning services together with additional investment advisory services (typically including discretionary investment management) for one investment advisory fee. However, 1919ic may agree with certain clients to provide financial planning services for a separate fee. 1919ic will establish such a separate financial planning fee based on the scope and duration of the financial planning services to be provided. 1919ic will consider a client request to negotiate this fee and may waive or reduce this fee in its discretion, including without limitation for a client that has not already retained 1919ic as its investment manager and does so in connection with, or after, receiving financial planning services.

### **B. Negotiability of Fees and Account/Relationship Minimum Waivers**

1919ic generally considers client requests to negotiate fee rates and minimum fees lower than the standard fees set forth in Section A above. In addition, 1919ic generally considers client requests to waive minimum account/relationship sizes. However, 1919ic in its sole discretion may refuse to agree to lower fee rates or to waive account/relationship minimums.

### **C. Fee Billing**

**Billing Methods.** 1919ic's standard forms of agreements include client authorization of 1919ic to collect (or debit) 1919ic's agreed-upon fees directly from the client's account. 1919ic collects its fee in this situation by sending the custodian of the client's account an invoice setting forth the amount of the fee payable to 1919ic or by electronically causing the custodian to pay 1919ic its fees. 1919ic considers client requests to instead collect fees by billing the client directly and has agreed to such billing for certain clients. However, 1919ic in its sole discretion may refuse requests for this alternative billing method.

**Arrears and Advance Fee Billing; Frequency.** Generally, 1919ic agrees to charge fees quarterly in arrears – i.e., billing of fees at the end of the quarter during which 1919ic provided the services covered by the fees. In addition, other Strategies of 1919ic have agreed, and may in the future agree, with certain clients to bill fees in advance or at monthly, semi-annual or other intervals. Where 1919ic provides tax services, it generally bills separate fees for such services on an annual basis. A small percentage of legacy accounts related to an acquisition still bill in advance.

For a client that agrees to billing in arrears, if the client's agreement is terminated during a billing period, 1919ic will be entitled to a final pro-rated fee for the billing-period-to-termination-date period during which 1919ic provided the client with services. If the client's agreement authorizes 1919ic to collect or debit agreed-upon fees directly from the client's account, 1919ic typically will collect its final fee, as well as any other owed but still unpaid agreed-upon fees, in this manner. Alternatively, 1919ic in its discretion may instead send the client an invoice for such fees.

For a client that agrees to advance billing, 1919ic will refund the client a portion of the investment advisory fees previously paid for the billing period in the event the client or 1919ic terminates the client's investment advisory agreement with 1919ic during such period. 1919ic calculates refunds in these circumstances by:

1. Dividing the number of days left (after termination) in the period for which the client paid the fee by the total number of days in the period; and
2. Multiplying the result by the dollar amount of the pre-paid fee.

1919ic pays fee refunds by mailing checks to client custodians for deposit into the accounts previously managed by 1919ic or, if the client requests, directly to the client.

Where 1919ic manages client accounts as a subadviser to another firm or as part of a wrap fee program in which another firm collects and pays 1919ic its investment advisory fees, clients should contact such other firm for information on potential fee refunds in the event 1919ic's investment advisory services are terminated.

#### **D. Other Fees and Expenses**

In addition to the fees 1919ic charges for its services, a client generally will incur brokerage and trade execution costs for securities transactions 1919ic effects or recommends for the client's account. There are broker-dealers in the marketplace who have moved this year to charging zero commissions for brokerage transactions. 1919ic utilizes such brokers in the normal course and subject to best execution obligations. These costs are charged by the broker-dealer firms used to execute such transactions and are not covered by the fees 1919ic charges. Refer to Item 12 of this brochure for more information on brokerage and trade execution costs, including information on such costs in wrap fee programs and in arrangements in which clients pay broker-dealers asset-based fees for services that include trade execution. A client may also incur any one or more of the costs listed below.

- Broker-dealers that also serve as custodians for clients may charge clients separate fees for securities transactions 1919ic effects with other broker-dealers. As described in Item 12 of this brochure, Charles Schwab & Co., Inc. ("Schwab") charges such fees to certain clients that use Schwab as their custodian.
- Fees for account custody services and related services, such as security transfers and wire transfers (in certain cases, 1919ic may pay custody fees for clients; in these cases, a client's agreed-upon 1919ic fee may exceed fees for clients for which 1919ic does not pay custody fees).
- Fees for investment advisory services a firm other than 1919ic provides. These may include services such as the other firm's evaluation, recommendation and monitoring of 1919ic, and financial planning and asset allocation services provided by the other firm.
- Fees for account reporting by a firm other than 1919ic, such as the client's custodian or, in the case of wrap fee programs, the sponsor firm.
- Any SEC fees, transfer taxes or other governmental charges based on securities transactions.
- Clients that hold investments in American Depositary Receipts ("ADRs") typically pay fees charged by the ADR's depositary bank when the ADR pays dividends – these small fees are deducted from the dividends. Also, when 1919ic purchases or sells an ADR in the non-U.S. market for the ADR's underlying ordinary shares, associated conversion and foreign exchange fees typically are included in the ADR price paid or received by the client's account.

- 
- Internal fees and expenses of any mutual fund, ETF, private investment fund or other collective investment fund (“Fund”) purchased or held for the client’s account, as well as sales charges (initial or deferred) on investments in Fund shares or on any annuities held in the account. Clients will incur their pro rata shares of internal Fund fees and expenses, as well as 1919ic’s account-level investment advisory fees, to the extent 1919ic invests their assets in Funds (except that 1919ic does not charge account-level fees on Funds it manages, as described in Item 11 of this brochure). Refer to Item 8 of this brochure for information on the circumstances in which 1919ic invests client assets in Funds.

---

**ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

1919ic does not offer performance based fees. We do manage multiple strategies and products that may have overlap. 1919ic maintains policies and procedures to ensure that all clients are treated fairly and equitably regardless of the type of account or fees paid.

---

**ITEM 7. TYPES OF CLIENTS**

1919ic provides investment advisory services to the following types of clients: high-net-worth individuals and families, endowments, foundations, other charitable organizations, public/government-related clients, pension and profit sharing plans, investment companies, corporations, individual retirement plans, partnerships, trusts, and estates. For new client accounts and relationships, 1919ic generally imposes the minimums described in Item 5 of this brochure. As described in Item 5, 1919ic in its sole discretion may waive otherwise applicable minimums for any one or more clients.

In addition, 1919ic reserves the right to refuse or terminate business for any reason, even if such business would meet applicable standard 1919ic account and relationship minimums.

## ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. Introduction

1919ic makes available a variety of investment strategies. 1919ic's main investment strategies, including 1919ic's methods of investment analysis, are described below in Section B of this Item 8. In addition, 1919ic may work with one or more clients to develop and implement unique investment strategies that are not described in this brochure. As described in Item 4 of this brochure, 1919ic often customizes its investment strategies to reflect unique client investment objectives, guidelines, needs and preferences. As a result, the investment strategy descriptions in this brochure will not apply to all clients, depending on the nature of customization 1919ic applies in managing their accounts.

Each investment strategy involves risk of loss, which clients should be prepared to bear. The investment strategy descriptions set forth in Section B of this Item 8 identify the main risks for the strategies. Appendix A to this brochure explains these risks. It is not practical to identify all possible risks and one or more risks that this brochure does not identify for an investment strategy nevertheless may result in losses for clients. For all investment strategies, there is no assurance or guarantee that client investment objectives will be met.

Section C of this Item 8 sets forth information about certain additional services 1919ic may provide.

### B. Investment Strategies

#### *Quality Growth Equity*

1919ic's core equity investment capability is the construction of large-to-mid capitalization primarily domestic equity portfolios. 1919ic refers to this core equity investment capability as its Quality Growth Equity investment strategy. A Quality Growth Equity client account or account portion typically contains 30-60 individual stock holdings. 1919ic's philosophy for the Quality Growth Equity investment strategy is described below:

- 1919ic is an active manager that focuses on high or improving quality stocks, employing a bottom-up approach.
- 1919ic employs independent proprietary research in an attempt to discover unrecognized sources of value.
- 1919ic focuses on companies it believes have a demonstrable competitive advantage in an attempt to enhance long-term opportunities and maximize returns.
- 1919ic emphasizes high-quality or improving-quality securities in an attempt to reduce fundamental risk and avoid significant loss.
- 1919ic seeks to identify promising sectors that offer above-average opportunities and diversification benefits.

#### *Quality Growth Equity Selection Process*

##### **Step 1**

Narrowing the field from thousands of possibilities to a portfolio of stocks that 1919ic believes represents superior investment potential requires intensive research and a disciplined process. 1919ic draws from a broad universe of companies with equity market capitalizations greater than \$1.0 billion, including ADRs of non-U.S. domiciled companies.

##### **Step 2**

With the goal of establishing the dynamic 1919ic Investment Universe comprised of high or improving quality companies exhibiting a durable or improving competitive advantage, 1919ic Research employs a number of quantitative and



qualitative protocols. Each 1919ic research analyst has sector responsibility and recommends companies they believe have high or improving financial quality and demonstrable competitive advantage for addition to the 1919ic Investment Universe. Industry-specific quantitative fundamental screens and fundamental research performed by the analysts serve as the foundation of this process.

Qualitative factors such as identifying beneficiaries of a durable niche or global theme are also employed to determine the best candidates for the 1919ic Investment Universe.

### **Step 3**

Companies in the 1919ic Investment Universe that 1919ic's research analysts favorably rank or that quantitative valuation tools used by 1919ic rank favorably may be selected for inclusion on 1919ic's Focus List by 1919ic's Equity Strategy Committee, which is comprised of 1919ic portfolio managers and research analysts. The Focus List is a list of the equity securities 1919ic portfolio managers may purchase for client accounts. 1919ic Research employs risk/reward valuation disciplines to identify and rank companies it believes have the highest probability of outperformance potential relative to risk and market expectations.

### **Step 4**

Portfolio managers construct customized portfolios from the Focus List based on client considerations. In the case of institutional tax-exempt accounts and financial firm clients to which 1919ic provides its Quality Growth Equity model investment portfolio, a team of portfolio managers responsible for these types of accounts meets frequently to determine coordinated portfolio actions for such accounts and to review and update the model portfolio.

### ***Equity Sell Discipline***

Stocks can become sale candidates based on a combination of factors.

#### Fundamental Factors include:

- Competitive position deteriorates
- Profitability is threatened by unfavorable developments in the company or industry, permanently affecting the company's ability to earn high returns and generate cash flow
- Concerns develop regarding the quality and stability of management

#### Quantitative Factors include:

- Valuation measures become unattractive as a stock becomes expensive relative to corporate growth rate
- Prospective corporate profitability and cash generation no longer justify the present valuation

#### Other Factors Include:

- Overweighting in portfolio – Risk Management
- The portfolio manager identifies an alternative investment believed to be superior

Main Risks. The main risks associated with 1919ic's Quality Growth Equity investment strategy are General Investment Risk, Mid Cap Risk, Industry and Issuer Concentration Risk and Non-U.S. Investment Risk. See Appendix A to this brochure for explanations of these risks.

### ***Core Fixed Income***

1919ic's Core Fixed Income strategy seeks to maximize total return and minimize risk through:

- An investment strategy customized to client goals, needs and risk preferences
- A conservatively managed risk profile with regards to maturity positioning and overall portfolio credit quality
- Tax sensitive management (if applicable)

1919ic reviews and tailors portfolios based on client guidelines, objectives and preferences for the following (if applicable):

- Tax Status
- Income Needs
- Time Horizon
- Liquidity Needs
- Quality Constraints
- Special Considerations

Based on these inputs, a specific investment strategy is constructed addressing:

- Portfolio Maturity
- Option Adjusted Duration
- Term Structure
- Sector and Industry Weighting

1919ic's Core Fixed Income investment strategy described above is the foundation for the following 1919ic fixed income investment strategies: Intermediate Duration Fixed Income, Full Range Duration Fixed Income and Intermediate Municipal Fixed Income. Also, when provided with the Bloomberg Barclays Intermediate U.S. Government/Credit Index as its benchmark, 1919ic's Core Fixed Income investment strategy is referred to as the "Intermediate Government/Credit Fixed Income" investment strategy.

Full Range Duration Fixed Income and Intermediate Duration Fixed Income. 1919ic uses a total rate of return, disciplined, relative value approach for these fixed income strategies. 1919ic's objective is to provide long-term, consistent, superior returns through active portfolio management while achieving attractive risk/reward ratios. Using fundamental analysis and an assessment of relative value within the context of current market conditions, 1919ic forecasts future movements in interest rates, changes in the shape of the yield curve and changes in sector spreads in order to derive portfolio strategy and results. 1919ic believes the long-term key to successful security selection is sound, fundamental credit and security structure analysis. 1919ic's duration and term-structure decisions are top-down while sector weighting decisions are bottom up. When provided by 1919ic's Wrap Strategy, the Intermediate Duration Fixed Income strategy is referred to as the "Intermediate Duration Fixed Income Wrap" strategy.

Intermediate Municipal Fixed Income. For this fixed income strategy, 1919ic uses tax-sensitive fixed income management customized to the client's state of residence, seeking to maximize after-tax return consistent with prudent investment risk. 1919ic's objective is to add value through analysis of security structure and issuer fundamentals. 1919ic establishes duration targets based on its outlook for the economy, fiscal and monetary policy, and international events, although

---

average portfolio maturity generally will not exceed 15 years. 1919ic also incorporates factors affecting the municipal market, such as supply and demand trends and legislative developments.

**Main Risks.** The main risks associated with the above-noted 1919ic fixed income investment strategies are General Investment Risk, Credit Risk, Interest Rate Risk, Extension Risk, Prepayment Risk and Illiquidity Risk. An additional risk for Intermediate Municipal Fixed Income is Geographic Concentration Risk if municipal securities from a particular state are emphasized. See Appendix A to this brochure for explanations of these risks.

