



## **Broad Cove Capital**

62 U.S. Route 1

Cumberland Foreside, ME 04110

[www.BroadCoveCapital.com](http://www.BroadCoveCapital.com)

August 19, 2021

This brochure provides information about the qualifications and business practices of Broad Cove Capital.

If you have any questions about the contents of this brochure, please contact Matthew E.D. Daigneault at 207-781-7800 or [matt@broadcovecapital.com](mailto:matt@broadcovecapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

*Note:* Any reference to or use of the terms "registered investment adviser" or "registered" in this brochure, does not imply that Broad Cove Capital has achieved a certain level of skill or training.

## ***Item 2 - Material Changes***

Investment advisers are required to prepare a disclosure document (“Brochure”) that describes the firm and its business practices.

This Brochure dated August 19, 2021, is an update to Broad Cove Capital’s previously filed Brochure dated January 11, 2021.

The material changes in this brochure from the last annual updating amendment of Broad Cove Capital on January 11, 2021 are described below. Material changes relate to Broad Cove Capital’s policies, practices or conflicts of interests.

On August 10, 2021, John Duffy consented to the entry of an order by the Administrator of the Maine Office of Securities (Consent Order No. 2021-16), imposing sanctions on Mr. Duffy to resolve actions he self-reported to the Office of Securities in September 2019 and related issues identified during a follow up investigation by the General Counsel of the Office of Securities. Please see Item 9, “Disciplinary History” for additional details regarding the Consent Order and the sanctions imposed by the Administrator.

Item 10, “Other Financial Industry Activities and Affiliations” was updated to reflect that Mr. Duffy and Mr. Daigneault resigned their licenses as registered representatives with Pursche Kaplan Sterling Investments, Inc., a FINRA registered broker-dealer (“PKS”) and no longer provide securities brokerage services or implement securities transactions with PKS.

Item 18 was updated to reflect that the Firm was granted forgiveness with respect to the loan obtained under the Paycheck Protection Program (“PPP”) established by the U.S. Small Business Administration (the “SBA”) under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) and the PPP disclosure was deleted.

Pursuant to SEC rules, we are required to update our Brochure at least annually and provide you with a summary of any material changes since its revision. This Item of the Brochure addresses only those material changes incorporated since our last delivery to you or posting of this Brochure on the SEC’s public disclosure website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

With this summary, we hereby offer to deliver a complete copy of our Brochure upon your request at any time during the year. You may request our Brochure at any time by contacting the Chief Compliance Officer at 207-781-7800 or [matt@broadcovecapital.com](mailto:matt@broadcovecapital.com).

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#### ***Item 4 - Advisory Business***

Broad Cove Capital (sometimes referred to here as the “Firm”) was incorporated in Maine on August 5, 2019. John D. Duffy and Matthew E. D. Daigneault are the corporation’s only shareholders. Mr. Duffy has been in the field of investment management since 1996. He serves as President and Chief Executive Officer of the Firm. Mr. Daigneault has been in the field of investment management since 1999. He serves as Senior Vice President, Chief Operating Officer, and Chief Compliance Officer of the Firm.

Broad Cove Capital offers a variety of advisory services, described below. At the time of engaging Broad Cove Capital to provide advisory services, the client will enter into a written agreement setting forth terms and conditions under which Broad Cove Capital renders its services.

Broad Cove Capital manages client assets on both a discretionary and non-discretionary basis. As of December 31, 2020, Broad Cove Capital had regulatory assets under management of \$185,100,000.00 and managed approximately \$153,300,000.00 on a discretionary basis and \$31,800,000.00 on a non-discretionary basis. The Firm’s Form ADV registration statement was declared effective by the SEC as of September 10, 2019.

#### **Types of Services Offered**

Broad Cove Capital offers investment management services. Broad Cove Capital does not hold itself out as providing financial planning, estate planning, or insurance planning services. Prior to engaging Broad Cove Capital to provide any of the foregoing investment advisory services, the client is required to enter into a written agreement investment advisory contract with the Firm (the “Investment Advisory Agreement”) setting forth the terms and conditions under which Broad Cove Capital renders its services.

