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## FIRM BROCHURE (Form ADV Part 2A)

March 31, 2021

This brochure provides information about the qualifications and business practices of North American Management Corporation ("NAM"). If you have any questions about the contents of this brochure, please contact us at 617-695-2100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about NAM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

NAM is an SEC Registered Investment Adviser. Our registration as an investment adviser does not imply any level of skill or training. The oral and written communications that we provide to you, including this brochure, should be used to evaluate us (and other advisers) in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## ITEM 2 – MATERIAL CHANGES

### **Material Changes since NAM's previous update:**

1. In this brochure, dated 03.31.21, NAM will discuss any material changes since our last annual update of this brochure on 03.27.20:

On February 4, 2021, NAM announced its merger with Wealth Enhancement Group (WEG), based in Minneapolis MN. The merger is scheduled to close on March 31, 2021. Commencing on April 1, 2021, the NAM team will move to WEG. The same team retains responsibility for client portfolios and will continue to provide clients with the advice and service as NAM has done in the past.

2. This section of the brochure addresses only those material changes incorporated since our last delivery or posting of this document on the SEC's public disclosure website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).
3. We can, at any time, amend this brochure with material changes and either send you a copy or offer to send you a copy either by electronic means (email) or in hard copy form.
4. If you would like another copy of this brochure, please download it from the SEC website referenced above.

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## ITEM 4 - ADVISORY BUSINESS

### Firm Description

NAM is an independent, SEC Registered Investment Adviser that has provided wealth management services (investment supervisory services) since 1928. We offer a professional and progressive investing approach to individuals, families, trusts, estates, charitable organizations and corporations nationwide. NAM has been registered with the SEC since 1969. Commencing on April 1, 2021, NAM has merged with WEG.

Until March 31, 2021, NAM is privately held by its employees and directors. The principal owners of NAM are Robert G. Scott, Chairman and Chief Executive Officer; David H.M. Baker, Managing Principal; Blake E. Stuart, Chief Operating Officer and Chief Compliance Officer; and Fraser J. McLean, Chief Investment Officer. Mr. Scott is the beneficial owner of his shares through the Anthony G. Scott GST Trust FBO Robert G. Scott.

### Types of Advisory Services

NAM offers the following types of wealth management services:

- A. Investment Management and Financial Planning Services - Working with individuals, families, institutions, and single family offices, NAM discusses and evaluates each client's financial circumstances. In most cases, NAM conducts a financial analysis, which can include a review of any net worth statement, estate documents, retirement funding requirements, insurance coverage, educational saving needs, and a review of tax returns. Based upon the information provided, we consider and agree on a specific investment policy with our client. Once this policy framework is established, we will recommend investment strategies and asset allocations to help each client try to achieve their specified goals and objectives. In structuring investment portfolios, we keep in mind important factors, including but not limited to, taxes, legacy holdings, estate planning, liquidity needs, income requirements, and ESG/sustainable investing preferences (if any). The vast majority of NAM's clients receive discretionary investment services, which means that they have given us written authorization to make investment decisions on their behalf.
- B. Asset Monitoring Services - As part of this service, NAM provides recommendations for non-managed assets like annuities, 401ks, and profit sharing plans based upon a client's investment goal. In addition, NAM can also track and report these non-managed securities and related market values so that clients can view all of their accounts in a consolidated manner.
- C. Trustee Services - NAM provides trustee services to select clients with whom there is typically an existing wealth management relationship. These fees are in addition to NAM's customary tiered fee schedule and, in certain cases, can be negotiated.