### ***Balanced Accounts***

1919ic believes that the foundation of any balanced investment plan begins and ends with the synchronization of the client's objectives and preferences with the overall asset allocation. Each client's time horizon, risk tolerance, asset base, investment objectives, cash flow needs, and tax position are unique to them. Asset allocation is a dynamic process that must adapt as client circumstances and market conditions change.

For clients that select 1919ic's balanced investment strategy, 1919ic creates guidelines and asset allocation ranges for the following variants of the strategy:

- Balanced Growth
- Balanced Growth & Income
- Balanced Income

1919ic allocates accounts in these balanced categories across equity and fixed income investments and cash equivalents (and, where appropriate, alternative investments).

**Main Risks.** The main risk of balanced accounts are a combination of the main risks described above for 1919ic's Quality Growth Equity investment strategy and Core Fixed Income strategy. See Appendix A to this brochure for explanations of these risks.

### ***SRI Investment Strategies***

1919ic's Socially Responsive Investing ("SRI") Strategy offers socially responsive equity, balanced and fixed income investment strategies. In some cases, certain non-SRI investment strategies described or identified in this Item 8 serve as the foundations. In developing and implementing these SRI investment strategies for client accounts, the SRI Strategy seeks competitive risk-adjusted returns, while reflecting the unique social goals of each client. The SRI Strategy's dedicated team of social research analysts conducts proprietary social research on domestic and international companies and issues. The social research team evaluates each security considered for purchase using a comprehensive social analysis method. The social research team applies customized guidelines to help 1919ic's portfolio managers eliminate companies that do not meet the client's specific social requirements and select investments that do. When providing fixed income investment strategies, the team generally applies social research analysis only to corporate issuers and not to governmental issuers.

**Main Risks.** The main risks associated with SRI investment strategies are Socially Responsive Criteria Risk and the main risks associated with the non-SRI investment strategies that serve as the foundation of the SRI investment strategies. See Appendix A to this brochure for explanations of these risks.



**Tactical Opportunity Portfolio Strategies (Conservative, Balanced, Moderate, Aggressive).** The Tactical Opportunity Portfolio strategy invests primarily in exchange-traded funds (“ETFs”) and may also include investments in individual stocks and fixed income securities. The four variants of the strategy have different investment objectives and typically also have different asset allocations, with the Conservative strategy typically having the least equity exposure (Balanced typically has more, and Moderate typically has more than Balanced) and the Aggressive strategy being fully invested in diversified portfolios of investments in equity securities, including real estate-related securities and commodity-related securities. The Conservative strategy seeks income, with growth as a secondary goal. The Balanced strategy seeks to balance long-term growth and income objectives. The Moderate Strategy seeks moderate long-term growth. The Aggressive strategy seeks aggressive long-term growth.

**Main Risks.** The main risks associated with the Tactical Opportunity Portfolio Strategies are General Investment Risk, ETF Risk, REIT and Real Estate Risk, Mid Cap Risk, Small Cap Risk, Non-U.S. Investment Risk, and Emerging Market Risk. Each Tactical Opportunity Portfolio Strategy other than the Aggressive strategy also has the following main risks associated with fixed income investments: Credit Risk, Extension Risk, Interest Rate Risk, Below Investment Grade Risk, and Prepayment Risk. See Appendix A to this brochure for explanations of these risks.

**Dividend Growth Strategy.** This strategy seeks long-term dividend income growth by investing in diversified portfolios of equity securities, including real estate-related securities, commodity-related securities, and ETFs.

**Main Risks.** The main risks associated with the Dividend Growth Strategy are General Investment Risk, ETF Risk, REIT and Real Estate Risk, Mid Cap Risk, Small Cap Risk, Non-U.S. Investment Risk, and Emerging Market Risk.

### ***Global Growth Equity ADR***

1919ic’s Global Equity Strategy offers the Global Growth Equity ADR investment strategy, which is a concentrated global equity strategy that seeks growth of capital over a full market cycle. The strategy provides global flexibility and diversification of return opportunities. It allows the portfolio team to invest where they see value across the globe regardless of geography or sector. The strategy follows a disciplined and fundamentally driven bottom-up process to identify attractively valued companies, focusing on companies with leading competitive positions in their industries, quality corporate governance practices, ability to generate strong and sustainable cash flow, and experienced management teams. The companies selected for investment may be of any market capitalization. Strategy performance is measured relative to the MSCI World Index, but the index does not drive the strategy’s investment process. Investments in non-U.S. companies, which may include investments in companies in emerging markets, will be in ADRs. Investments in U.S. companies, which may represent a large portion of the strategy’s investments, will be directly in common stock or other equity securities of such companies. The strategy typically will include a relatively small number of investments.

**Main Risks.** The main risks associated with the Global Growth Equity ADR investment strategy are General Investment Risk, Industry, Issuer and Geographic Concentration Risk, Non-U.S. Investment Risk, Emerging Market Risk, Mid Cap Risk and Small Cap Risk. See Appendix A to this brochure for explanations of these risks.

### ***Multi-Cap Core Equity***

1919ic’s Multi-Cap Core Strategy offers the Multi-Cap Core Equity investment strategy. The investment team invests in small, mid and large-capitalization companies for client accounts that select this strategy. The investment team stresses

---

current earnings in selecting stocks for this strategy, believing that stock performance ultimately follows earnings performance. The investment team generally will not consider a company for investment unless it has a history of real earnings and the prospect of a positive ongoing earnings stream. Based on the team's interpretation of various fundamental factors, the team may concentrate the strategy's investments in certain sectors. Also, the team generally will consider selling an investment in a company if the company falls short of the team's forecasted earnings.

**Main Risks.** The main risks for the Multi-Cap Core Equity investment strategy are General Investment Risk, Small Cap Risk, Mid Cap Risk, Industry Concentration Risk, and High Volatility Risk. See Appendix A to this brochure for explanations of these risks. The investment team seeks to reduce risks that are issuer-specific by investing no more than 5% (calculated at time of investment) of the equity portion of a client account in an individual stock. Also, the team seeks to reduce risk by focusing on high quality company investments with earnings streams.

### ***1919ic Disruptive Innovation Strategy***

1919ic offers the Disruptive Innovation investment strategy, which seeks long-term capital growth by investing predominantly in companies believed to be forcing technological and/or other change and viewed as both disruptive and innovative within their industries. The portfolio manager looks at all segments of the market for investment opportunities. Investments are predominantly in U.S. companies but ADR investments may also be made. Also, limited investments may be made in fund vehicles or other securities that provide exposure to crypto currencies, such as Bitcoin, or other non-equity asset classes. Although the strategy involves equity investments in a limited number of companies, across different industries, the strategy diversifies by theme (e.g., Machine Learning/AI, Internet-of-Things (IoT), E-Commerce) and has limits on the size of individual holdings. The strategy tends to include investments with higher sales and earnings multiples than the strategy's benchmark, the Russell 1000 Growth Index, and is subject to above-average volatility. The portfolio manager for the strategy uses fundamental analysis to make investment decisions and also obtains input from 1919ic's research analysts.

**Main Risks.** The main risks for the Disruptive Innovation investment strategy are General Investment Risk, High Volatility Risk, Mid Cap Risk, and Small Cap Risk. See Appendix A to this brochure for explanations of these risks.

### ***Red Granite Large Cap Growth***

1919ic offers the Red Granite Large Cap Growth equity investment strategy, which seeks to outperform the Russell 1000 Growth Index over a market cycle with less risk and volatility. This investment strategy is based on model investment portfolio recommendations provided to 1919ic by the Red Granite Growth Equity, an unaffiliated investment manager. In determining which investments to recommend, Red Granite first uses a quantitative screening process to identify an investment universe of 250 to 300 stocks. Red Granite investment professionals then conduct fundamental research to identify attractive investment candidates. Red Granite's investment committee then determines which investments to recommend, typically considering valuation, current economic conditions and sector considerations.

1919ic may receive and implement Red Granite investment recommendations for the strategy after Red Granite implements them for its own clients. This may result in 1919ic clients receiving prices for securities trades that are worse than the prices Red Granite obtains for its clients.

---

**Main Risks.** The main risks associated with the Red Granite Large Cap Growth investment strategy are General Investment Risk and Industry and Issuer Concentration Risk. See Appendix A to this brochure for explanations of these risks.

### ***Large Cap Value Equity***

1919ic offers the Large Cap Value Equity investment strategy, which seeks to outpace the long-term returns of the Russell 1000 Value Index, while adhering to a value-based investment philosophy. Utilizing model investment portfolio recommendations provided by Brandywine Global Investment Management, LLC (“Brandywine”), an unaffiliated investment manager, 1919ic structures a portfolio in this strategy with regard to diversification, balance and general economic sensitivity, focusing on strong companies and industry leaders.

Brandywine identifies companies with consistent value characteristics such as low P/E, low P/B and low P/CF from which to build a portfolio. Current and historical valuations are compared, along with other measures of value, to find stocks priced below normal valuation. Fundamental analysis seeks to identify stocks with the ability to return to normal value.

1919ic may receive and implement Brandywine investment recommendations for the strategy after Brandywine implements them for its own clients. This may result in 1919ic clients receiving prices for securities trades that are worse than the prices Brandywine obtains for its clients.

**Main Risks.** The main risks associated with the Large Cap Value Equity investment strategy are General Investment Risk, Industry and Issuer Concentration Risk, Non-U.S. Investment Risk, and Financial Services Risk. See Appendix A to this brochure for explanations of these risks.

### ***Global Value***

1919ic offers the Global Value investment strategy, a value-based global equity strategy which seeks to outperform the MSCI World Index (net) over a full market cycle of 3 to 5 years. This investment strategy is based on model investment portfolio recommendations provided to 1919ic by ClearBridge Investments, LLC (“ClearBridge”), an unaffiliated investment manager. ClearBridge recommends investments from a universe of U.S. and non-U.S. publicly traded securities with market capitalizations greater than \$100 million. Recommended investments typically are from developed and emerging markets and are diversified across both market sectors and capitalization ranges.

1919ic may receive and implement ClearBridge investment recommendations for the strategy after ClearBridge implements them for its own clients. This may result in 1919ic clients receiving prices for securities trades that are worse than the prices ClearBridge obtains for its clients.

**Main Risks.** The main risks associated with the Global Value investment strategy are General Investment Risk, Non-U.S. Investment Risk, Emerging Market Risk, Small Cap Risk and Mid Cap Risk. See Appendix A to this brochure for explanations of these risks.

### ***International Value***

1919ic offers the International Value investment strategy, a value-based international equity strategy which seeks to outperform the MSCI EAFE Index (net) over a full market cycle of 3 to 5 years. This investment strategy is based on



---

model investment portfolio recommendations provided to 1919ic by ClearBridge Investments, LLC (“ClearBridge”), an unaffiliated investment manager. ClearBridge recommends investments from a universe of non-U.S. publicly traded securities with market capitalizations greater than \$100 million. Recommended investments typically are from developed and emerging markets and are diversified across both market sectors and capitalization ranges.

1919ic may receive and implement ClearBridge investment recommendations for the strategy after ClearBridge implements them for its own clients. This may result in 1919ic clients receiving prices for securities trades that are worse than the prices ClearBridge obtains for its clients.

**Main Risks.** The main risks associated with the International Value investment strategy are General Investment Risk, Non-U.S. Investment Risk, Emerging Market Risk, Small Cap Risk and Mid Cap Risk. See Appendix A to this brochure for explanations of these risks.

### ***International ADR Equity Wrap***

1919ic’s Wrap Strategy offers the International ADR Equity Wrap investment strategy, a value-based, international equity strategy which seeks to outperform the MSCI EAFE Index (net) over a full market cycle of 3 to 5 years. This investment strategy is based on model investment portfolio recommendations provided to 1919ic by ClearBridge Investments, LLC (“ClearBridge”), an unaffiliated investment manager. ClearBridge recommends investments from the universe of international companies with ADRs listed on the major U.S. exchanges and that have market capitalizations of greater than \$100 million. Recommended investments typically are from developed and emerging markets and are diversified across both market sectors and capitalization ranges.

1919ic may receive and implement ClearBridge investment recommendations for the strategy after ClearBridge implements them for its own clients. This may result in 1919ic clients receiving prices for securities trades that are worse than the prices ClearBridge obtains for its clients.

**Main Risks.** The main risks associated with the International ADR Equity investment strategy are General Investment Risk, Non-U.S. Investment Risk, Emerging Market Risk, Small Cap Risk and Mid Cap Risk. See Appendix A to this brochure for explanations of these risks.

### ***Quality Growth Equity Wrap***

1919ic’s Wrap Strategy offers the Quality Growth Equity Wrap investment strategy, which seeks to outperform the S&P 500 Index through rigorous stock selection based upon proprietary research and fundamental analysis combined with a top-down approach to portfolio construction. 1919ic bases sector weightings, which may differ significantly from those of the S&P 500 Index, on fundamental factors such as the macroeconomic background, the political/regulatory environment, and demographic trends, combined with quantitative factors such as relative sector growth, relative strength and valuation. Fundamental research drives individual stock selection and focuses on companies with market capitalizations greater than \$1 billion.

**Main Risks.** The main risks associated with the Quality Growth Equity Wrap investment strategy are General Investment Risk, Mid Cap Risk, Industry and Issuer Concentration Risk, and Non-U.S. Investment Risk. See Appendix A to this brochure for explanations of these risks.