As part of its investment management services, Broad Cove Capital undertakes a comprehensive evaluation of a client’s current and future financial situation, using currently known variables to estimate future cash flows, asset values and anticipated cash withdrawal requirements. The financial planning process considers a wide range of questions, information and analysis relating to the client’s overall financial and personal situation and objectives. In developing a client’s investment management plan, Broad Cove Capital first strives to have a deep understanding of the client’s need for liquidity and security. This includes an understanding of when capital likely will be needed and in what amounts. We typically “stress test” the plan using Money Guide Pro Financial Planning software, a simulation that we find helps us and the clients better understand how well their available and anticipated funds match up with their goals. These simulations also help us and the client better understand the implications of different levels of portfolio risk. Broad Cove Capital’s planning services are complimentary and rendered in conjunction with investment portfolio management as part of a comprehensive investment management services engagement.

#### **Investment Portfolio Management**

Broad Cove Capital primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities, and independent investment managers, depending on the client’s stated investment objectives. We normally recommend long-term,

patient strategies, but are able to make more frequent adjustments to address the client's needs and preferences.

The Firm will tailor its advisory services to individual needs based on meetings and conversations with the client. If a client wishes to impose particular restrictions or guidelines on investments in certain securities or types of securities, we will make certain we understand the client's stated objectives and will adjust the Firm's advice so as to respect those wishes.

### *Nonmanaged Assets*

From time to time, clients may ask Broad Cove Capital to include designated assets – such as legacy securities – in their investment advisory account on a nonmanaged basis. The Firm will not be responsible for providing ongoing supervision or advisory services for the designated assets, and generally will require written confirmation of any requested sale or action relating to such assets. Nonmanaged assets will be subject to the custodian's fees but will not be included in calculations of Broad Cove Capital's advisory fees.

### *Other Investment Management Services*

Clients may engage Broad Cove Capital to manage and/or advise on certain investment products/portfolios that are not maintained at the Firm's primary custodian; including, but not limited to variable life insurance and annuity contracts, investment accounts, individual and Roth retirement accounts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Broad Cove Capital may recommend the allocation of client assets among the various investment options within the product or investment platform. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

Where appropriate, the Firm may be asked to provide advice about legacy positions or other types of investments held in client portfolios not managed by Broad Cove Capital.

### *Retirement Plan Services*

Broad Cove Capital provides various non-discretionary investment advisory services to qualified employee benefit and/or contribution plans and their fiduciaries in order to assist plan sponsors (each, a "Plan Sponsor") in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and may include any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

Certain of these services are provided by Broad Cove Capital in the capacity of a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), each Plan Sponsor is provided with a written description of

Broad Cove Capital's fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

#### Selection of Other Advisors

Broad Cove Capital may select one or more independent investment managers to actively manage a portion of a clients' assets. The specific terms and conditions under which a client engages an independent investment manager will be set forth in a separate written agreement between the client and that designated manager.

Broad Cove Capital evaluates information about independent investment managers, such as their public disclosure documents, materials supplied by the managers themselves and other third-party data Broad Cove Capital considers to be reliable. Broad Cove Capital will assess the manager's investment strategies, past performance and risk profile in relation to its clients' individual portfolio allocations and risk exposure. Broad Cove Capital also takes into consideration each such firm's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors. In so doing, Broad Cove Capital will seek to assure that the independent investment managers' strategies and target allocations remain aligned with Broad Cove Capital's assessment of the client's investment objectives and overall best interests.

Broad Cove Capital will ensure that all independent investment managers recommended to clients will either be an investment adviser registered with the SEC or applicable state securities regulators or be exempt from such registrations. The client, prior to entering into an agreement with an independent investment manager, will be provided with that manager's Part 2A brochure (if applicable).

#### No Participation in Wrap Fee Programs

The Firm does not participate in wrap fee programs.