## Tailored Services

- A. NAM develops and manages investment strategies into which client accounts can be placed. Each strategy is designed for a particular investment goal that NAM and the client have determined is appropriate for the client's circumstances, as reflected in the agreed investment policy statement. In order to accommodate a range of account market values, NAM has created several different account size-based portfolio options for most of its offered strategies. See Item 8 below for a discussion of the strategies that NAM offers.
- B. Once a strategy is selected, the portfolio will be managed in accordance with the agreed strategy profile, with the exception of any client-directed restrictions placed on the account, as noted below.
- C. At any time, clients have the opportunity to place reasonable restrictions on the types of investments held in the portfolio and/or to change strategies if the client's circumstances change. Examples include:
- i. A client requests to hold a higher cash balance than currently recommended for other clients with similar risk profiles and investment objectives.
  - ii. A client who is in the Conservative strategy asks to move into a more aggressive strategy, such as our Global Growth or Global Income strategy.
  - iii. Clients can specify, when an account is opened, if there are certain types of securities that should not be bought in their accounts.
  - iv. Clients with low cost basis positions can request to restrict the securities from being sold.
- D. If circumstances permit, clients can also request a customized portfolio that is invested in more than one strategy style and/or outside manager at a time, but remains consistent with the client's risk/return profile.
- E. NAM recognizes that it can be beneficial at times to distribute select research materials to clients and, on limited occasions, non-client entities (or persons) in order to help them better understand NAM's investment decisions and outlook. These materials can include, but are not limited to, conference notes, industry reports, macroeconomic reports, and specific securities analyses. In these instances:
- i. Information available for general distribution is typically limited to investment positions held in a client's portfolio, macroeconomic research, and/or industry research. However, NAM occasionally provides research on new security names held outside of a client's portfolio if the information has been specifically requested by the client, or there are standing instructions

for NAM to provide research on new security names, including those for which NAM has not formulated any recommendation.

- ii. Clients who are interested in receiving research materials must submit a request in writing to NAM and accepted by NAM. NAM is under no obligation to share any research materials and will only distribute such information as deemed appropriate. Furthermore, clients with similar profiles can receive different amounts and types of research as determined by NAM and/or requested by such clients.

F. For our accredited clients, NAM can also offer alternative investment services, such as hedge funds and private equity, to complement their NAM strategies, or equity and fixed income holdings.

## Wrap Fee Programs

NAM does not participate in wrap fee programs.

## Assets under Management

As of 12.31.20, NAM manages the following:

Discretionary Assets: \$ 1,458,050,594

Non-Discretionary Assets: \$ 175,929,704

Total Assets under Management: \$ 1,633,980,298

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedules

A. The standard tiered wealth management services fees are as follows (per annum):

- 1.25% on first \$1 million
- 1.00% on next \$2 million
- 0.80% on next \$2 million
- 0.60% on next \$5 million
- 0.50% on assets over \$10 million

B. NAM reserves the right to negotiate wealth management fee arrangements with prospective and existing clients.

C. *Institutional/charitable clients.* The standard tiered investment management fees are as follows (per annum):

- 0.85% on first \$5 million
- 0.60% on next \$5 million

0.50% on next \$10 million  
 0.25% on assets over \$20 million

- D. The institutional/charitable investment management fee schedule is subject to a minimum annual fee of \$25,500. NAM reserves the right to negotiate fee arrangements with prospective and existing institutional/charitable clients and can, at its discretion, make exceptions to its fee schedule, including minimum annual fees.
- E. Management fees are payable in advance on a calendar quarter basis and are calculated based on the market value of account assets on the last day of the previous quarter. For accounts that hold margin, fees will be assessed on the investments but not on any margin cash held on the last day of the quarter. To take advantage of fees at a lower fee tier, in certain situations, NAM allows clients to group related accounts together. Typically, these accounts are grouped for a spouse and/or dependent children at the same address; however, exceptions can be made where clients are not living at the same address. Exclusion of designated holdings in the calculation of management fees is acceptable if agreed to by both NAM and the client. Management fees are deducted directly from a client's investment account(s) held at his/her custodian, with the exception of a few existing clients who pay fees by check or other agreed method. Clients can direct NAM to deduct management fees for multiple accounts from a single account.
- F. Please note that some existing NAM clients have a different fee schedule. Some NAM clients are part of a customized family grouping which can also result in lower fees ("family group"). In addition, NAM employees, their families, and current directors are offered a discounted fee schedule. There are situations in which NAM also offers this schedule to former NAM employees, families, and directors.
- G. NAM provides trustee services primarily to select clients with whom there is also an existing wealth management relationship (see Item 10 for additional information). These fees are in addition to NAM's customary tiered fee schedule and, in certain cases, can be negotiated. The fee schedule for trustee services is based on the type of trust and the services provided, as follows (per annum):
- |                           |   |
|---------------------------|---|
| Insurance trust trustee   | \$500 Flat Fee                          |
| Revocable trust trustee   | \$500 Flat Fee or 0.15% Asset-based Fee |
| Irrevocable trust trustee | 0.15% Asset-based Fee                   |
| Trust protector           | 0.10% Asset-based Fee                   |
| Agent for trustee         | 0.15% Asset-based Fee                   |
| Successor trustee         | No fee                                  |
- H. Fees for trustee services are payable in advance on a calendar quarter basis. For example, when NAM serves as an insurance trust trustee, clients are charged \$125 each quarter. For those services that do not charge a flat fee, as noted above, fees are calculated based on the market value of the trust account(s) on the last day of the previous quarter. Trustee fees are deducted directly by NAM from a client's trust account(s) unless otherwise agreed.