### ***Select Third Party Managers for Non-Core Asset Classes***

To complement 1919ic's core investment strategies, 1919ic employs third party investment managers who focus on specific asset classes or styles of management and who 1919ic believes execute those strategies particularly well. 1919ic typically accesses third party managers via mutual funds, private investment funds or other collective investment vehicles, including without limitation REITs, managed by such managers. 1919ic may also access such managers by retaining them as subadvisers to manage client assets. 1919ic often uses third party managers for the following asset classes:

- Small Cap Equity
- Developed International Equity
- Emerging Markets Equity
- Commodities
- Alternative Investments
- Real Estate
- International Fixed Income
- Master Limited Partnerships
- High Yield (Junk Bond) or Distressed Debt

Manager Selection Process. 1919ic's manager selection process focuses on philosophy, process and people, which 1919ic believes are the three determinants of the investment performance 1919ic seeks for clients. 1919ic's Third Party Committee, a group of 1919ic investment professionals, is charged with selecting third-party managers, which may be affiliated or unaffiliated with 1919ic (generally they are unaffiliated). The Committee members consider both quantitative and qualitative factors, including past returns, volatility and risk levels, fees, soundness of investment philosophy, investment personnel experience, ability to interact with 1919ic to facilitate 1919ic servicing of clients, durability of manager business model, and correlation characteristics with other investment strategies represented in client accounts. The relative importance they assign to different factors may vary depending upon the asset class and style being considered. The Third Party Committee or a 1919ic investment professional designated by the Committee tracks investment performance of selected third-party managers.

1919ic investment personnel screen manager databases such as Morningstar for performance characteristics and risk attributes over multiple timeframes. The analysts look for consistent, above-average returns versus the relevant benchmark(s) and peer group(s) as measured by total return and risk-adjusted return.

In addition, 1919ic seeks consistency of philosophy and process. 1919ic uses screens to avoid or eliminate managers that exhibit philosophical inconsistencies.

For selected managers, significant and protracted underperformance versus benchmarks and peer groups, changes in investment personnel, changes in corporate ownership, significant style drift or negative regulatory action will trigger a formal review to determine whether approval should be removed or whether a better manager within the applicable style or asset class is available.

1919ic's Third Party Committee at least annually reviews and confirms the continued appropriateness of third party managers, including any that are affiliated with 1919ic.

Clients may add third party-managed Fund investments to their 1919ic-managed accounts. In this situation, if 1919ic's Third Party Committee has not selected the Fund as an approved third party manager investment, the client's 1919ic portfolio manager will determine the initial and continued appropriateness of the Fund investment without input from, or oversight of, the Committee. Alternatively, 1919ic may notify the client that the Fund investment will be unmanaged. In

this situation, it will be up to the client to decide whether to continue to hold the Fund investment and 1919ic will not have discretion to reduce or eliminate the position from the client's account.

**Main Risks.** 1919ic's use of third party managers, whether affiliated or unaffiliated with 1919ic, may subject clients to the investment risks identified and explained on Appendix A to this brochure, depending on the types of investments and investment strategies used by such managers. Such risks may include, without limitation, Below Investment Grade Risk, Emerging Market Risk, REIT and Real Estate Risk, Derivatives Risk, Private Placement Risk, Non-U.S. Investment Risk, Small Cap Risk, Mid Cap Risk and Short Selling Risk.

### **C. Certain Additional Information**

**Family Office Services.** 1919ic provides family office services to certain clients. These services, which represent an extension of 1919ic's core business of providing comprehensive investment counsel, may include outsourced Chief Investment Officer and financial planning services (see below), as well as administrative services such as (i) interacting with custodians to effect disbursements for clients, (ii) special services such as administering payrolls for clients and concierge services, and (iii) coordinating outsourced tax preparation and reporting services. Family office services may also include one-time or ongoing investment manager evaluation or recommendation services. 1919ic will have a conflict of interest when evaluating or recommending any of its affiliates as an investment manager, but intends to perform such evaluations and make such recommendations solely in the interests of clients. 1919ic may delegate certain family office services to third parties or may refer clients directly to the providers of such services. 1919ic will not be responsible for a third party's provision of services.

**Financial Planning.** 1919ic provides financial planning services to certain clients. Financial planning services typically involve preparing, recommending and helping to implement a multifaceted financial road map for a client based on the client's specific financial circumstances and objectives. The program may cover present and anticipated cash flows, assets and liabilities and may include liquid and illiquid financial investment assets, privately-held business assets, trusts, insurance, and anticipated retirement and/or other employee benefit plans. 1919ic may support a recommended financial program by providing any one or more of several financial services, including: investment advisory/management (including concentrated holdings strategies); executive compensation plan supervision; estate and tax planning; trust advisory; generational planning and philanthropic planning. 1919ic may provide financial planning services together with certain third parties that have expertise in certain specialties, such as insurance. 1919ic is not responsible for advice or services provided by such third parties.

**Fund Investments--Generally.** Unless otherwise agreed with a client, 1919ic may invest any client account partly or wholly in shares of mutual funds, exchange-traded funds ("ETFs"), private investment funds and other collective investment funds (collectively, "Funds"), including funds that invest in other funds and funds managed by 1919ic or its affiliates ("Affiliated Funds"). Situations in which a 1919ic portfolio manager may invest client accounts in Funds, including Affiliated Funds, include (i) to provide diversified investment exposure for client accounts or account portions, and (ii) to provide investment exposure in areas where 1919ic believes a Fund manager has greater expertise. See "**Select Third Party Managers for Non-Core Asset Classes**" above in Item 8 of this brochure for information on how 1919ic selects Funds, other than Affiliated Funds managed by 1919ic.

---

Affiliated Funds. Although 1919ic does not charge account-level fees on client assets invested in Affiliated Funds it manages, 1919ic may have a conflict of interest when it invests client assets in such Affiliated Funds, as described in Item 11 of this brochure. In addition, as described in Item 11, 1919ic will have a conflict of interest when it invests client assets in other Affiliated Funds.

Affiliated Funds that 1919ic manages are not subject to the selection process 1919ic uses for other Funds. 1919ic typically invests client assets in such Affiliated Funds only to provide diversified investment exposure as described above or in response to a client request, and subject to compliance with applicable laws. The main risks of investments in the Affiliated Funds 1919ic manages are as set forth below. See Appendix A to this brochure for explanations of these risks.

1919 Socially Responsive Balanced Fund. General Investment Risk, Non-U.S. Investment Risk, Mid Cap Risk, Small Cap Risk, Credit Risk, Interest Rate Risk, Illiquidity Risk, Prepayment Risk, and Socially Responsive Criteria Risk.

1919 Financial Services Fund. General Investment Risk, Financial Services Risk, Concentration Risk, Non-U.S. Investment Risk, Mid Cap Risk, Small Cap Risk, Illiquidity Risk.

1919 Maryland Tax-Free Income Fund. General Investment Risk, Credit Risk, Interest Rate Risk, Concentration Risk, Illiquidity Risk, Prepayment Risk.

Fund Share Classes. Certain Funds offer multiple share classes, each with a different level of internal fees and expenses. When investing client assets in Fund shares, including Affiliated Fund shares, 1919ic's policy is to invest in the lowest-cost share class available to the client at the client's custodian. The availability of a particular Fund share class is sometimes unclear and often depends on factors such as the size of a client's investment, the client's custodian, whether the Fund's sponsor is willing to grant a waiver, and the amount of aggregate 1919ic client investments in the Fund, either generally or through a particular custodian. 1919ic's policy is to annually review existing client investments in a class of Fund shares that is not the Fund's lowest-cost share class to seek to determine if a lower-cost share class is available to the client and, if so, whether it is feasible and in the client's interests to convert or exchange the client's investment into the lower-cost share class. 1919ic will conduct these reviews on a reasonable efforts basis and at least once a year and on an ad hoc basis. Thus, even if a lower-cost share class is available, the review may not succeed in detecting this or it may not detect this for up to a year after the Fund investment is made or added to the client's account. Reasons for not moving immediately to the lowest share class may be driven by client tax concerns including loss or gain recognition or fund redemption charges.

1919ic Mutual Fund Program. 1919ic may also invest client assets in mutual funds as part of a mutual fund investment program in which 1919ic maintains and periodically updates multiple model portfolios, each reflecting a different combination of investment objectives, risk tolerance, and recommended asset allocation. For accounts in the program, 1919ic will satisfy recommended asset allocations using unaffiliated mutual funds selected by 1919ic's Third Party Committee. Investments may also include unaffiliated ETFs selected by the Committee. 1919ic expects to periodically rebalance accounts in the program as it deems necessary and advisable to reflect factors such as changes in recommended asset allocations and account investments moving outside a recommended asset allocation range because of market action or account withdrawals or contributions.

Private Investments. From time to time, 1919ic may recommend that qualifying clients invest part of their account assets in certain private investments. In addition, clients may request that 1919ic provide investment advisory, reporting and/or other services for private investments acquired without 1919ic's involvement. Private investments, which are illiquid and have limited or no transferability, may involve a high risk of loss, including the possibility that the entire investment will be

lost. As a result, these investments may be appropriate only for long-term investors who can withstand such losses and for whom the investment is no more than part of their overall investment portfolio. The valuation of such investments may be difficult to ascertain and is largely contingent on the diligence of the issuer. We make best efforts based on available information to formulate a value for such investments. Also, as described in Item 11 of this brochure, 1919ic may be subject to conflicts of interest in recommending private investments to clients.

1919ic's policy is to value private investments according to their fair value. Consistent with this policy, 1919ic values private investments according to the following approaches:

- (i) 1919ic values private investments in Funds ("Private Funds") using fair value information periodically provided or made available by the Private Fund's sponsor or manager, unless the client directs 1919ic to use a different valuation.
- (ii) For other private investments, 1919ic assigns a fair value and discloses its fair valuation approach to clients holding the investment, unless the client directs 1919ic to use a different valuation.

Clients who request 1919ic to provide investment advisory, reporting and/or other services for private investments acquired without 1919ic's involvement need to ensure that 1919ic is provided with information needed to value the investment on an ongoing basis. For example, for such a Private Fund investment, the client needs to ensure the Private Fund's sponsor or manager provides or makes available to 1919ic fair value information.

Margin Loans and Secured Lending. A client's custodian may permit a client to take out a margin loan or other loan secured by assets in the client's account. Clients should understand that, if they obtain loans secured by assets in their accounts, the custodian generally will be able to liquidate all or part of the account at any time to repay any portion of the loan, even if the timing of the liquidation is disadvantageous to the client and disrupts 1919ic's management of the account. 1919ic does not have any responsibility for (i) a client's decision to take out a loan, (ii) the terms of any loan-related agreement to which a client is a party, or (iii) the sale, liquidation, or disposition of securities in the client's account in order to satisfy the client's obligations under such an agreement.

1919ic may recommend that a client take out, a loan secured by assets in the client's account in order to meet a funding need (1919ic does not make loans to clients; such a loan would be made by another firm). 1919ic will have a financial incentive to recommend such a loan (as an alternative to terminating the managed account and/or liquidating or reducing account assets to meet the funding need) in order to preserve its managed account relationship with the client, including its fee revenue from the relationship. This incentive could conflict with the client's interests in having the funding need met in the most appropriate way. 1919ic addresses this conflict of interest by recommending secured loans only if it determines such a loan would be consistent with the client's financial goals and circumstances.

---

Employee Investment Programs. As noted in Item 5 of this brochure, 1919ic offers the investment programs described below exclusively to 1919ic employees. These programs are designed to encourage 1919ic investment personnel and other employees to personally receive certain 1919ic investment advisory services.

Fund Asset Allocation Program. 1919ic invests accounts in this program in unaffiliated exchange-traded funds (“ETFs”), obtaining diversified investment exposure using different asset allocations for the following investment strategies: Growth, Balanced Growth, Balanced Growth & Income, and Balanced Income. For accounts in this program, 1919ic employees may select Charles Schwab & Co., Inc. or National Financial Services, LLC (a Fidelity Investments affiliate) as custodian. The asset allocation for each strategy is determined by 1919ic’s Asset Allocation Committee and the ETFs used in this program are approved by 1919ic’s Third Party Committee.

Main Risks. The main risks for accounts in this program are General Investment Risk, ETF Risk and all the other risks identified and explained in Appendix A to this brochure, except for REIT and Real Estate Risk, Private Placement Risk, Short Selling Risk, Socially Responsive Risk, Financial Services Risk, Derivatives Risk, and Industry and Geographic Concentration Risk.

Investment Strategies Program. 1919ic invests accounts in this employee investment program in individual equity securities in accordance with one of the following 1919ic investment strategies: Quality Growth Equity, SRI Equity, SRI Fossil Free Equity (i.e., SRI Equity, without investment in companies that own or generate a majority of their revenue from oil, gas and coal), Global Growth Equity ADR, and the 1919ic Disruptive Innovation Strategy. For accounts in this program, 1919ic employees may select Charles Schwab & Co., Inc. or National Financial Services LLC (a Fidelity Investments affiliate) as custodian.

Main Risks. The main risks for accounts in this program are as set forth above in this Item 8 for the applicable 1919ic investment strategies.

---

## ITEM 9. DISCIPLINARY INFORMATION

There are no reportable legal or disciplinary events for 1919ic or its employees.