### ***Item 5 - Fees and Compensation***

Broad Cove Capital offers its services on a fee basis, which include fixed fees, as well as fees based upon assets under management. Additionally, certain of the Firm's supervised persons, in their individual capacities, may offer securities brokerage services and insurance products under a separate commission-based arrangement.

#### Investment Management Fees

Broad Cove Capital offers investment management services for an annual fee based on the amount of assets under the Firm's management. The management fee generally varies in accordance with the fee schedule below.

<b><u>Assets Under Management</u></b>	<b><u>Base Fee</u></b>
Up to \$1,000,000	1.00%
\$1,000,001 to \$2,000,000	0.85%
\$2,000,001 to \$5,000,000	0.70%

\$5,000,001 or above

0.50%

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Broad Cove Capital on the last day of the previous calendar quarter.

For the initial period of an engagement, the fee is calculated on pro rata basis and billed with the next regularly scheduled quarterly billing cycle. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate. Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), Broad Cove Capital may negotiate a fee rate that differs from the range set forth above.

All fees may be negotiated at the sole discretion of the Firm. The fee arrangement set forth in the client's investment advisory agreement may not be changed without written consent of both Broad Cove Capital and the client.

To the extent specifically requested by a client or a potential client, Broad Cove Capital may consider offering limited financial planning consultation services. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which Broad Cove Capital shall not receive any separate or additional fee.

#### Retirement Plan Services Fees

Where Broad Cove Capital is engaged to provide portfolio management services to a retirement plan, the Plan Sponsor will pay the Firm, as compensation for its services, a consulting fee at an annual rate of up to 0.50% of assets in the Plan, in an amount negotiated between the Firm and the Plan Sponsor or its agent. These fees are prorated and billed quarterly, consistent with the description under *Investment Management Fees* above. The Plan Sponsor may, at its election, submit invoices for this consulting fee to the custodian of the Plan's assets for payment. Whether billed directly to the Plan Sponsor or to the Plan's custodian, the Plan Sponsor agrees to be responsible for prompt payment, normally by the end of the month in which the invoice is submitted.

#### Additional Fees and Expenses

In addition to the advisory fees paid to Broad Cove Capital, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees charged by the independent investment managers, margin costs, management fees and other charges imposed by a mutual fund or ETF (as discussed in the next paragraph), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

The fees paid to Broad Cove Capital for investment advisory services are separate and distinct from the expenses charged by mutual funds or ETFs to their shareholders, and to the product sponsor in the case of variable insurance products. These fees and expenses are described in each fund's or variable product's prospectus. These fees will generally include a management fee and other fund expenses and a possible distribution fee. When recommending mutual funds that have

multiple share classes, Broad Cove Capital will take into account the internal fees and expenses associated with each share class and select the most cost-effective share class that still meets the client's needs and objectives and is available to the client.

#### Payment through Direct Debit of Fees

Clients generally provide Broad Cove Capital with authority to directly debit their accounts for payment of the Firm's investment advisory fees. Institutions that act as the qualified custodians for the Firm's client accounts agree to send statements to clients not less than quarterly, detailing all account transactions including amounts paid to Broad Cove Capital. Broad Cove Capital will also provide account statements to clients. Clients are urged to compare the account statement they receive from the qualified custodian with those they receive from Broad Cove Capital. Any discrepancies should be immediately brought to the Firm's attention.

In cases where (i) it is not practical to directly deduct fees from a client's account or (ii) a client has not authorized Broad Cove Capital to deduct its advisory fee from the client's account, the client will be sent an invoice on a quarterly basis for any outstanding advisory fees that are then due and payable.

#### Commissions or Sales Charges for Recommendations of Securities

As of August 13, 2021, John D. Duffy and Matthew E.D. Daigneault, in their individual capacities resigned as registered representatives of Purshe Kaplan Sterling Investments, Inc., CRD# 35747, a FINRA registered broker-dealer ("PKS"), and no longer provide securities brokerage services or implement securities transactions with PKS.