- I. All agreements can be terminated upon written notice by either party. For clients who terminate their relationship with NAM, the unearned balance of the fee, if any, is refunded based on the terms of the contract, or the earned, but unpaid balance of the fee, if any, is payable based on the terms of the contract. Unless the contract states otherwise, refunds are calculated as of the date of written notification of termination by either party, or other date agreed upon in writing. NAM does not provide refunds to clients who close an account(s) or sub-account(s) with NAM, but remain advisory clients with the Firm with one or more open accounts, absent an exception. Similarly, NAM does not offer refunds if a client is part of a family group, where a client's assets are being aggregated within a family group in order to receive a lower management fee, and such client which is part of the family group terminates its relationship with NAM.

## **Other Fees or Expenses**

- A. NAM invests in mutual funds, exchange traded funds and other outside investment managers. These assets are included in determining the value of the account when calculating NAM's management fees. These same assets are also subject to additional advisory and other fees and expenses charged by the funds, as set forth in the prospectuses of those funds. Thus, clients pay fees to both NAM and the fund/outside manager.
- B. Regarding clients invested in hedge funds, in addition to the management fees paid to NAM, they will pay management and performance based fees directly to the hedge fund managers.
- C. When NAM uses separate account managers to provide clients specialized asset allocation strategies, the separate account manager will deduct the fees directly from the clients' accounts or, in some cases, NAM will pay this manager directly as part of a negotiated fee arrangement.
- D. For clients that have alternative assets at outside managers or hedge funds, NAM calculates its fees on market values provided by the manager. NAM monitors these values but does not and cannot reconcile the underlying asset values.
- E. For clients who require extensive financial and estate planning, NAM has the option of charging additional fees based on an hourly or retainer basis, depending on the scope of work required.
- F. Clients will also incur brokerage and other transaction costs, e.g., commissions. Please refer to item 12 for further information.
- G. NAM does not accept compensation for the sale of securities or other investment products.

## ITEM 6 - PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT

NAM does not charge advisory fees on a share of the capital gains on, or capital appreciation of, the funds or securities in a client account (so called performance based fees). Its advisory fee compensation is charged only as disclosed above in Item 5.

## ITEM 7 - TYPES OF CLIENTS

The types of clients that NAM provides services for include individuals, families, trusts, estates, charitable organizations, limited liability partnerships, pensions and profit sharing plans, corporations, and single family offices.

In order to open and to maintain an account at NAM, wealth management clients are required to have a minimum of \$1 million in investable assets and institutional/charitable investment management clients are required to have a minimum of \$3 million in investable assets. Please note that NAM, in its sole discretion, occasionally accepts clients with smaller portfolios based on certain criteria such as future earning potential, anticipated additional assets, a relationship with an existing client, related accounts, and pro bono activities. In addition, NAM waives the minimum for NAM employees, their families, and both current and former directors of the firm. We also reserve the right to decline any account, even those meeting the minimum investable asset requirement.