---

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As described in Item 4 of this brochure, 1919ic is a wholly-owned subsidiary of Stifel. 1919ic has the following business arrangements with affiliates that clients may wish to consider:

- (1) 1919ic Investment Companies. 1919ic serves as investment adviser to the 1919 Maryland Tax-Free Income Fund, the 1919 Financial Services Fund, the 1919 Socially Responsive Balanced Fund and the 1919 Variable Socially Responsive Balanced Fund. 1919ic receives a fee for the investment advisory services it provides to these investment companies and also seeks and obtains reimbursement from these investment companies (other than the 1919 Variable Socially Responsive Balanced Fund) for certain Fund-related marketing expenses 1919ic incurs. As a result, and as described in Item 11 of this brochure, 1919ic will have certain financial incentives that conflict with client interests in certain limited situations associated with investments in shares of these investment companies.
- (2) Stifel Trust Company, National Association. 1919ic and Stifel Trust Company, National Association (“Stifel Trust”), a national trust bank, have entered into a Relationship and Investment Management Agreement pursuant to which 1919ic serves as investment manager and relationship manager for certain trust and other accounts of Stifel Trust that have been sourced by 1919ic. Also, under this Agreement, 1919ic may refer clients to Stifel Trust for trust services and these services are expected to typically involve Stifel Trust, as trustee, retaining 1919ic to manage accounts opened as result of the referral. As described in Item 12 of this brochure, 1919ic will have a conflict of interest in making such a referral. 1919ic addresses this conflict of interest as described in Item 12.
- (3) Affiliated Broker-Dealer Firms. As noted in Item 4 of this brochure, 1919ic is a wholly-owned subsidiary of Stifel Financial Corp. (“Stifel”). Stifel is a financial services holding company that owns multiple broker-dealer firms, including Stifel, Nicolaus & Company, Incorporated (“Stifel Nicolaus”), Century Securities Associates, Inc., Miller Buckfire & Co., LLC, Keefe, Bruyette & Woods, Inc. (“KBW”), Eaton Partners, LLC, and First Empire Securities, Inc. As described in Items 11 and 12 of this brochure, 1919ic’s affiliation with Stifel-owned broker-dealers presents 1919ic with conflicts of interest in certain situations. In addition, 1919ic has soft dollar arrangements under which client commissions are used to pay Stifel Nicolaus and KBW for certain research services. As described in Item 12, these arrangements involve conflicts of interest due to 1919ic’s affiliation with Stifel Nicolaus and KBW.
- (4) Affiliated Paid Referral, Managed Account, and Model Portfolio Arrangements. 1919ic has arrangements with its affiliate, Stifel Nicolaus, pursuant to which (i) Stifel Nicolaus, in certain limited situations, may receive cash compensation from 1919ic for referring clients to 1919ic, (ii) 1919ic manages accounts of Stifel Nicolaus clients as a subadviser to Stifel Nicolaus and pursuant to agreements 1919ic enters into directly with Stifel Nicolaus clients, (iii) 1919ic provides non-discretionary model portfolios to Stifel Nicolaus, which Stifel Nicolaus uses to manage accounts for its clients, and (iv) Stifel Nicolaus provides a non-discretionary model portfolio to 1919ic, which 1919ic uses to manage a client’s account. Refer to Item 14 of this brochure for additional information on 1919ic’s affiliated and unaffiliated paid referral arrangements.



---

## ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### A. Code of Ethics

1919ic is committed to maintaining the highest standards of professional conduct and ethics. 1919ic employees are subject to the 1919ic Code of Ethics (the “Code”), which is based on the principle that 1919ic personnel owe a fiduciary duty to clients and must avoid activities, interests and relationships that might interfere with making decisions in the best interests of clients. The Code includes: (1) mandatory standards of business conduct; (2) a requirement to comply with applicable federal securities laws; (3) reporting of personal securities accounts and transactions to 1919ic’s Compliance Department, subject to certain exceptions; and (4) a requirement to report violations of the Code to 1919ic’s Compliance Department. The Code also imposes preclearance and blackout requirements on employee personal securities transactions in certain situations (AKIA personnel are not subject to these requirements but their personal securities transactions are subject to maximum daily size limits intended to prevent such transactions from adversely affecting any trades AKIA effects in the same or related securities for AKIA clients).

Existing and prospective clients may request a copy of the Code by mailing a written request to:

1919 Investment Counsel, LLC  
One South Street, Suite 2500  
Baltimore, MD 21202  
Attention: Compliance Department

### B. Discussion of Potential Conflicts of Interest Associated with Employee Personal Trading

Subject to the requirements of 1919ic’s Code, 1919ic employees may make personal investments in the same securities 1919ic invests in for client accounts, as well as in securities that 1919ic does not invest in for client accounts. Employees may also make personal investments in related securities or financial instruments, such as options, futures and warrants. 1919ic employees may make personal investments at or about the same time 1919ic is making the same investments or related investments for client accounts. These possibilities involve potential conflicts between client interests and the personal interests of the employees – i.e., the potential that employee trades in a security will compete with client trades for the same or related securities or otherwise adversely affect the prices obtainable for client trades. 1919ic believes that, for the liquid larger cap securities that constitute 1919ic’s primary investments for clients, the risk of employee personal trading and associated conflicts disadvantaging clients is small or nonexistent because neither employee trades nor client trades generally are large enough to significantly affect market prices.

1919ic addresses the potential conflicts presented by employee personal trading by prohibiting employee personal trades that have a higher risk of affecting securities prices. Specifically, the Code prohibits personal trades of all sizes in certain, generally less liquid securities (equity securities of certain small cap companies, municipal fixed income securities) when 1919ic has open orders at its trading desk for the same or related securities, subject to certain exceptions described in the Code. 1919ic subjects personal trades in certain generally more liquid securities, such as corporate bonds and equity securities of larger cap companies, to this prohibition only if the trade size exceeds *de minimis* amounts specified in the Code.



---

**C. Discussion of Potential Conflicts of Interest Associated with Affiliated Fund Investments**

As part of 1919ic's investment advisory services, 1919ic may invest client assets in shares of mutual funds, private investment funds or other collective investment vehicles for which 1919ic or one or more 1919ic affiliates act as investment manager ("Affiliated Funds"). See Item 8 of this brochure for information on the circumstances in which 1919ic may invest client assets in Affiliated Funds.

Although 1919ic does not charge account-level fees on client assets it invests in Affiliated Funds managed by 1919ic, 1919ic will have a conflict of interest when making such an investment if the aggregate fee rate payable by such Affiliated Fund to 1919ic exceeds the rate of the account-level fee 1919ic would receive if 1919ic did not make the investment.

If permitted by applicable laws, 1919ic does charge account-level fees on client assets it invests in Affiliated Funds managed by its affiliates. These account-level fees are paid to 1919ic and are in addition to the Affiliated Fund-level fees that 1919ic's affiliates receive from these investments. The aggregate fees received by 1919ic and its affiliates from such investments typically will exceed the account-level fees that 1919ic would receive if 1919ic did not make such an Affiliated Fund investment.

In the above scenarios, 1919ic will have an incentive to make and hold investments in Affiliated Funds for clients in order to maximize the aggregate compensation to 1919ic and its affiliates. 1919ic addresses the conflict of interest presented by this incentive by selecting Affiliated Funds (and unaffiliated Funds) for investment, and making decisions to continue to hold their shares, based solely on the best interests of clients and without regard for the amount of compensation payable to 1919ic and its affiliates in connection with such investments. As described in Item 8 of this brochure, 1919ic's Third Party Committee at least annually reviews any Affiliated Funds (other than Affiliated Funds managed by 1919ic) that it has selected for investment to determine whether they continue to be appropriate investments. In addition, 1919ic makes investments in Affiliated Funds managed by 1919ic only to provide diversified investment exposure for client accounts or account portions or in response to client requests for such investments. 1919ic will comply with laws applicable to the investment of client assets in Affiliated Funds.

**D. Discussion of Conflicts of Interest Associated with Participation in Offerings Underwritten by Affiliates**

Certain Stifel-owned broker-dealer firms participate in the underwriting of securities offerings for companies and other issuers. See Item 10 of this brochure for the names of certain of these firms. 1919ic may cause client accounts to purchase in securities offerings for which one or more such firms is a member of the offering syndicate. Because of 1919ic's affiliation with these firms, 1919ic will have an incentive to benefit them by causing client accounts to purchase securities in such offerings. 1919ic addresses this conflict of interest by making investment decisions solely in the interests of its clients and without regard for any benefits particular investments may confer on affiliates. Also, participation in any such offering will be subject to compliance with applicable law.

---

**E. Discussion of Potential Conflicts of Interest Associated with Private Investments**

As noted in Item 8 of this brochure, 1919ic from time to time may recommend qualifying clients invest part of their account assets in certain private investments. 1919ic will be subject to a conflict of interest in making such a recommendation if it has, or is seeking, a client relationship with any one or more of the private investment's sponsors, service providers, or any of such firms' personnel – i.e., firms and personnel who will benefit from investments in the private investment. In this situation, 1919ic will have a conflict between the interests of clients who are potential investors in the private investment and 1919ic's interest in currying favor with such firms and personnel (by recommending the investment) so that they are favorably inclined to establish a client relationship with, or maintain or add to an existing client relationship with, 1919ic. 1919ic addresses this conflict of interest by recommending private investments solely in the interest of the clients to whom it is making such recommendations.

---

**ITEM 12. BROKERAGE PRACTICES**

This Item 12 contains information on:

- How 1919ic selects broker-dealers to execute securities trades for client accounts, including wrap fee program accounts and other accounts for which clients pay broker-dealers asset-based fees for services that include trade execution (Section A below);
- Trading-related fee arrangements 1919ic has negotiated with (i) Charles Schwab & Co., Inc. (“Schwab”) on behalf of clients that select Schwab as their custodian, and (ii) Fidelity Brokerage Services, LLC (“Fidelity”) on behalf of clients that select Fidelity’s affiliate National Financial Services LLC (“NFS”) as their custodian (Section A below);
- How 1919ic uses client commissions to pay for and obtain research services, the types of research services 1919ic receives from executing broker-dealers, and how 1919ic uses these services to benefit client accounts (Sections A and B below);
- The conflicts of interest 1919ic is subject to when it considers research in selecting broker-dealers to execute trades, including third-party research provided by broker-dealers affiliated with 1919ic, and how 1919ic addresses these conflicts (Section B below);
- 1919ic’s directed brokerage practices, which also apply to clients in wrap fee programs and other arrangements involving asset-based fees for services that include trade execution, including potential trading-related consequences of directing 1919ic to use a specific broker-dealer or participating in such a program or other arrangement (Section C below);
- The circumstances in which 1919ic may combine securities trades of multiple clients into aggregated trade orders, including potential costs to clients when 1919ic does not aggregate trades (Section D below);
- 1919ic’s approach to disseminating and implementing its investment decisions, including where 1919ic provides another firm with one or more model portfolios, which that firm then may implement for its own clients (Section E below);
- 1919ic’s recommendation of custodians, executing broker-dealers and other service or product providers to clients and related conflicts of interest 1919ic may have, including conflicts of interest 1919ic has when it recommends Stifel Bank & Trust (a 1919ic affiliate), Stifel Trust Company, National Association (a 1919ic affiliate), Schwab, or Fidelity, NFS and their affiliates (Section F below); and
- 1919ic’s Trade Error Correction Policy (Section G below).

## A. How 1919ic Selects Which Broker-Dealers to Use

To the extent practical and consistent with client directions and applicable laws. The brokerage market structure has changed materially in the prior year with the decision by a segment of the broker dealer choosing to reduce client commissions to zero for transactions. 1919ic seeks to obtain best execution when selecting broker-dealers to execute securities trades for client accounts. 1919ic defines best execution as placing trades such that, considering all appropriate circumstances, the value of 1919ic's investment decisions is maximized over time for clients. For equity securities trades, commission cost is one factor considered, but is not necessarily determinative. In seeking best execution for such trades, 1919ic typically considers research it receives from broker-dealers, as and to the extent described in this Section A and in Section B below.

1919ic generally selects broker-dealers to execute securities trades only if 1919ic's Investment Policy Committee has approved the broker-dealer. The Investment Policy Committee, which meets quarterly, oversees 1919ic's brokerage practices and is comprised of 1919ic's Chief Executive Officer, Chief Investment Officer, Head Trader, Chief Financial Officer, Chief Administrative Officer, Chief Compliance Officer, and certain senior 1919ic portfolio managers.

1919ic investment and trading personnel may propose broker-dealers for Investment Policy Committee approval for reasons that include the broker-dealer's execution capabilities, expertise and personnel, and also research the broker-dealer provides (in the case of broker-dealers proposed for equity securities trading). The Investment Policy Committee typically considers these factors, as applicable, and also information regarding the proposed broker-dealer's financial position.

Unless otherwise noted, orders 1919ic portfolio managers place with 1919ic's Trading Desk to buy or sell securities are considered not-held orders, and are placed for execution with an approved broker-dealer at the discretion of a 1919ic trader. The factors 1919ic traders consider when selecting broker-dealers to execute securities trades and seeking best execution generally are as follows:

- Competitiveness of commission rates for equity trades and of spreads for fixed income trades.
- Research provided – as and to the extent described in Section B below, considered via (i) target commission amounts 1919ic sets for soft dollar arrangements, (ii) ratings of executing broker-dealers assigned by 1919ic research analysts, or (iii) 1919ic portfolio manager broker-dealer preferences (1919ic considers research only for equity trades it effects as a discretionary manager).
- Speed and accuracy of trade execution.
- Broker-dealer commitment of own capital as necessary.
- Ability to execute block trades without significant market impact (see Section D below).
- Electronic trading, reporting and clearing capabilities.
- Back office clearing and settlement capabilities and responsiveness.
- Specialty abilities in particular markets and securities.
- Broker-dealer familiarity with 1919ic investment focus.
- Broker-dealer provision of useful market information.

Not all factors are considered for every trade. 1919ic determines the reasonableness of commissions charged by considering commission rates then prevailing in the market for similar-sized trades in similar securities, as well as the overall quality of the trade execution services provided for the benefit of 1919ic's clients. In addition, as and to the extent described in Section B below, 1919ic considers the value of research it receives.

1919ic's fixed income traders seek best execution for fixed income securities trades by placing dealers in competitive situations and utilizing offers and bids from numerous local and national broker-dealers. The fixed income traders review the market environment, the new issue calendar, and secondary offerings to help determine a competitive price for the bonds they are trading. Generally, 1919ic contacts at least three broker-dealers when buying or selling a fixed income security. By seeking to hit the highest bid when selling securities, or selecting the broker-dealer with the lowest-priced offers, 1919ic generally seeks to ensure that clients obtain best execution on fixed income securities trades.