Broad Cove Capital and its supervised persons are fiduciaries by law and must act in the best interest of the client. The Firm also maintains a Code of Ethics that sets forth basic policies of ethical conduct for all managers, officers and employees of the adviser.

A client may be able to invest in products recommended by the Firm directly, without the services of Broad Cove Capital. In that case, the client would not receive the services provided by Broad Cove Capital which are designed, among other things, to assist the client in determining which products or services are most appropriate to each client's financial condition and objectives.

#### Termination of the Advisory Relationship

A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.

#### ***Item 6 - Performance-Based Fees and Side-by-Side Management***

Broad Cove Capital does not charge performance-based fees (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets). Broad Cove Capital also does not employ side-by-side management and does not favor one product, service or investment strategy over another.



### ***Item 7 - Types of Clients***

The Firm will offer its services to individuals, high net worth individuals, families, pension and profit-sharing plans, trusts, estates, charitable organizations, endowments, foundations, corporations and other business entities.

As a condition for starting and maintaining a relationship, the Firm imposes a minimum portfolio size of \$250,000. Broad Cove Capital, in its sole discretion, may accept clients with smaller portfolios depending on the circumstances such as factors based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention and pro bono activities. Broad Cove Capital may aggregate the portfolios of family members to meet the minimum portfolio size.

There is no minimum investment requirement for subsequent investments in an already existing account.

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

#### **Investment Strategy**

Broad Cove Capital constructs and implements diversified investment portfolios, across multiple asset classes that depend on each individual client's goals and risk tolerance. Broad Cove Capital's investment strategy is primarily one of long-term purchases of securities for a year or more. However, the Firm may trade securities held for less than a year in times of unusual market conditions.

Clients need to be aware that investing in securities involves risk of loss that clients need to be prepared to bear. A risk in a long-term purchase strategy is that by holding the security for a significant period of time, a client may not be able to take advantage of short-term gains that could be profitable. Moreover, if the Firm's analysis is incorrect, a security may decline sharply in value before the Firm makes the decision to sell.

#### **Methods of Analysis**

Although many factors are considered in the construction of portfolios, the predominant methodology used is fundamental analysis, applied on both a "top down" and "bottoms up" approach. Broad Cove Capital also employs technical analysis techniques in formulating investment advice or managing assets for clients

Fundamental analysis involves analyzing a company's financial statements and health, its management and competitive advantages and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives; to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions and to calculate its credit risk.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the company's stock.

Technical analysis is a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume and open interest can help predict future (usually short-term) market trends. Technical analysis does not consider the underlying financial condition of a company. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

#### Mutual Fund and/or ETF Analysis

The Firm looks at the experience and track record of the manager of the mutual fund or ETF in order to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions.

We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

#### Risk of Loss

The methods of analysis and investment strategies followed by the Firm are utilized across all of the Advisors clients, as applicable. One method of analysis or investment strategy is not more significant than the other as the Firm is considering the client's portfolio, risk tolerance, time horizon and individual goals. However, the client should be aware that with any trading that occurs in the client account, the client will incur transaction and administrative costs.

Investing includes the risk that the value of an investment can be negatively affected by factors specifically related to the investment (e.g., capability of management, competition, new inventions by other companies, lawsuits against the company, labor issues, patent expiration, etc.), or to factors related to investing and the markets in general (e.g., the economy, wars, civil unrest or terrorism around the world, concern about oil prices or unemployment, etc.).

Risks of fundamental analysis may include risks that market actions, natural disasters, government actions, world political events or other events not directly related to the price or valuation of a specific company's fundamental analysis can adversely impact the stock price of a company causing a portfolio containing that security to lose value. Risks may also include that the historical data and projections on which the fundamental analysis is performed may not continue to be

relevant to the operations of a company going forward, or that management changes or the business direction of management of the company may not permit the company to continue to produce metrics that are consistent with the prior company data utilized in the fundamental analysis, which may negatively affect the Firm's estimate of the valuation of the company.