Client relationships that pre-date NAM's current minimum account standards can have market values lower than the minimum investable assets without satisfying any of the aforementioned exception criteria.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

### **Method of Analysis and Risk of Loss**

Our aim is to allocate among asset classes, individual securities and outside managers to optimize risk and return in our investment portfolios. Our method of analysis combines "top down" and "bottom up" investment approaches.

NAM invests in a number of different types of investments. These can include, but are not limited to, exchange listed securities, securities listed over the counter, foreign issues, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, variable annuities, exchange-traded funds, mutual funds, United States Government Securities, options contracts on securities, interests in partnerships investing in real estate, interests in partnerships investing

in oil and gas, hedge funds, venture capital funds and long-only managers. Investing in each of these securities involves the risk of loss.

- A. NAM develops global economic themes based on its macro/economic and investment analysis. These themes reflect NAM's opinions, considering all of the data and information available to us, of the investment markets over the next one to five years, and in some cases longer. Understandably these views can change or be revised as events unfold, but they form the basis of NAM's search for investment opportunities.
- B. In conjunction with our global themes, NAM considers economic sectors (e.g., financial services, energy) and geographic regions that we feel are of particular interest and where opportunities appear to be the most attractive. We then determine asset allocations for each of our strategies based on their corresponding risk profiles and investment objectives. For example, in most market conditions, our Growth strategy will contain a higher percentage of equities than our Conservative strategy. Our income strategies will hold a similar percentage of equities as their respective growth counterparts, but will emphasize investments with sustainable and growing income streams. In most cases, cash and/or fixed income levels will be higher in our Conservative strategy than in our Moderate Growth strategy. We regularly monitor all of our strategy asset allocations and make tactical adjustments as needed to bring them in line with our outlook for the market and asset classes.
- C. Our analysts gather their information from inspections of corporate activities, corporate ratings services, annual reports, prospectuses, filings with the SEC, company press releases, research materials prepared by third parties, as well as financial media. Although NAM believes the information that it uses to be true, we cannot guarantee that it is always reliable. There is always risk associated with the use of information from outside sources, in addition to the risk of an error in judgment by our investment professionals. These risks are mitigated by using multiple sources of information and having all strategy recommendations reviewed by NAM's Investment Committee.
- D. NAM looks for securities that satisfy its investment themes and asset allocation guidelines. Once selected, the securities are analyzed in order to obtain as much information as possible, and to gain the best understanding of how they will perform in most, and different, market conditions. Methods of analysis and due diligence of individual securities and managers include, but are not limited to, evaluating the following metrics:
  - i. Company/fund information – company/fund history, management team, management history (consistency of personnel, decision making)
  - ii. Security/fund valuation – current and historic
  - iii. Catalysts for change going forward – potential mergers, acquisitions or notable company events

- iv. Financial analyses – balance sheets, free cash flow, cash levels, debt (current and future), profits (historical and projected), dividends, dividend growth rate, risk/return ratio
- v. Profitability measures
- vi. Risks – what effect on the company/fund will there be from regulatory changes, interest rates, competition, economic cycles, or possible catastrophic events
- vii. Volatility of the security/fund – presently and during various market cycles
- viii. Liquidity of the security/fund – volume of shares traded on a daily basis, ease with which we can sell out of a position should views be revised
- ix. Suitability of the security/fund – characteristics individually and when integrated into a particular strategy, and correlations with other assets

E. After evaluating the research results, NAM selects the security/fund(s) that we believe will best serve our clients' investment objectives. Consideration is then given as to which strategies the security/fund should be placed, at what time, and at what price. This analysis is conducted before purchasing any securities/funds. Securities in the strategies are regularly reviewed in light of current news and events, positive and negative.

F. Generally, NAM is a long-term investor, holding purchases for at least one year. However, we participate on occasion in short term purchases (securities sold within a year), short term trading (securities sold within 30 days), short sales (primarily through our investments in exchange traded funds, mutual funds and/or hedge funds), margin transactions and option writing. Clients should be aware that frequent trading can have a negative impact on investment performance, particularly through increased transaction costs and taxes.