1919ic has negotiated trading-related fee arrangements with Schwab on behalf of clients that select Schwab as their custodian. One arrangement (the "Schwab ABP Arrangement") provides for an asset-based fee payable to Schwab for services that include Schwab's execution of agency trades (equity securities generally trade on an agency basis and fixed income securities generally trade on a principal basis). Clients who select the Schwab ABP Arrangement also agree to pay Schwab two cents per share for equity and ETF agency trades Schwab executes. Under the other arrangement (the "Schwab Trade-Based Pricing Arrangement"), Schwab charges trade-specific fees, including commissions for agency trades Schwab executes, and, for trades 1919ic selects other broker-dealers to execute, fixed dollar fees ("tradeaway fees"). If a 1919ic client selects Schwab as custodian and does not select the Schwab ABP Arrangement, the client's account will be subject to the Schwab Trade-Based Pricing Arrangement.

Although the Schwab Trade-Based Pricing Arrangement covers Schwab's execution of agency and principal trades, 1919ic typically selects other broker-dealers to execute fixed income trades for client accounts in both arrangements, following the approach to seeking best execution for fixed income trades described above. In addition, for accounts subject to the Schwab Trade-Based Pricing Arrangement, 1919ic typically selects broker-dealers other than Schwab to execute equity trades (other than trades in mutual fund shares) unless:

- (i) The client directs 1919ic to execute trades with Schwab as described in Section C below; or
- (ii) The client receives investment advisory services from 1919ic's San Francisco Strategy (as described in Section B below, 1919ic does not consider the value of research in seeking best execution for these clients and typically selects Schwab to execute equity trades for their accounts).

The selection of executing broker-dealers other than Schwab results in these accounts incurring Schwab's tradeaway fees for both fixed income trades and such equity trades. Tradeaway fees are in addition to the commissions and other transaction costs (e.g., mark-ups and mark-downs embedded in the price of fixed income securities) charged to clients by the non-Schwab broker-dealers 1919ic selects to execute such trades.

1919ic has negotiated a trading-related fee arrangement with Fidelity on behalf of clients that select Fidelity's affiliate NFS as their custodian and direct brokerage to Fidelity. Under this arrangement (the "Fidelity Trade-Based Pricing Arrangement"), Fidelity charges trade-specific fees, including commissions for agency trades Fidelity executes. Similar to 1919ic's approach for clients subject to the Schwab Trade-Based Pricing Arrangement and the Schwab ABP Arrangement, 1919ic typically selects broker-dealers other than Fidelity to execute fixed income trades for client accounts subject to the Fidelity Trade-Based Pricing Arrangement. In addition, for such clients, 1919ic typically selects broker-dealers other than Fidelity to execute equity trades (other than trades in mutual fund shares) unless:

- (i) The client directs 1919ic to execute trades with Fidelity as described in Section C below; or

- (ii) The client receives investment advisory services from 1919ic's San Francisco Strategy (as described in Section B below, 1919ic does not consider the value of research in seeking best execution for these clients and typically selects Fidelity to execute equity trades for their accounts).

For wrap fee program accounts and accounts subject to Schwab's ABP Arrangement or other arrangements in which clients pay asset-based fees for services that include execution of agency trades, 1919ic typically selects the program's or arrangement's sponsor or the sponsor's designated broker-dealer to execute equity trades, since the client has already paid for that firm's execution of such trades via the wrap fee or other asset-based fee. In such instances, 1919ic typically compares trade execution prices against current market quotations for reasonableness and otherwise is not in a position to, and does not otherwise, monitor for best execution. This means the directed brokerage disclosures in Section C below apply for all wrap fee programs and also for Schwab's ABP Arrangement and other arrangements in which clients pay asset-based fees for services that include execution of agency trades.

For one or more client accounts in wrap fee programs and such other asset-based-fee arrangements, 1919ic in its discretion may deviate from the approach described in the above paragraph and instead select other broker-dealers to execute equity trades (causing trade-specific commissions to be incurred, in addition to the wrap fee or other asset-based fee) if 1919ic determines the execution-related benefit of doing so is likely to outweigh the added commission and other costs involved.

Subject to compliance with applicable laws, 1919ic will cause an affiliated broker-dealer, such as Stifel Nicolaus, to execute trades only for (i) clients in wrap fee programs sponsored by the affiliated broker-dealer, or (ii) clients that direct 1919ic to use such affiliated broker-dealer. Refer to Section C below for information on 1919ic's directed brokerage practices.

1919ic's Investment Policy Committee conducts a quarterly review of 1919ic trading for clients, which includes review of (i) 1919ic's allocation of transactions and commissions to broker-dealers, (ii) commission rates and other trading-related fees paid, (iii) 1919ic research analysts' ratings of broker-dealers (see Section B below), (iv) soft dollar arrangement-related transactions (see Section B below), and (v) 1919ic traders' ratings of executing broker-dealers on certain best execution-related factors.

## **B. 1919ic's Use of Client Commissions to Obtain and Pay For Research**

As noted in Section A above, 1919ic regularly receives research from broker-dealers it uses to execute securities trades for client accounts. For equity trades, 1919ic generally considers the value of such research in selecting broker-dealers to execute trades and in determining the reasonableness of the commissions charged (in addition to other factors described in Section A above), except 1919ic does not consider research in selecting broker-dealers to execute equity trades for clients of 1919ic's San Francisco Strategy whose accounts are at Schwab or Fidelity. Instead, for these San Francisco Strategy clients, 1919ic typically selects the client's custodian, Schwab or Fidelity, to execute equity trades at the applicable commission rate under the Schwab Trade-Based Pricing Arrangement or the Fidelity Trade-Based Pricing Arrangement.

Where 1919ic considers the value of research, it does so by considering:

- soft dollar arrangements 1919ic has established,
- ratings 1919ic's research analysts assign to executing broker-dealers based on research services these broker-dealers have provided, or
- for certain equity investment strategies, research-based broker-dealer preferences communicated by the strategy's portfolio manager.

For certain equity securities trades, 1919ic's traders consider target commission amounts that are part of soft dollar arrangements 1919ic has established with certain executing broker-dealers. Each arrangement includes an annual target commission amount that 1919ic seeks, but is not obligated, to cause client accounts to pay the broker-dealer in return for trade execution and research that is used to benefit clients as described below. The soft dollar arrangements are structured to comply with the safe harbor under Section 28(e) of the Securities Exchange Act of 1934, which permits an investment adviser to pay more than the lowest available commission in return for trade execution and eligible research if the investment adviser determines in good faith that the commissions paid are reasonable in relation to the value of the brokerage and research provided, viewed in terms of the specific trade or the investment adviser's overall responsibilities to client accounts. 1919ic's Investment Policy Committee approves and periodically reviews the arrangements, including the target commission amounts and research services, and periodically reviews the arrangements to determine that the commissions paid meet this reasonableness standard.

For certain equity securities trades for which 1919ic does not consider soft dollar arrangements, 1919ic's traders consider ratings 1919ic's research analysts periodically assign to certain of 1919ic's approved executing broker-dealers based upon research the broker-dealers have provided to them that aids in furthering 1919ic's performance of its investment-decision-making responsibilities to clients.

For equity securities trades in certain 1919ic investment strategies, 1919ic does not consider soft dollar arrangements or analyst ratings in selecting broker-dealers to execute equity securities trades, but instead may consider research-based preferences communicated by the strategy's portfolio manager.

The commissions 1919ic causes client accounts to pay to obtain or pay for research (and trade execution services) as described in this Section B typically are higher than they would be if 1919ic did not consider research in selecting brokers to execute trades. 1919ic does not require that research obtained or paid for with commissions be used only to benefit the accounts that paid the commissions, and accounts may not benefit from research paid for by their commissions. 1919ic generally uses research obtained or paid for with commissions to benefit a broad range of client accounts. 1919ic does not seek to allocate the benefits of research obtained or paid for with commissions to client accounts in proportion to the commissions such accounts paid for such research.

However, 1919ic generally seeks to cause a broad range of client accounts to pay commissions to obtain or pay for research so that client accounts do not receive the benefits of the research without having to contribute to its cost. Exceptions to this approach apply for (i) client accounts for which the use of a specific executing broker is directed (as described in Section C below), (ii) client accounts at Schwab and Fidelity that receive investment advisory services from 1919ic's San Francisco Strategy, and (iii) client accounts in wrap fee programs and client accounts that pay brokers asset-based fees for services that include trade execution. Although accounts of clients in these categories generally do not contribute to the cost of research obtained or paid for with 1919ic client commissions, these accounts typically do receive the benefits of such research.



When 1919ic uses client commissions to pay for or obtain research, 1919ic receives a benefit since it does not have to produce the research itself or pay for the research with its own money. As a result, 1919ic may have an incentive to select a broker-dealer based on its interest in receiving research. Also, as noted in Item 10 of this brochure, 1919ic has soft dollar arrangements under which client commissions are used to pay Stifel Nicolaus and KBW, each an affiliated broker-dealer, for certain research services they provide to 1919ic. Because of 1919ic's affiliation with Stifel Nicolaus and KBW, 1919ic has an incentive to implement these arrangements in order to use 1919ic client commissions to benefit its affiliates, Stifel Nicolaus and KBW. The affiliates are part of the firm's overall vote process and are not afforded any advantage or accommodation through the vote due to their status. 1919ic addresses this conflict between its and its affiliates' interests and the interests of its clients by having its Investment Policy Committee review the continued appropriateness of these arrangements (including the value of the research to 1919ic's investment decision-making) on a quarterly basis and holding the arrangements to the same standards to which the Committee holds soft dollar arrangements involving research provided by unaffiliated firms.

The research 1919ic obtains and pays for with client commissions may only include:

- Advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; and
- Analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts.

Specific types of research 1919ic obtains and pays for with client commissions consist of: (i) fundamental, quantitative and technical issuer, industry, sector, market, economic and policy research reports and analyses, (ii) portfolio strategy research, (iii) meetings and calls with company management representatives and analysts and access to investment conferences, (iv) information and analysis on company activities, operations and properties relevant to the making of socially responsive investment decisions, and (v) assistance in further developing and refining a valuation framework 1919ic uses in making investment decisions. The research is generated by either an executing broker-dealer or a third party.

Under 1919ic's policy, research paid for with client commissions must be eligible under the Section 28(e) safe harbor and must be used only to provide lawful and appropriate assistance to 1919ic's performance of its investment decision-making responsibilities. 1919ic's Investment Policy Committee may allocate a portion of an eligible research service subject to a soft dollar arrangement to client commissions (i.e., soft dollars) and a portion to hard dollars (i.e., 1919ic's own money). A research service for which 1919ic makes such an allocation may be referred to as a "mixed-use" service. Any allocation for a mixed-use service will be in proportion to 1919ic's good faith estimate of the value of the service for investment decision-making assistance purposes and the value of the service for non-28(e)-eligible purposes, such as client communications. The Committee will have a conflict of interest in making this allocation, given that 1919ic by definition will pay hard dollar costs out of its own pocket. The Committee will record in writing all mixed-used service allocation decisions and will periodically review such decisions to confirm that they continue to be appropriate.

### **C. 1919ic's Practices When a Client Directs Brokerage (Also Applicable to Wrap Fee Program Accounts and Accounts in Other Asset-Based Fee Trade Execution Arrangements)**

If a client or wrap fee program sponsor directs 1919ic to use a specific broker-dealer to execute securities trades, 1919ic will place trades for the applicable account(s) with such broker-dealer, except 1919ic in its discretion may select one or



more other broker-dealers to execute a trade or a particular type of trade if 1919ic believes doing so would result in better execution and, in the case of a wrap fee program, the program sponsor permits this. For clients that direct fixed income trades to Charles Schwab & Co., Inc. ("Schwab") or Fidelity Brokerage Services, LLC ("Fidelity"), 1919ic avails itself of this exception and uses a competitive bidding process to select other broker-dealers to execute fixed income trades. In the wrap fee programs in which 1919ic currently manages accounts, the program sponsors do not permit 1919ic to select other broker-dealers to execute trades.

When clients or their wrap fee program sponsors direct 1919ic to use a specific broker-dealer to execute securities trades, or when 1919ic uses a specific broker-dealer for clients in a wrap fee program or other arrangement involving payment of asset-based fees for services that include trade execution to execute securities trades:

- 1919ic will not negotiate the broker-dealer's trade execution services or compensation for such services on behalf of the client account, except (i) 1919ic has negotiated Schwab's compensation rates for trade execution and other services, as described in Section A above, and may recommend that clients subject to Schwab's Trade-Based Pricing Arrangement direct brokerage to Schwab, as described in Section F below, and (ii) 1919ic's Multi-Cap Core ("MCC") Strategy may recommend that clients direct brokerage to Pershing Advisor Solutions LLC and Pershing LLC in accordance with a negotiated arrangement, as described in Section F below.
- 1919ic will not be in a position to, and will not, monitor for best price and execution of trades the broker-dealer executes for the client account.
- The prices and execution quality achieved for the account may be less favorable than the prices and execution quality 1919ic achieves for other client accounts. In other words, directed brokerage and wrap fee programs and other arrangements involving payment of asset-based fees for services that include trade execution may cost clients more money.
- 1919ic will not be able to aggregate trade orders of such client accounts with trade orders of other client accounts, and this may prevent 1919ic from being able to reduce trading costs for accounts that direct brokerage or that are in wrap fee programs or other arrangements involving payment of asset-based fees for services that include trade execution.
- 1919ic generally will place trades for such accounts after placing trades for client accounts that do not direct 1919ic to use a specific broker-dealer and are not in wrap fee program or such other arrangements. This may result in such accounts receiving worse prices on securities trades than other 1919ic client accounts. Also, due to operational requirements in wrap fee programs and other arrangements involving payment of asset-based fees for services that include trade execution, 1919ic tends to complete placing trades for accounts in wrap fee programs and such other arrangements after trades for other directed brokerage accounts are completed.