The primary risks in technical analysis are that the factors used to analyze the price, trends and volatility of a security may not be replicated, or the outcomes of such analysis will not be the same as in past periods where similar combinations existed. Because of the reliance on trends, technical analysis can signal buying at market peaks and selling at market troughs.

All investments involve some degree of risk. In finance, risk refers to the degree of uncertainty and/or potential financial loss inherent in an investment decision. In general, as investment risks rise, investors seek higher returns to compensate themselves for taking such risks.

Every saving and investment product have different risks and returns. Differences include how readily investors can get their money when they need it, how fast their money will grow, and how safe their money will be. The primary risks faced by investors include:

#### *Business Risk*

With a stock, an investor purchases a piece of ownership in a company. With a bond, the investor loans money to a company. Returns from both of these investments require that the company stays in business. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. If there are assets, the company's bondholders will be paid first, then holders of preferred stock. If the investor is a common stockholder, the investor gets whatever is left, which may be nothing.

The business risk in purchasing an annuity is that the financial strength of the insurance company issuing the annuity may decline and not be able to pay out the annuity obligation.

#### *Volatility Risk*

Even when companies aren't in danger of failing, their stock price may fluctuate up or down. Large company stocks as a group, for example, have lost money on average about one out of every three years. A stock's price can be affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events.

#### *Inflation Risk*

Inflation is a general upward movement of prices. Inflation reduces purchasing power, which is a risk for investors receiving a fixed rate of interest. The principal concern for individuals investing in cash equivalents is that inflation will erode returns.

#### *Interest Rate Risk*

Interest rate changes can affect a bond's value. If bonds are held to maturity the investor will receive the face value, plus interest. If sold before maturity, the bond may be worth more or less than the face value. Rising interest rates will make newly issued bonds more appealing to investors because the newer bonds will have a higher rate of interest than older ones. To sell an older bond with a lower interest rate, an investor might have to sell it at a discount.

### *Liquidity Risk*

This refers to the risk that investors won't find a market for their securities, potentially preventing them from buying or selling when they want. This can be the case with the more complicated investment products. It may also be the case with products that charge a penalty for early withdrawal or liquidation such as a certificate of deposit (CD).

The Firm does not primarily recommend a particular type of security. However, clients are advised that many unexpected broad environmental factors can negatively impact the value of portfolio securities causing the loss of some or all of the investment, including changes in interest rates, political events, natural disasters, and acts of war or terrorism. Further, factors relevant to specific securities may have negative effects on their value, such as competition or government regulation. Also, the factors for which the company was selected for inclusion in a client portfolio may change, for example, due to changes in management, new product introductions, or lawsuits.

### ***Item 9 - Disciplinary Information***

The Firm and its employees, other than as described below, have not been the subject of or involved in any legal or disciplinary proceedings or other such events material to a client's or prospective client's evaluation of the Firm's advisory business or the integrity of its management.

On August 10, 2021, John Duffy consented to the entry of an order by the Administrator of the Maine Office of Securities (Consent Order No. 2021-16), imposing sanctions on Mr. Duffy to resolve actions he self-reported to the Office of Securities in September 2019 and related issues identified during a follow up investigation by the General Counsel of the Office of Securities. The activities at issue occurred when the firm with which Mr. Duffy was then licensed unexpectedly terminated his license as an investment adviser representative before his license with a successor firm was active. During that period, Mr. Duffy attempted to assist a former client with a routine request to transfer funds between two of the clients' accounts, when the prior firm failed to carry out the request. Mr. Duffy contacted the custodian of the accounts using the name of a then current representative of the prior firm. The custodian was not able to complete the transfer for unrelated reasons. Mr. Duffy regretted his actions almost immediately and, with counsel, met with the Administrator and the General Counsel of the Maine Office of Securities to report his actions. The General Counsel identified other issues during the follow up investigation, including an earlier call that Mr. Duffy made to the custodian using the same credentials as he used for the client related call. Mr. Duffy Made the earlier call only to verify the documents required by the custodian for certain types of client transfers when a client changed investment adviser firms. Mr. Duffy received no compensation for the action he self-reported or for any of the other action identified by the Office of Securities. Mr. Duffy accepted the Consent Order and the sanctions imposed by the Administrator, which included a 30-day suspension of Mr. Duffy's license as an investment adviser representative, a fine of \$20,000 and two years of heightened supervision following the end of the suspension.