G. We also spend time monitoring and measuring risk. We regularly evaluate long-term market cycles, short-term economic trends, market sectors, and portfolio and individual security/fund risks. It should be remembered that risk tolerance is considered the ability and willingness of our clients to absorb loss. Investing in securities and outside managers involves risk of loss that all clients should be prepared to bear.

H. Investments in private funds may bear additional risks not borne by investments in publicly-traded securities, including but not limited to, illiquidity risk, valuation risk and regulatory/governance risk, as private funds are securities that have not been registered with the SEC. Investments in private funds may also bear higher costs and expenses than publicly-traded securities. Clients of NAM who are invested in private funds are required to complete private offering memoranda and subscription documents for each private fund commitment. A detailed list and explanation of the risks associated with each private fund will be included within the private funds' respective offering documents.

- I. For NAM's ESG (Environmental, Social, Governance) strategies, NAM constructs diversified portfolios using external investment managers who invest across a broad variety of ESG methodologies. NAM generally applies the same consistent, systematic approach to due diligence and manager selection that we use in constructing our traditional strategies. For instance, we look for managers that can demonstrate a pattern of generating positive investment performance that persists over time. However, unlike the approach to our traditional strategies, we also evaluate the ESG process and its integration into company due diligence and portfolio construction.

## Strategies and Risk of Loss

- A. NAM builds investment strategies to support a range of specific goals, from wealth preservation to long-term capital appreciation, and from income generation to ESG investing. NAM offers both traditional and ESG focused strategies as described below.
- B. NAM has developed a number of traditional investment strategies using a broad array of securities that can include, but are not limited to, individual common stocks, exchange-traded funds ("ETFs"), mutual funds, Master Limited Partnerships ("MLPs"), real estate investment trusts ("REITs"), and fixed income securities. As of the date of this Brochure, the following traditional strategies are managed at NAM:
- i. Global Growth Strategy – NAM seeks to find opportunities in quality companies in industries, sectors and regions that collectively possess growth characteristics. This strategy can include, but is not limited to, large capitalization global equities, actively managed mutual funds, long-only equity managers, together with select ETFs.
  - ii. Global Moderate Growth Strategy – NAM seeks to find similar opportunities to those in the Global Growth Strategy, but with a greater emphasis on capital preservation. It can include, but is not limited to, large capitalization global equities, actively managed mutual funds, long-only equity managers, together with select ETFs.
  - iii. Global Conservative Growth Strategy – NAM seeks to preserve capital, generate income and offer reasonable growth in most market conditions. This strategy can include a number of Global Growth Strategy names, together with multiple asset classes, including REITs, MLPs, and other high yielding equities.
  - iv. Global Income Strategy – NAM seeks to maximize after tax income by focusing on companies with the ability to generate a sustainable and growing dividend stream. This strategy can include a number of Global Growth Strategy names, and multiple asset classes, including high yielding equities, fixed income, REITs, and MLPs.

- v. Global Moderate Income Strategy – NAM seeks to find similar opportunities to those in the Global Income Strategy, but with a greater emphasis on capital preservation. This strategy seeks to maximize after tax income by focusing on companies with the ability to generate a sustainable and growing dividend stream. This strategy can include a number of Global Growth Strategy names, and multiple asset classes, including high yielding equities, fixed income, REITs, and MLPs.
- vi. Aggressive Growth Strategy – NAM seeks to find opportunities in quality companies in industries, sectors and regions that collectively possess growth characteristics. This strategy has a similar portfolio structure to the Global Growth Strategy, but has a higher allocation to equities. This strategy can include, but is not limited to, large capitalization global equities, actively managed mutual funds, long-only equity managers, together with select ETFs.
- vii. Fixed Income Strategy – NAM seeks to preserve capital in most market conditions. This strategy can involve either portfolio construction and implementation by our portfolio team or collaboration with experienced external fixed income managers. This strategy can include, but is not limited to, US Treasury bonds, investment grade bonds, municipal bonds, high yield bonds, sovereign bonds, and securities with fixed income characteristics.