In addition, 1919ic's business relationship with a sponsor firm or broker-dealer may give 1919ic an incentive to recommend that a client or sponsor firm issue or continue such a direction, as described in Section F below. Conversely, 1919ic's interest in receiving research paid for with client commissions, instead of 1919ic's own money (see Section B above), will give 1919ic an incentive to recommend that a client or sponsor firm terminate such a direction.

For a broker-dealer that is affiliated with 1919ic, such as Stifel Nicolaus, this affiliation will give 1919ic an incentive to recommend that a client issue or continue a direction to use such broker-dealer. See Item 10 of this brochure for the names of certain 1919ic-affiliated broker-dealers.

---

A client or sponsor firm may terminate a direction to use a specific broker-dealer by notifying 1919ic in writing.

---

## **D. Trade Aggregation and Allocation**

1919ic's policy is to treat all client accounts for which it exercises investment discretion impartially. If 1919ic's trading desk receives (from one or more 1919ic portfolio managers) multiple orders for the same security on the same side of the market at the same time, the trading desk typically will block the orders together to minimize execution costs and seek best execution. Because portfolio managers manage accounts individually, however, the trading desk often will not receive such orders at the same time and therefore will not block or aggregate the orders.

If an aggregated order is executed in multiple trades at varying prices, each client account participating in the order receives the average price. Circumstances may exist where 1919ic may decide that exceptions to its standard approach of aggregating are appropriate, such as with multiple large trades that may create an adverse market impact. In addition, trades for wrap fee program clients and clients who direct their brokerage to specific brokers-dealer generally will not be aggregated with those of clients for which 1919ic selects the executing broker-dealer. As a result, these clients may incur greater trading costs and receive less favorable execution.

Most of 1919ic's investments are in highly liquid securities. Aggregated orders 1919ic places for such securities typically are completely filled on the day the order is placed—i.e., the aggregate amount of securities desired to be purchased or sold is actually purchased or sold. However, there may be circumstances in which aggregated trade orders are only partially filled. 1919ic allocates partially filled orders pro rata, based on the amounts sought for participating client accounts, or in another manner that 1919ic concludes is fair and equitable to each client. Pro rata allocations will be subject to any minimum acceptable amounts for each account. If the pro rata allocations result in odd block sizes, they will be rounded to the nearest acceptable block size. If the order is only partially filled and the securities would be insignificant if spread over all accounts participating in the trade, 1919ic will remove an entire account objective from the trade. In this way, the amount of bonds or shares of equity securities purchased or sold is significant to the accounts participating in the trade, and accounts with the same investment objective are treated equally. If 1919ic bases the allocation on reasons other than the preceding, it will maintain a record of this decision, which includes a description of the reasons that the general allocation policy was not followed.

The usual practice of 1919ic portfolio managers when submitting equity securities orders to 1919ic's trading desk is to specify the client account or accounts for which the order is being submitted, including the amount of equity securities to be purchased or sold for each participating account. For fixed income securities trades, a portfolio manager may also follow this approach or may initially specify only an aggregate amount of the securities desired to be purchased without specifying the accounts for which the securities are sought. This aggregate amount may be based on an acceptable position size for all accounts managed by the portfolio manager and then estimated by the portfolio manager to be eligible for the purchase. When the securities are obtained in this situation, the portfolio manager will then allocate them across such accounts, generally on a pro rata basis but subject to account-specific considerations such as (i) applicable investment restrictions, (ii) account cash position, (ii) securities of issuer already held by account, and (iv) effect on account duration. These considerations may result in certain accounts initially estimated to be eligible for the purchase receiving more or less than a pro rata allocation, including in some cases no allocation at all.

## **E. Dissemination and Implementation of Investment Decisions**

1919ic typically provides discretionary investment management services. As part of these services, the client's 1919ic portfolio manager implements the investment decisions he or she makes for the client's account by placing trades with 1919ic's Trading Desk for execution as described in Sections A and B above. Because of the typically customized nature of 1919ic's services and the related need to individually consider each client's or account's particular needs and/or investment situation, a portfolio manager may implement similar investment decisions (e.g., the purchase of a particular

stock) for different client accounts at different times, and this may result in clients receiving different prices for the same investment. Alternatively, a portfolio manager in his or her discretion may submit an aggregate order to 1919ic's Trading Desk for the client accounts he or she manages as described in Section D above.

In addition to providing and implementing discretionary investment management services, 1919ic has agreed to provide certain other financial firms with model investment portfolios, which such firms then may implement for accounts of their clients. For these relationships, 1919ic's policy is to endeavor to communicate all changes to such model portfolios to these financial firms at approximately the same time 1919ic portfolio managers are able to start implementing the change for client accounts for which 1919ic has implementation responsibility. In certain cases, a financial firm's formatting or system requirements for communicating model portfolio changes may delay 1919ic's communication of model portfolio changes to such firm. Also, any implementation delays by the financial firm receiving the model portfolio changes may extend the head start 1919ic has in terms of being able to implement the changes for client accounts for which 1919ic has implementation responsibility. The above factors could result in client accounts of financial firms receiving 1919ic model portfolios obtaining worse securities purchase and sale prices than 1919ic obtains for its own clients.

## **F. Recommendation of Broker-Dealers, Custodians and other Service/Product Providers**

1919ic does not generally recommend clients to direct brokerage to particular broker-dealers, except that:

- (i) 1919ic's Multi-Cap Core ("MCC") Strategy may recommend that 1919ic clients establish accounts with, and direct brokerage to, Pershing Advisor Solutions LLC and Pershing LLC (collectively, "Pershing");
- (ii) 1919ic may recommend that clients establish accounts with, and direct brokerage to, Charles Schwab & Co., Inc. ("Schwab") at compensation rates 1919ic has negotiated with Schwab on behalf of clients; and
- (iii) 1919ic may recommend that clients establish accounts with, and direct brokerage to, Fidelity Brokerage Services LLC ("Fidelity") and its affiliated custodian National Financial Services LLC ("NFS") at compensation rates 1919ic has negotiated with Fidelity on behalf of clients.

1919ic's MCC Strategy may recommend that clients establish a prime brokerage account with Pershing. If a client establishes a prime brokerage account at Pershing, Pershing generally requires that approximately 50% of the client's trades be directed to Pershing for execution. The MCC Strategy has a negotiated arrangement with Pershing pursuant to which Pershing receives commissions on a sliding scale depending on the number of shares being bought or sold. Clients that establish accounts at Pershing generally receive custody services from Pershing at no additional cost.

As described in Section A above, 1919ic has negotiated trading-related fee arrangements with Schwab on behalf of clients that select Schwab to serve as their custodian, including an arrangement providing for trade-specific commissions and other charges imposed by Schwab (the "Schwab Trade-Based Pricing Arrangement"). 1919ic may recommend that clients that are subject to the Schwab Trade-Based Pricing Arrangement direct brokerage to Schwab and pay Schwab trade-specific compensation according to this arrangement, which sets forth specific commission rates and other charges for securities trades Schwab executes and also fixed dollar fees applicable to trades 1919ic effects with broker-dealers other than Schwab ("tradeaway fees"). As noted in Sections A and C above, for clients that select Schwab as their custodian, 1919ic effects fixed income trades with brokers other than Schwab (regardless of whether such clients direct brokerage to Schwab), causing clients subject to the Schwab Trade-Based Pricing Arrangement to be charged tradeaway fees for such trades.

As described in Section A above, 1919ic has negotiated a trading-related fee arrangement with Fidelity on behalf of clients that select Fidelity's affiliate NFS to serve as their custodian and direct brokerage to Fidelity. This arrangement provides

for trade-specific commissions and other charges imposed by Fidelity (the “Fidelity Trade-Based Pricing Arrangement”). As noted in Section A, for clients that direct brokerage to Fidelity, 1919ic effects fixed income trades with brokers other than Fidelity.

1919ic is subject to a conflict of interest when it recommends to clients that they continue to keep their accounts custodied at Fidelity and Fidelity’s affiliate NFS because 1919ic has agreed to pay Fidelity a quarterly platform fee if the total account assets of clients that keep their custody accounts at Fidelity and NFS fall below \$15 million.

1919ic may recommend custodians (typically banks or broker-dealer firms) to clients, as well as other service and product providers such as providers of trust services, insurance policies, accounting and tax services and products, legal services, and mortgage lending services. Certain of these service and product providers may refer investment advisory business to 1919ic, provide products or services to 1919ic, and/or provide 1919ic with access to their representatives so that 1919ic or other persons can promote 1919ic’s investment services or products to such representatives. In addition, certain of these firms are affiliated with 1919ic, such as Stifel Bank & Trust (which 1919ic may recommend as a lender) and Stifel Trust Company, National Association (which 1919ic may recommend as a custodian and/or provider of trust services). In these situations, 1919ic will have a conflict between recommending the service and product provider in the client’s interest and recommending such firm in order to (i) to obtain favorable terms on any products or services the recommended provider provides or may provide to 1919ic, (ii) to preserve or obtain additional referred business or promotion-related access from the recommended provider, and/or (iii) in the case of a recommended provider that is affiliated with 1919ic, to benefit its affiliate. Currently, 1919ic has the conflicts of interest in clauses (i) and (ii) above when it recommends Schwab as a custodian and when it recommends Fidelity and NFS as custodian. Each of Schwab and Fidelity and NFS provide 1919ic with limited practice management and/or similar business services from time to time, typically at no charge to 1919ic. Also, with respect to Fidelity and NFS, the conflict of interest in clause (ii) will exist in part because of 1919ic’s participation in the Fidelity Wealth Advisor Solutions® Program as described in Item 14 of this brochure. 1919ic will have an incentive to recommend these firms in order to influence their affiliate, Fidelity Personal Workplace Advisors LLC (“FPWA”), to continue to authorize 1919ic to receive referrals in this program.

In addition, for any custodian 1919ic recommends, 1919ic will be subject to a conflict between its interest in minimizing the number of client custodians with which 1919ic has to interact, which will enable 1919ic to minimize internal 1919ic operational costs, and the client’s interest in receiving superior custody services.

Consistent with 1919ic’s status as a fiduciary, however, 1919ic will base any recommendations of custodians, directed brokers, or other service and product providers only on what it believes is in the best interests of clients. The main factors 1919ic considers in selecting custodians to recommend to clients include the level of fees such custodians will charge clients for custody services, accounting and reporting capabilities, the level of custody and account servicing such custodians provide to clients, and the manner in which such custodians interact with 1919ic in its capacity as the client’s investment manager.

For clients referred to 1919ic in connection with the Fidelity Wealth Advisor Solutions® Program, 1919ic has agreed not to (i) recommend that such clients transfer their brokerage accounts from Fidelity, NFS and their affiliates, or (ii) interfere with or jeopardize a client’s relationship with any such firm, except in each case where 1919ic believes its fiduciary duties to the client require such action. 1919ic has agreed to pay FPWA a one-time fee based on client account assets for any violation of this agreement if the client transfers its brokerage account. These agreements and this fee will pose a conflict of interest for 1919ic by giving it a financial incentive to recommend that clients in the program maintain, or continue to maintain, their brokerage accounts with Fidelity, NFS and their affiliates. See Item 14 of this brochure for additional information on 1919ic participation in the Fidelity Wealth Advisor Solutions® Program.

---

For clients referred to 1919ic in connection with Schwab's Schwab Advisor Network Service, 1919ic has agreed with Schwab, if consistent with 1919ic's fiduciary duties to clients (i) to recommend that such clients custody their assets at Schwab, and (ii) not to solicit such clients to transfer custody of their assets to custodians other than Schwab.

See Item 14 of this brochure for additional information on 1919ic's participation in the Schwab Advisor Network Service, including information on Non-Schwab Custody Fees 1919ic may need to pay Schwab if a client transfers custody of its account from Schwab to another custodian. Such fees will pose a conflict of interest for 1919ic as it will have a financial incentive to recommend the client maintain custody, and/or continue maintaining custody, of its assets at Schwab.

### **G. Trade Error Correction Policy**

In the event of a trade error attributable to 1919ic, 1919ic's general policy is to place the client in the position it would have been in absent the error unless otherwise directed by the client. When an error is identified prior to settlement, 1919ic normally will move the trade to its error account. In such cases, the profit or loss resulting from the reversing transactions will be owned by 1919ic.

---

**ITEM 13. REVIEW OF ACCOUNTS**

Client accounts are reviewed formally at least annually by the portfolio manager for the account, typically with the assistance of the portfolio associate or investment associate assigned to the account. Portfolio Managers also receive a number of monthly and quarterly reports and analytics for the accounts they oversee. Portfolio managers may review multiple accounts together as part of a larger client relationship. Each review involves monitoring for adherence to client investment objectives, guidelines, needs and preferences, including tax situation, and restrictions, as well as adherence to appropriate investment allocations.

On a quarterly basis, 1919ic sends clients written account reports, unless a client elects to access these reports electronically or asks to receive them less frequently than quarterly or not at all. Such clients typically only receive account statements from their custodians.

1919ic's account reports contain information requested by the client and/or determined by the client's 1919ic portfolio manager. This may include information such as account performance and detail on account holdings, including their market value, cost and the percentages of the account they represent.

The frequency and scope of the review for each account is based on a combination of the following factors: (i) the type of client; (ii) the size and complexity of the relationship; (iii) the type of the client mandate; (iv) the type of investment product(s) utilized; (v) general market conditions and associated factors; (vi) specific client needs and objectives; (vii) turnover in investment management personnel; and (viii) change in client committee structure or management team.



---

## ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

1919ic compensates certain persons for client referrals in the form of a portion of the fee the client pays for 1919ic's investment management services. These persons may include 1919ic affiliates, other investment advisers, broker-dealers, financial planners, and individuals, including clients. As noted in Item 10 of this brochure, 1919ic has paid referral arrangements with Stifel, Nicolaus & Company, Incorporated an affiliated firm. 1919ic also has paid referral arrangements with certain unaffiliated firms, including Charles Schwab & Co., Inc. and Fidelity Personal and Workplace Advisors LLC (see below).