Mr. Duffy has not been subject to any other administrative proceeding that would be material to the ability of a Client or prospective Client to evaluate Mr. Duffy.

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

### **Broker-Dealer or Registered Representative Registration**

As of August 13, 2021, Messrs. Duffy and Daigneault resigned their licenses as registered representatives with PKS.

### **Futures and Commodity Registration**

Neither Broad Cove Capital nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or associated person of the foregoing entities.

### **Arrangements with Related Persons**

Mr. Duffy is licensed as an insurance agent to sell life, accident and other lines of insurance for various insurance companies. He therefore will be able to purchase insurance products for any client in need of such services and will receive separate but typical compensation in the form of commissions for the purchase of insurance products. This creates a conflict of interest because of the receipt of additional compensation by Mr. Duffy. Clients are not obligated to use Mr. Duffy for insurance products services. However, in such instances, there is no advisory fee associated with these insurance products, and clients will be made aware of all commissions associated with the products prior to the transactions.

Broad Cove Capital does not currently have any other relationships or arrangements that are material to its advisory business or clients with either a municipal securities dealer, government securities dealer or broker, investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund” and offshore fund), other investment advisor or financial planner, futures commission merchant, commodity pool operator, or commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, pension consultant, real estate broker or dealer or sponsor of syndicator of limited partnerships.

### **Recommendation of Investment Advisors**

Broad Cove Capital recommends or selects other investment advisors for clients but does not receive direct or indirect compensation from those advisors. For further information, please see Item 4 above.

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

### **Code of Ethics**

The supervised persons of Broad Cove Capital have committed to a written Code of Ethics (the “Code”). The Code requires Broad Cove Capital and its supervised persons to comply fully with all applicable laws, including federal securities laws, in conducting investment advisory services and related activities. The Firm’s Chief Compliance Officer is responsible for overseeing strict

adherence to the Code. Broad Cove Capital will provide a copy of the Code to any client or prospective client upon request.

The Code is based on the principle that Broad Cove Capital has a fiduciary obligation to its clients. In this fiduciary capacity, Broad Cove Capital and its personnel are required to place the interests of clients before their own interests and the interests of persons and entities that may be related to them. Broad Cove Capital seeks to avoid conflicts of interest with its clients and will take appropriate steps consistent with the Code to resolve any conflicts of interest that may arise.

The Code and other compliance procedures establish policies and procedures in a number of areas, including the treatment of confidential proprietary information, recordkeeping, conflicts of interest, and personal securities transactions.

#### Violations of Law

The Firm's Chief Compliance Officer or his designee conducts compliance reviews at least annually and monitors for indications of potential violations of law or the Code on a monthly basis. In addition, Broad Cove Capital has a written policy that requires personnel who become aware of a compliance risk to report the possible violation promptly to the Chief Compliance Officer or senior management. Broad Cove Capital would investigate any such report and would not retaliate against someone who makes a report.

The Code requires Broad Cove Capital to administer discipline to maintain the quality of services that it provides to clients by encouraging legal and appropriate behavior and by deterring illegal and inappropriate behavior. Disciplinary actions may include a written warning, fines, suspension of employment, and termination of employment.

#### Participation or Interest in Client Transactions

Broad Cove Capital or one or more of its officers, members, managers, employees, and agents may from time to time have a direct or indirect interest in a security that is purchased, sold, or otherwise traded in client accounts and may effect transactions in the security for client accounts that may be the same as or different from the actions that Broad Cove Capital or such a related person may take with respect to its or his account. As an agent for a client, Broad Cove Capital may effect transactions in securities while also acting as agent for another client who is the counterparty to the transaction.