NAM has created several portfolio options, based on client account market values, for the traditional Global Growth, Global Moderate Growth, and Global Conservative Growth Strategies. The account market values serve as guidelines, and not all accounts with the specific market value will be managed as outlined below.

#### ACCOUNT MARKET VALUE LEVELS

- i. \$0 - \$25,000  
These accounts will contain a limited number of mutual funds, ETFs and/or other securities.
- ii. \$25,000 - \$100,000  
These accounts can include some of the same investments held in level i. above, with the addition of further mutual funds, ETFs and/or other individual securities.
- iii. \$100,000 and above  
These accounts include some of the same investments held in level ii. above, with the addition of selected other mutual funds, ETFs and/or other individual securities.
- iv. Above \$500,000  
These accounts can include some of the same investments in the levels described above, typically with a greater focus on individual securities.



- C. For accredited clients, NAM can also create a highly personalized strategy. This strategy can include internally managed investments complemented with selected and monitored alternative investments and separately managed accounts. With respect to third-party investment vehicles that charge performance-based fees, the managers of these vehicles can be incentivized to make investments that are riskier or more speculative than would be the case in the absence of such fee arrangements.
- D. NAM has developed four ESG investment strategies. Each ESG strategy seeks to maintain the same or similar equity and fixed income allocations as its traditional counterpart (subsection B). As of the date of this Brochure, the following ESG strategies are managed at NAM:
- i. ESG Global Growth – NAM seeks long-term capital appreciation with some consideration for current income by investing in managers and ETFs that look for companies with favorable ESG ratings.
  - ii. ESG Global Moderate Growth – NAM seeks long-term capital appreciation with some consideration for current income and capital preservation by investing in managers and ETFs that look for companies with favorable ESG ratings.
  - iii. ESG Global Conservative Growth – NAM seeks capital preservation with some consideration for capital appreciation and current income by investing in managers and ETFs that look for companies with favorable ESG ratings.
  - iv. ESG Aggressive Growth – NAM seeks long-term capital appreciation by investing in managers and ETFs that look for companies with favorable ESG ratings.

ESG ratings are provided by external sources and are not produced internally. By virtue of screening for ESG characteristics, NAM's ESG strategies limit the types and number of investment opportunities available to a client portfolio and, as a result, such client portfolio could underperform portfolios that are not subject to ESG criteria. For example, in order to maintain its ESG focus, NAM may forego opportunities to purchase certain securities for a client portfolio it might otherwise be advantageous to buy. In addition, ESG investments vary greatly in both their construction and their use of ESG criteria or methodologies. Investments selected by NAM could be unsuccessful in exhibiting positive ESG characteristics. Finally, NAM's ESG strategies contain some non-ESG holdings.

**All investment strategies include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to “lock in” the profit). Markets fluctuate substantially over time. In addition, as past global and domestic economic events have indicated, performance of any investment is not guaranteed. We will do our best in the management of client assets; however, we cannot guarantee any level of performance or protection against a loss of client account assets.**

## ITEM 9 - DISCIPLINARY INFORMATION

We are obligated to disclose any disciplinary event that would be material when evaluating us to initiate a Client/Adviser relationship, or to continue a Client/Adviser relationship with us. This statement applies to NAM and every employee.

**We do not have any legal, financial or other disciplinary item to report.**

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

NAM's management persons do not have any relationships or arrangements with any related persons that are material to our advisory business or to our clients. None of our management persons are registered, or have an application pending to register, as a broker/dealer or a registered representative of a broker/dealer. None of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

NAM is the sole member and 100% owner of two limited liability companies, each named North American Fiduciary Services, LLC ("NAFS"). These entities were established to accommodate clients, on a select basis, who are in need of one or more of the following fiduciary services: (1) trust protector; (2) agent for trustee; and (3) trustee (primarily for Massachusetts trusts). Clients are required to have a minimum of \$1 million in investable assets for a trust seeking these fiduciary services; however, some exceptions apply.