If referrals made in accordance with a paid referral arrangement materialize into new clients, 1919ic will compensate the referring party for making the introduction. Compensation is generally based on a percentage of (i) the client's annual management fee, or (ii) the amount of the referred client's assets managed by 1919ic. The range of compensation has included a recurring payment of 20 – 50% of the client's annual management fee. The payment typically is made quarterly based on 1919ic's billing cycle. Clients will not be charged additional fees as a result of any 1919ic referral arrangements. Investment management fees, however, are negotiable based on a number of factors and therefore a client's fee may be higher or lower than the fee paid by other clients.

### Schwab Advisor Network Service

1919ic receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through 1919ic's participation in Schwab Advisor Network® ("the Service"). Schwab is a broker-dealer independent of and unaffiliated with 1919ic. Schwab does not supervise 1919ic and has no responsibility for 1919ic's management of clients' portfolios or 1919ic's other advice or services. 1919ic pays Schwab fees to receive client referrals through the Service. 1919ic's participation in the Service raises the conflicts of interest described below.

1919ic pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and under certain circumstances may pay Schwab a Non-Schwab Custody Fee on referred Service accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by 1919ic is a percentage of the fees the client owes to 1919ic or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. 1919ic pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to 1919ic quarterly and may increase, decrease or be waived by Schwab from time to time.

1919ic has agreed to pay Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from, Schwab. This Fee does not apply if the client is solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee, which is higher than the Participation Fees 1919ic generally would pay in a single year, gives 1919ic an incentive to recommend that client accounts be held in custody at Schwab. Because the Participation and Non-Schwab Custody Fees are based on assets in accounts of 1919ic's clients who were referred by Schwab and those referred clients' family members living in the same household, 1919ic will also have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts at Schwab. However, consistent with 1919ic's status as a fiduciary and as described in Item 12 of this brochure, 1919ic will base any recommendations of custodians only on what it believes is in the best interests of clients.

For each client account maintained in custody at Schwab, Schwab will receive compensation from the client pursuant to either Schwab's ABP Arrangement or Schwab's Trade-Based Pricing Arrangement, as described in Item 12 of this brochure.



---

### **Fidelity Wealth Advisor Solutions Program**

1919ic participates in the Fidelity Wealth Advisor Solutions® Program (the “WAS Program”), through which 1919ic may receive client referrals from Fidelity Personal and Workplace Advisors LLC (“FPWA”), a registered investment adviser and Fidelity Investments company. 1919ic is independent of, and is not affiliated with, FPWA or any Fidelity Investments company. FPWA does not supervise or control 1919ic, and FPWA has no responsibility or oversight for 1919ic’s provision of investment advisory services.

Under the WAS Program, FPWA will act as a solicitor for 1919ic, and 1919ic will pay referral fees to FPWA for each referral received based on 1919ic’s assets under management attributable to each referred client. Specifically, 1919ic will pay FPWA referral fees equal to the sum of (i) 0.10% annually of assets in referred client accounts identified by FPWA as fixed income assets, and (ii) 0.25% annually of all other assets in referred client accounts. In addition, 1919ic has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees will be paid by 1919ic and not clients. Because 1919ic’s referral fee payment obligation will be less for assets FPWA identifies as fixed income assets, 1919ic will have a conflict of interest due to its financial incentive to allocate more of a referred client’s assets to fixed income investments (and thereby reduce its referral fee payment obligation). 1919ic plans to address this conflict by allocating clients’ investments across asset types consistent with such clients’ investment guidelines, solely in clients’ interests, and without any reference to 1919ic’s referral fee payment obligations to FPWA.

Although 1919ic must meet certain minimum participation criteria to receive referrals in the WAS Program, FPWA may have selected 1919ic to participate in the WAS Program as a result of other business relationships 1919ic has with one or more of FPWA’s affiliates, including Fidelity Brokerage Services, LLC. In addition, 1919ic has agreed that it will not charge WAS Program clients more than the standard range of investment advisory fees disclosed in Item 5 of this brochure.

---

**ITEM 15. CUSTODY**

Although 1919ic does not maintain actual custody of its clients' assets, in some cases clients give 1919ic the authority to debit clients' custodial accounts for management fees or to transfer money to another person's account and/or another account of the client at another custodian (e.g., checking accounts). In these situations, under SEC regulations, 1919ic is deemed, or in the case of an account of the client at another custodian may be deemed, to have custody of client assets, even though the client's custodian maintains actual custody of those assets. 1919ic is also deemed to have custody of client assets in certain situations where a 1919ic employee serves as trustee, executor or authorized signer for a client's account, or where the client's custodian is an affiliate of 1919ic. 1919 does conduct a third party custody audit on an annual basis.

Clients should carefully review the account statements they receive from their custodians and compare them to any account statements they receive from 1919ic. If a client does not receive at least quarterly account statements (showing amounts of all funds and securities and all transactions during the quarter) directly from its custodian, the client should contact 1919ic right away so 1919ic can work with the client and the custodian to arrange for such statements to be delivered directly to the client.

Also, clients should not send their funds (e.g., cash or checks made payable to cash, to 1919ic or to 1919ic personnel) or securities (e.g., original stock certificates or limited partnership interest certificates, originally signed promissory or demand notes) to 1919ic, but instead should send such assets directly to their custodians. The only exceptions to this are that clients may send 1919ic checks that (i) are made payable to third parties, such as the client's custodian, or (ii) are made payable to 1919ic for fees the client owes to 1919ic.

---

**ITEM 16. INVESTMENT DISCRETION**

1919ic's standard investment advisory agreement grants the firm discretionary authority over client accounts. This authority authorizes 1919ic to make purchase and sale decisions for client accounts or to select other advisers for the client. Alternatively, 1919ic clients may enter into a non-discretionary agreement with clients. Under such agreement, 1919ic must consult with clients before making any purchase and sale decisions for client accounts and receive client approval for the investment decision.

Clients may place limitations on 1919ic's investment authority. For example, clients may ask 1919ic not to invest in securities of particular investment classes, issuers, or sectors. Clients may ask 1919ic not to invest in fixed income securities below a designated credit quality rating. Clients may place limitations with respect to a portfolio's weighted average maturity or duration, or asset allocation with respect to balanced portfolios. Clients may also ask 1919ic not to sell certain securities in which they have previously invested.

A client's 1919ic portfolio manager generally will work with the client to create an investment policy statement that will reflect the client's investment guidelines and objectives, and state any restrictions the client and 1919ic agree to place on the account. 1919ic generally does not create investment policy statements for clients in wrap fee programs, but instead manages accounts of such clients with reference to investment guidelines provided by the program sponsor.

Specific client investment restrictions may limit 1919ic's ability to manage a client's account like accounts of other clients with the same or similar investment objectives and/or guidelines but without similar client-imposed restrictions. This may impact the performance of the account relative to these other accounts and the benchmark index.

---

## ITEM 17. VOTING CLIENT SECURITIES

1919ic's standard investment advisory agreements generally grant the firm proxy voting authority. Unless directed otherwise by the client, where 1919ic has voting authority it will vote all proxies for client accounts in accordance with the proxy voting policies described below. If 1919ic has authority to vote proxies for a client's account but the custodian does not provide 1919ic with the materials necessary to vote proxies in general for securities held in the client's account, 1919ic will be unable to vote proxies and will so notify the client. There are legacy accounts related to an acquisition where 1919 does not have and has not sought proxy voting authority.

1919ic has adopted and implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with 1919ic's fiduciary duties and SEC Rule 206(4)-6 under the Investment Advisers Act of 1940 ("Advisers Act"). In addition to SEC requirements governing advisers, 1919ic's proxy voting policies reflect the long-standing fiduciary standards and responsibilities for ERISA accounts. Unless a manager of ERISA assets has been expressly precluded from voting proxies, the Department of Labor has determined that the responsibility for these votes lies with the manager.

In exercising its voting authority, 1919ic will not consult or enter into agreements with officers, directors or employees of Stifel Financial Corp. or any of its affiliates regarding the voting of any securities owned by its clients.

An account owner may direct 1919ic to refrain from voting a specific security, and name themselves or another person to so vote, while 1919ic retains voting authority over the other securities in the account.

With respect to shares over which 1919ic has voting authority, 1919ic will not decline to vote proxies except in extraordinary circumstances where 1919ic believes that refraining from voting is in the client's best interests. Nor will 1919ic accept direction from others with regard to the voting of proxies. 1919ic may vote proxies related to the same security differently for different clients.

Where 1919ic has voting authority, it generally votes proxies in accordance with proxy voting guidelines prepared by an independent proxy voting firm and approved by 1919ic's Proxy Voting Committee (the "Committee"). These guidelines seek to maximize the economic interests of shareholders. For clients receiving socially responsive investment advisory services, 1919ic generally votes proxies in accordance with socially responsive proxy voting guidelines prepared by this firm and approved by the Committee. 1919ic may vote proxies other than in accordance with applicable guidelines, and in situations where such guidelines do not cover a particular vote, if the Committee approves of such vote. The vote approval process will include seeking to ensure that the vote does not involve a material conflict between the interests of 1919ic and its clients. 1919ic will consider a conflict to be material if it is significant enough to potentially influence or appear to influence 1919ic's decision in the voting process.

Except for extraordinary circumstances, in any such instance, the material conflict will be resolved by the Proxy Voting Committee, voting in accordance with the otherwise applicable approved guidelines (if any), or by obtaining the client's consent to the vote after disclosure of the conflict. Alternatively, the Committee may in its sole discretion obtain, and vote in accordance with, the advice or recommendation of an independent third party.

The Proxy Voting Committee will meet annually to review and approve proxy voting guidelines. 1919ic's proxy voting policy at all times shall be directed toward maximizing the value of the assets of managed accounts, for the benefit of the accounts' ultimate owners or beneficiaries. On proxy vote matters specific to a company, such as the election of directors, the appointment of auditors, granting of options, re-pricing of options, mergers and other material issues, the voting

---

decision typically shall be made in accordance with the proxy voting guidelines approved by the Committee, consistent with the policy of maximizing value.

There are times when 1919ic may be unable to vote a proxy or may choose not to vote a proxy. Examples of these times include, but are not limited to:

- A proxy ballot was never received from the custodian,
- A meeting notice was received too late,
- The fees imposed to exercise the vote are high and outweigh the benefit of voting, or
- A proxy voting service is not offered by the client's custodian.

For clients that grant 1919ic proxy voting authority, a complete record and file of all votes cast, and where appropriate, the reason therefor, shall be maintained by 1919ic with a third party voting service, Institutional Shareholder Services Inc. (ISS). Such clients may obtain information on how their proxies were voted, as well as the more detailed policies and procedures upon which this summary is based, by contacting 1919ic at One South Street, Suite 2500, Baltimore, Maryland, 21202, Attention: Compliance Department.

---

**ITEM 18. FINANCIAL INFORMATION**

Not Applicable.

## APPENDIX A: EXPLANATIONS OF CERTAIN INVESTMENT RISKS

This Appendix explains the main risks of loss associated with the investment strategies described in Item 8 of the brochure. As described in Item 8, the investment strategies 1919ic provides may also involve risks that are not identified or explained in the brochure or this Appendix.

In addition, depending on the nature of a Fund or the Fund's portfolio investments, an investment in the Fund may involve any one or more of the main risks explained in this Appendix A, including without limitation Below Investment Grade Risk, Non-U.S. Investment Risk, Convertible Securities Risk, REIT and Real Estate Risk, Private Placement Risk, ETF Risk, Short Selling Risk, Derivatives Risk and Financial Services Risk. Clients should refer to the Fund prospectuses or other offering documents for more detailed explanations of the main risks associated with investments in Funds.

**General Investment Risk.** Stocks, bonds and other equity and fixed income securities may decline in value for any one or more of several reasons. The potential reasons these securities may decline in value are almost without limit and may not be foreseeable. Some common reasons securities may decline in value include:

Actual or anticipated negative developments affecting the issuer of the securities or the assets backing the securities, including: losses, earnings, revenues, expenses, profit margins, cash flow, growth rates, component unavailability, dividend levels or other financial or business metrics that do not meet expectations; deterioration in financial position; competition; changes in technology or governmental regulation; loss of or failure to obtain customers, personnel or necessary government approvals; product failures; lawsuits, corruption; government investigations or enforcement actions; loss of intellectual property protection; and loss or reduction of benefits such as exclusive distribution or supplier rights.

Actual or anticipated negative developments affecting (a) one or more industries in which the issuer of the securities participates, (b) in the case of governmental issuers, the tax base, economy or other attributes of the country or region where the issuer is located; or (c) in the case of securities backed by specified assets, the type of assets backing the securities, such as mortgages, finance receivables, toll roads, hospitals, etc.

Broader declines in security prices, including global, regional, country-specific, asset class-specific (e.g., equity, fixed income) and investment style-specific (e.g., growth, value) price declines. Potential reasons for these declines include changes in investor preferences; actual or anticipated global, regional or country-specific political, economic, regulatory or social developments (e.g., government changes, monetary policy, inflation, demographic changes, recessions), wars, terrorism, civil unrest, labor stoppages, infrastructure problems (e.g., power outages), and disasters such as earthquakes, floods, droughts, epidemics, oil spills, nuclear incidents, tsunamis, volcano activity, hurricanes and tornadoes.

**Below Investment Grade Risk.** Below investment grade fixed income securities, which are sometimes referred to as "junk" bonds or high yield securities, are fixed income securities that are rated below Baa or BBB and unrated fixed income securities of comparable quality. These securities have a higher risk of declining in value and defaulting than investment grade (i.e., higher quality) fixed income securities. In particular, below investment grade fixed income

securities typically are more volatile and involve greater credit risk than investment grade fixed income securities. See “**High Volatility Risk**” and “**Credit Risk**” below in this Appendix A for explanations of these risks. Below investment grade fixed income securities also tend to be less liquid and more susceptible to general investment risk than investment grade fixed income securities. See “**Illiquidity Risk**” and “**General Investment Risk**” in this Appendix A for explanations of these risks.