#### Personal Trading

The Firm permits its supervised persons to purchase and sell securities for their personal accounts and for the accounts of persons and entities related to them, so long as the supervised persons are in compliance with the Code. Because these securities may be among those purchased or sold for the Firm's client accounts, conflicts of interest between Broad Cove Capital and its clients may arise. In general, the Firm manages these conflicts of interest by requiring transactions in equity securities for client accounts to be completed before transactions in equity securities for personal accounts and the accounts of persons and entities related to the Firm's supervised persons may proceed. For transactions in particular fixed-income securities, transactions in client accounts and for personal accounts and the accounts of persons and entities related to the Firm's supervised persons may be aggregated if aggregation would not result in higher costs for clients.

The Code requires supervised persons to obtain clearance in advance with respect to all proposed securities trading for their personal accounts and for the accounts of related persons, including securities offered in an initial public offering or a limited offering. The Code also requires supervised persons to disclose to the Firm's Chief Compliance Officer all of their reportable personal securities holdings and to provide the Chief Compliance Officer with quarterly holdings and transaction reports. In addition, Broad Cove Capital has a written insider trading policy that is designed to prevent the improper use of material nonpublic information.

## ***Item 12 - Brokerage Practices***

### **Brokerage Firm Selection**

The Firm typically recommends that clients utilize the brokerage and clearing services offered by the client account custodian. In making this recommendation, Broad Cove Capital considered factors such as commission price, speed and quality of execution, client management tools and convenience of access for both the Firm and the client.

As an investment advisory firm, Broad Cove Capital has a fiduciary duty to seek best execution for client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it appears to be a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market, and the specific needs of the client. Broad Cove Capital's primary objectives when placing orders for the purchase and sale of securities for client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the broker. Broad Cove Capital may not necessarily pay the lowest commission or commission equivalent as specific transactions may involve specialized services on the part of the broker.

The Firm seeks to obtain the most favorable net results for clients' price, execution quality, services and commissions. Although the Firm seeks competitive commission rates, it may pay commissions on behalf of clients which may be higher than those available from other brokers in order to receive other services. The Firm may enter into such transactions so long as it determines in good faith that the amount of commission paid was reasonable in relation to the value of the brokerage and research services provided by the broker. The services that may be considered in this determination of reasonableness may include (1) advice, either directly or through publications or writing, 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; (2) analysis and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; or (3) effecting securities transactions and performing functions incidental thereto.

### **Soft Dollars**

Broad Cove Capital currently does not utilize soft dollars. If Broad Cove Capital were to receive proprietary or research services as a result of recommending a particular broker, which in turn result in the client paying higher commissions than those obtainable through other brokers,

Broad Cove Capital would comply with Section 28(e) of the Securities Exchange Act of 1934 and state securities rules as applicable.

#### Trade Aggregation and Allocation

Broad Cove Capital may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g. for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of the Investment Advisory Agreement. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. Broad Cove Capital may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

#### Trade Errors

On occasion, the Firm may experience errors with respect to trades made on behalf of client accounts. Broad Cove Capital endeavors to detect trade errors prior to settlement and to correct them in an expeditious manner. If a client account suffers a net loss directly due to a trade error attributable to the Firm's personnel, Broad Cove Capital will reimburse the client account.

#### Directed Brokerage

Broad Cove Capital does not permit clients to direct brokerage.

### ***Item 13 - Review of Accounts***

#### Frequency and Nature of Client Reviews

Broad Cove Capital monitors and reviews client portfolios on a continuous and ongoing basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Broad Cove Capital and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.



## Reports to Clients

Clients are provided with transaction confirmation notices and regular summary account statements directly from the financial institutions where their assets are held. From time-to-time or as otherwise requested, clients will also receive written or electronic reports from Broad Cove Capital and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Broad Cove Capital or an outside service provider.

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

Broad Cove Capital does not engage solicitors or to pay related or nonrelated persons for referring potential clients to the Firm.

It is Broad Cove Capital's policy not to accept or allow its employees to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services the Firm provides to its clients.