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

### Code of Ethics

- A. As required by regulation (Advisers Act Rule 204A-1), and because it is good business practice, we have adopted a Code of Ethics (the "Code") that governs a number of potential conflicts of interest we have when providing our advisory services to you.
- B. The Code sets forth and requires employees to abide by high ethical standards of conduct, including a duty to comply with all applicable federal securities laws.



- C. The Code is designed to ensure we meet our fiduciary obligation to you, our client (or prospective client), and to drive home a culture of compliance within NAM. It requires that each employee place the interests of NAM's clients ahead of his/her own.
- D. NAM will provide clients and prospective clients with a copy of the Code upon request.
- E. The Code is distributed to each employee at the time of hire, and annually thereafter. We also supplement the Code with annual training and ongoing monitoring of employee activity.
- F. The Code includes the following:
- i. Requirements related to the confidentiality of our clients and client information.
  - ii. Prohibitions on:
    - a) Insider trading.
    - b) Other unlawful or unethical business conduct.
  - iii. Guidelines for:
    - a) The giving or acceptance of gifts and entertainment.
    - b) Seeking preclearance of employee transactions.
    - c) Reporting (on an ongoing and quarterly basis) all personal securities transactions ("reportable securities" as defined in the Code).
    - d) Political contributions
  - iv. On an annual basis, we require all employees to:
    - a) Affirm and attest to the Code.
    - b) Identify any family members in the brokerage industry.
    - c) Identify any account(s) that are owned or over which they have control and beneficial interest.
    - d) Identify all reportable securities holdings that they own in these accounts, unless the account qualifies for, and satisfies, a Code exemption.

## Personal Trading

- A. The Code does not prohibit personal trading by our employees.
- B. NAM maintains different personal trading requirements depending on various factors including whether or not the employee's account is being managed by NAM, and whether or not the employee exerts any direct or indirect influence or control over reportable securities transactions in the account.
- C. The Code specifies that the interests of client accounts will at all times be placed first, that all personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility, and that employees must not take inappropriate advantage of their positions.
- D. Unless the account qualifies for, and satisfies, a specific Code exclusion or exemption, purchases and sales must be approved by a supervisory person designated by the Firm. For any employee accounts held outside of NAM (Outside Accounts), the approved transaction is completed by the close of business on the trading day approval is received, unless the employee places a limit order (i.e. specifies the price at which he/she plans to purchase/sell the security); in that instance, the approved transaction is good for two weeks. For employee or related accounts held at NAM, the approved transaction is completed as part of an aggregated order or at such time as the trading manager processes the trade. In some instances, this takes more than one trading day to complete.
- E. We can purchase or sell the same or similar securities (or securities that are not suitable for any external client) for an employee or related account at NAM at the same time that we place transactions for the accounts of our clients.
- F. NAM maintains a restricted list. The restricted list is a list of securities under consideration by NAM to be purchased or sold for a particular strategy and is monitored and updated by NAM's research and trading departments.
- G. When NAM employee or related accounts participate in strategy trades with client accounts, as noted above in E., they can trade in securities found on NAM's restricted list.
- H. However, unless the account qualifies for, and satisfies, a specific Code exclusion or exemption, employees with Outside Accounts are prohibited from trading in securities found on NAM's restricted list. This limitation is designed to avoid actual or potential conflicts of interest between the trading actions taken by NAM for its clients and those taken by employees in their outside personal trading accounts. It is also meant to prevent front running when NAM employees execute personal securities transactions in their Outside Accounts.
- I. Unless the account qualifies for, and satisfies, a specific Code exclusion or exemption, employees are also prohibited from trading a security in all Outside Accounts on the same day that the same security is traded in a client account

(unless the employee had the trade approved, prior to the trade being submitted in the client's account).

- J. Statements and account reports are reviewed under the Code for compliance with NAM's policies regarding personal securities transactions and applicable SEC rules and regulations.
- K. If any violation of NAM's Personal Security Transaction Policy is determined to have occurred, the CCO can impose sanctions and take such other actions as deemed appropriate and set out in the Code.

## ITEM 12 – BROKERAGE PRACTICES

In this item, we describe the factors that are considered when selecting a broker/dealer for client transactions and determining the reasonableness of their compensation.