### **Concentration Risk:**

**Geographic Concentration Risk.** Geographic concentration risk is the risk of loss from concentrating investments in a particular geographic region, such as a single U.S. state or region, and not more broadly diversifying investments across multiple geographic regions. An investment management portfolio that concentrates investments in a particular geographic region will have a greater risk of loss from developments that negatively affect securities issuers with significant business or other financial exposure to the region. Examples of such developments include: regional disasters such as earthquakes, hurricanes and floods; deteriorating finances of regional governmental securities issuers (e.g., states, municipalities); regional infrastructure problems such as power outages or transport facility shutdowns or restrictions; and economic, demographic or regulatory changes that negatively affect the region’s business environment.

**Industry Concentration Risk.** Industry concentration risk is the risk of loss from concentrating investments in a particular industry and not more broadly diversifying investments across multiple industries. An investment management portfolio that concentrates investments in a particular industry will have a greater risk of loss from developments that negatively affect companies in that industry. Examples of such developments include: regulatory or other government policy changes that negatively affect the industry; changes in business methods, technologies or consumer preferences that reduce demand for the industry’s products or services; alternative product/service competition from new or pre-existing industries; and shortages of, or increased costs for, industry personnel, raw materials or product components.

**Issuer Concentration Risk.** Issuer concentration risk is the risk of loss from concentrating investments in individual securities (i.e., making larger investments in individual securities) instead of more broadly diversifying investments across a larger number of securities. An investment management portfolio that concentrates investments in individual securities will have a greater risk of loss from developments that negatively affect the issuers of those securities. See clause (i) of “**General Investment Risk**” above for examples of developments that may negatively affect the value of a particular issuer’s securities.

**Credit Risk.** Credit risk, which is sometimes referred to as “default risk”, is the risk that the value of a fixed income security will decline because of investor perception that the security issuer’s or guarantor’s future payment of the principal and/or interest obligation represented by the security has become less likely, increasing the likelihood of default; or actual default by the issuer or guarantor of the security.

Below investment grade fixed income securities generally involve more credit risk than investment grade fixed income securities. See “**Below Investment Grade Risk**” above for a description of below investment grade fixed income securities. Developments that negatively affect the issuer or guarantor of a fixed income security, or the specified assets



---

backing the security, often will increase the security's level of credit risk. See "**General Investment Risk**" above for examples of such developments.

**Extension Risk.** Extension risk is the risk that issuers of fixed income securities, including mortgage-backed and other asset-backed securities, will repay their obligations more slowly than the market anticipates in the event market interest rates rise. This repayment extension may cause the prices of these securities to fall because their interest rates are lower than market rates and they remain outstanding for longer than originally anticipated.

**High Volatility Risk.** High volatility risk is the risk of loss associated with investments that tend to fluctuate in value more than other investments. An investment management portfolio with high volatility risk typically involves more speculative investments than a portfolio that does not have such risk. More speculative investments increase the client's risk of loss. In addition, high volatility increases the chance that a client will incur significant investment losses if and when the client or the client's investment manager decides to sell one or more securities held in the client's account.

**Illiquidity Risk.** Illiquidity risk is the risk that securities held in a client's account may be difficult to sell at prices close to recent valuations because few or no market participants are willing to purchase the securities at such prices. This risk, which generally is greater during times of market turmoil, may result in increased losses (or lesser gains) relative to sales of securities for which more active trading markets exist. Illiquidity risk may also result in client accounts realizing lower prices from smaller-sized sales of securities, including municipal bonds that usually trade in larger amounts. For example selling a single \$5,000 lot of a municipal bond for a client's account may result in a lower per-bond price than a contemporaneous sale of a \$100,000 lot of the same bond.

**Interest Rate Risk.** Interest rate risk is the risk that market interest rates will rise, causing fixed income security prices to fall. This risk stems from the tendency of increases in market interest rates to generally make payment obligations associated with already-outstanding fixed income securities less attractive to investors and therefore the securities themselves less valuable. The risk of securities price declines caused by interest rate increases generally is higher for fixed income securities with longer-term maturities.

**Mid Cap Risk.** Mid cap risk is the additional risk of loss typically associated with investments in securities of mid cap companies. Negative company-specific developments tend to cause securities of mid cap companies to decline in value more than securities of large cap companies. See clause (i) of "**General Investment Risk**" above for examples of such developments. Reasons for mid-cap companies' increased risk of loss from such developments include the tendency of mid cap companies to have more limited product lines, operating histories, markets and financial resources, and also to be dependent on more limited management groups. Securities of mid cap companies also tend to be more volatile and less liquid than securities of large cap companies. See "**High Volatility Risk**" and "**Illiquidity Risk**" above.

**Non-U.S. Investment Risk.** Non-U.S. investment risk is the additional risk of loss typically associated with investments in securities of non-U.S. issuers. Investments in securities of non-U.S. issuers tend to involve greater risk than investments in U.S. issuers. This increased risk arises from factors that include: many non-U.S. countries having securities markets that are less liquid and more volatile than U.S. securities markets; political and economic instability in some non-U.S. countries; lesser availability of issuer and market information in some non-U.S. countries; and less rigorous accounting and regulatory standards in some non-U.S. countries. In addition, currency exchange rate fluctuations may have a greater negative effect on the value of investments in securities of non-U.S. issuers.

**Emerging Market Risk.** Non-U.S. investment risk is increased for securities issuers and markets in emerging market countries. Emerging markets tend to have economic, political and legal systems that are less developed and less stable than those of the United States and other developed countries. In addition, securities markets in emerging market

countries may be relatively illiquid and subject to extreme price volatility. See “**Illiquidity Risk**” and “**High Volatility Risk**” above.

**Prepayment Risk.** Issuers of many fixed income securities, including certain mortgage-backed and other asset-backed securities, have the right to pay their payment obligations ahead of schedule. If interest rates fall, an issuer may exercise this right. If this happens, the investor’s ability to reinvest the prepayment proceeds and obtain the same yield will be diminished because of the lower market interest rates. In addition, prepayment may cause the investor to lose any premium paid upon purchase of the security.

**Small Cap Risk.** Small cap risk is the additional risk of loss typically associated with investments in securities of small cap companies. Negative company-specific developments tend to cause securities of small cap companies to decline in value more than securities of large cap and mid cap companies. See clause (i) of “General Investment Risk” above for examples of such developments. Reasons for small cap companies’ increased risk of loss from such developments include the tendency of small cap companies to have more limited product lines, operating histories, markets and financial resources, and also to be dependent on more limited management groups. Securities of small cap companies also tend to be more volatile and less liquid than securities of large cap and mid cap companies. See “**High Volatility Risk**” and “**Illiquidity Risk**” above.

**Private Placement Risk.** 1919c may invest assets of certain clients in private investment funds, the shares or units of which are not publicly traded or freely transferable. Investments in private placements generally will be subject to significant Illiquidity Risk as a result, and this typically will make such investments more susceptible to losses. See “**Illiquidity Risk**” in this Appendix A for an explanation of this risk.

**REIT and Real Estate Risk.** The value of a strategy’s investments in real estate investment trusts (“REITs”), a type of Fund that invests in real estate-related assets, may change in response to changes in the real estate market. Investments in REITs may subject clients to the following additional risks:

- Declines in the value of real estate;
- Changes in interest rates;
- Lack of available mortgage funds or other limits on obtaining capital and financing;
- Overbuilding;
- Extended vacancies of properties;
- Increases in property taxes and operating expenses;
- Changes in zoning laws and regulations;
- Casualty or condemnation losses; and
- Tax consequences of the failure of a REIT to comply with tax law requirements.

These additional risks typically will be magnified for REITs that leverage their investments – i.e., use debt financing to increase real estate investment exposure above the amount of the REIT’s net assets.

**Convertible Securities Risk.** A convertible security is a bond, debenture, note, preferred stock, right, warrant or other security that may be converted into or exchanged for a prescribed amount of common stock or other security of the same or a different issuer or cash within a particular period of time at a specified price or formula. A convertible security generally entitles the holder to receive interest paid or accrued on debt securities or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities

generally have characteristics similar to both debt and equity securities. Convertible securities ordinarily provide a stream of income with generally higher yields than those of common stock of the same or similar issuers. Convertible securities generally rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible proportionate securities.

Convertible securities generally do not participate directly in any dividend increases or decreases of the underlying securities although the market prices of convertible securities may be affected by any dividend changes or other changes in the underlying securities. Investments in convertible securities may be subject to the risks that prevailing interest rates, issuer credit quality and any call provisions may affect the value of the securities. Rights and warrants entitle the holder to buy equity securities at a specific price for a specific period of time. Rights typically have a substantially shorter term than do warrants. Rights and warrants may be considered more speculative and less liquid than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities nor do they represent any rights in the assets of the issuing company. Rights and warrants may lack a secondary market.

The value of convertible securities tends to decline as interest rates rise and, because of the conversion feature, tends to vary with fluctuations in the market value of the underlying securities.

**ETF Risk.** Investments in exchange-traded funds ("ETFs") (which may, in turn, invest in equities, bonds, and other financial vehicles) may involve duplication of certain fees and expenses. By investing in an ETF, a strategy becomes a shareholder of that ETF. As a result, investors in a strategy that invests in ETFs are indirectly subject to the fees and expenses of the individual ETFs. These fees and expenses are in addition to the fees and expenses that investors in the strategy directly bear in connection with the strategy's own operations. If the ETF fails to achieve its investment objective, the strategy's investment in the ETF may adversely affect its performance. In addition, because ETFs are listed on national stock exchanges and are traded like stocks listed on an exchange, the following may occur:

- The strategy may acquire ETF shares at a discount or premium to their NAV, and
- The strategy may incur greater expenses since ETFs are subject to brokerage and other trading costs.

Finally, because the value of ETF shares depends on the demand in the market, we may not be able to liquidate the ETF holdings at the most optimal time, adversely affecting the strategy's performance.

**Short Selling Risk.** Short selling involves selling securities that are not owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows a portfolio to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short-selling exposes a portfolio to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise.

**Socially Responsive Criteria Risk.** Socially responsive investment strategies may have a smaller universe of available investments than investment strategies that do not apply socially responsive criteria and this may prevent investment in certain otherwise attractive opportunities. Also, socially responsive investments may underperform other types of investments or the market as a whole.

---

**Financial Services Risk.**

**Counterparty Risk.** The financial services industry is highly interconnected, and financial services companies have exposure to many different industries, issuers and counterparties, and often execute transactions with counterparties that also operate in the financial services industry, including brokers and dealers, commercial banks, investment banks, hedge funds and other investment funds and other institutions. Many of these transactions expose a financial services company to credit risk in the event of default of the counterparty. In addition, with respect to secured transactions, a financial services company's credit risk may be exacerbated when the collateral held by the company cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to it. A financial services company may also have exposure to other issuers in the form of holdings in unsecured debt instruments, derivative transactions and stock investments of such issuers.

**Regulatory Risk.** The financial services industry is subject to complex and extensive regulation by numerous primary Federal regulators, including: the Office of the Comptroller of the Currency, the Federal Reserve Board and the Federal Deposit and Insurance Corporation ("FDIC"). State chartered financial institutions also are subject to regulation and supervision by state bank regulatory agencies. Further, all federally insured depository institutions are subject to certain oversight and supervision by the FDIC as the insurer of deposit accounts. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities. Moreover, the laws, rules and regulations comprising such regulatory framework are constantly changing, as are the interpretation and enforcement of existing laws, rules and regulations. The regulatory framework governing the financial services industry is currently under close Congressional and regulatory agency scrutiny and is the subject of pending and contemplated legislation and rulemaking initiatives that could drastically alter the manner in which financial services companies operate and are structured.

**Banking Industry Investment Risk.** The results of operations of banking institutions may be materially affected by general economic conditions, changes in the level of interest rates, national and local cycles in real estate and the monetary and fiscal policies of the Federal government. In addition, over the last couple of years, the world's financial markets have experienced extraordinary market conditions, including the failure of the credit markets to function and extreme volatility in the securities market. As a result, U.S. and foreign financial regulators undertook unprecedented regulatory action and continue to consider and implement other measures to stabilize U.S. and global financial markets. While the U.S. financial market appears to have reached a level of stability, there continues to be a high level of troubled depository institutions and therefore likely consolidation in the financial services industry and uncertainty in other markets that affect the U.S. market.

**Other Financial Services Company Risk.** Many of the investment considerations discussed in connection with banks, mortgage brokers and insurance companies also apply to other financial services companies. These companies are all subject to extensive regulation, rapid business changes and volatile performance dependent on the availability and cost of capital, prevailing interest rates and significant competition. General economic conditions significantly affect these companies. Credit and other losses resulting from the financial difficulty of borrowers or other third parties have a potentially adverse effect on companies in this industry.

**Derivatives Risk.** Derivatives, which may be used in Funds in which 1919c client assets are invested, are financial instruments that have a value which depends upon, or is derived from, a reference asset, such as one or more underlying securities, pools of securities, options, futures, indexes or currencies. Derivatives may result in investment exposures that are greater than their cost would suggest; in other words, a small investment in a derivative may have a large impact on a

---

strategy's performance. The successful use of derivatives generally depends on the Fund manager's ability to predict market movements.

Derivatives are subject to a number of risks, including without limitation Illiquidity Risk, Interest Rate Risk, Credit Risk and General Investment Risk (each described elsewhere in this Appendix) and the following additional risks:

- Risk of default by the other party to the derivatives transaction;
- Risk that the derivatives transaction may result in losses that partially or completely offset gains in other positions; and

Risk that derivative instruments may be mispriced or improperly valued and that changes in the value of the derivatives may not correlate perfectly with the underlying asset or security.