### ***Item 15 - Custody***

The SEC's custody rule under the Investment Advisers Act defines custody as "holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them." Any arrangement or capacity that authorizes or permits the adviser or a related person of the adviser to withdraw client funds or securities, such as a general power of attorney or serving as trustee on a client's trust, constitutes "custody" within the meaning of that rule.

Broad Cove Capital does not have physical custody of client funds or securities. However, the Firm may nevertheless be deemed to have custody for two reasons. First, the Firm typically withdraws its advisory fees directly from client accounts (please see Item 5 above, which describes procedural safeguards around direct fee deduction). Second, Broad Cove Capital regularly uses standing letters of authorization to serve its clients' interests ("SLOAs"). With respect to each the SLOA between the Firm and a client, the Firm has implemented the following procedures and therefore does not obtain an annual surprise accounting examination:

1. The client provides an instruction to the appropriate qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The client authorizes Broad Cove Capital, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.

5. Broad Cove Capital has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
6. Broad Cove Capital maintains records showing that the third party is not a related party of Broad Cove Capital or located at the same address as Broad Cove Capital.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

#### ***Item 16 - Investment Discretion***

Broad Cove Capital generally has discretion over the selection and amount of securities to be bought or sold in client accounts, or the selection of independent investment managers without obtaining prior consent or approval from the client for each transaction.

Discretionary authority will only be provided upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by Broad Cove Capital will be in accordance with each client's investment objectives and goals.

Clients who receive nondiscretionary investment advice from Broad Cove Capital and wish to implement our recommendations or advice must do so through brokers and agents of their choosing. Broad Cove Capital does not recommend, request or require that a Client execute transactions through a specified broker-dealer.

#### ***Item 17 - Voting Client Securities***

##### **Summary of Broad Cove Capital's Proxy Voting Policies and Procedures**

Broad Cove Capital has adopted and implemented written Proxy Voting Policies and Procedures ("Proxy Voting Procedures") which are designed to reasonably ensure that Broad Cove Capital votes proxies in the best interest of its clients where the adviser has voting authority. The Proxy Voting Procedures describe how Broad Cove Capital addresses voting authority, material conflicts of interest, voting decisions, notification to the client, and books and records requirements, and ensures that proxies are voting in the best interest of its clients.

Broad Cove Capital acknowledges and agrees that it has a fiduciary obligation to its clients to ensure that any proxies for which it has voting authority are voted solely in the best interests and for the exclusive benefit of its clients. With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the Plan Sponsor's right to vote proxies.

The Proxy Voting Procedures are intended to guide Broad Cove Capital and its personnel in ensuring that proxies are voted in such manner without limiting Broad Cove Capital or its personnel in specific situations to vote in a predetermined manner. These policies are designed to assist Broad Cove Capital in identifying and resolving any conflicts of interest it may have in voting client proxies.

Broad Cove Capital has contracted with Broadridge Investor Communication Solutions, Inc. (“Broadridge”) for proxy voting services. Broadridge utilizes the research recommendations from Glass, Lewis & Co. Utilizing Broadridge’s proxy voting recordkeeping services, the Firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document used that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies.

Clients may obtain a copy of Broad Cove Capital’s complete proxy voting policies and procedures by contacting Matthew Daigneault by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of the Firm’s complete proxy policies and procedures or how we voted proxies for his/her account(s), Broad Cove Capital will promptly provide such information to the client.

#### Class Action Matters

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client’s account(s), including, but not limited to, the filing of “Proofs of Claim” in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make reasonable efforts to forward such notices in a timely manner.

#### ***Item 18 - Financial Information***

Registered investment advisers are required in this Item 18 to provide clients with certain financial information or disclosures.

The Firm is not required to disclose any other financial information pursuant to this Item as the Firm:

- Does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and is not required to file a balance sheet.
- Has never been subject to a bankruptcy petition
- Has discretionary authority over client accounts and is not aware of any financial condition that it believes is reasonably likely to impair its ability to meet contractual commitments to clients.

If Broad Cove Capital does become aware of any such financial condition, this Brochure will be updated and clients will be notified.