### **Best Execution, Research and Other Soft Dollar Benefits**

**Best Execution.** In selecting broker/dealers, NAM's guiding principle is to seek to obtain the best overall execution for each client on each trade. NAM considers a number of factors, including, without limitation, the research and the research services provided, the handling of the order, the ability of the broker to settle the trade promptly and accurately, the financial standing of the broker, the Firm's past experience with similar trades and other factors unique to a particular order.

NAM generally maintains zero commission arrangements with its broker/dealers although certain transactions may carry additional fees, which are disclosed at the time of the transaction. In those cases where NAM does not have such an arrangement in place and the client has selected a custodian other than Fidelity, these clients will most likely pay a brokerage commission for stock and ETF trades that is higher than otherwise would be available.

**Soft Dollars.** *Beginning in 2020, NAM terminated its soft dollar program and does not currently maintain any formal soft dollar arrangements.* Most of NAM's Clients maintain zero commission arrangements which precludes NAM from generating commissions from their accounts to pay for research and research services. However, for most client-directed custodian relationships, NAM receives a research benefit in connection with stock and ETF transactions placed with third-party broker/dealers. As a result, even though all NAM clients will benefit, certain clients will have more of their commissions directed for research and research services than others.

NAM acquires both (i) "proprietary research" created by the broker executing the transaction and (ii) research which is created by third parties ("third party research") and supplied to NAM through the broker executing the transaction. ***In 2020, NAM will utilize its prior year soft dollar credits with brokers to obtain third party***

***research but does not expect to accrue any more of these credits for transactions in the future.***

NAM receives various forms of eligible proprietary research that is bundled with brokerage services at no additional cost from certain of the brokers with whom NAM executes equity or fixed income trades. When NAM uses or used client brokerage commissions or soft dollar credits to obtain third party research or research services, all NAM clients receive the benefits of these services.

Such research and research services included access to current corporate earnings estimates, qualitative and quantitative company data, stock flow analysis, financial modeling, and market data (including indices, news, market depth, order book). In addition to individual stock, bond, and fund research, this proprietary research covers industry and macroeconomic analyses.

In the last fiscal year, NAM directed client transactions to particular broker/dealers in return for the soft dollar benefits received. Historically, NAM did not allocate soft dollar benefits to client accounts proportionately to any soft dollar credits that the accounts generated. As a result, a client could have paid brokerage commissions that were used, in part, to purchase research, products or services that are not used to benefit that specific client. NAM's receipt of such benefits was reviewed to ensure compliance with the safe harbor provision under Section 28(e) of the Securities Exchange Act and the SEC's latest guidelines. NAM believes that the prior cost of obtaining the soft dollar services was reasonable and commensurate with the benefits gained.

***As noted above, NAM has terminated its soft dollar program.*** The decision to do so was based on NAM's periodic review of the soft dollar transactions, the zero-commission environment and the perceived benefits that NAM's clients receive from soft dollar services. NAM maintains a Soft Dollar/Best Execution Committee for this purpose. The Committee is charged with the responsibility to review, approve, and monitor brokerage transactions, best execution and consider soft dollar benefits, if any, should be obtained. The Committee, along with other senior personnel, determine NAM's policies on best execution or if any brokerage and research products and services should be obtained.

## **Brokerage for Client Referrals**

NAM does not select or recommend broker/dealers based on whether or not it can receive client referrals from a broker/dealer or third party.

## **Directed Brokerage**

- A. NAM has been granted the authority by the majority of its clients to determine, without specific consent, the securities to be bought or sold, the quantities of securities being bought or sold, and the broker/dealers executing the trades.

- B. NAM has selected a custodian that it recommends to clients. NAM has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates "Fidelity") through which Fidelity provides NAM with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and related services that assist NAM in managing and administering clients' accounts. For example, software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back office functions, recordkeeping and client reporting. Fidelity generally does not charge its adviser clients separately for custody services but is compensated by account holders through transaction-related and asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts. Fidelity collects management fees charged by its proprietary mutual funds or money market funds, as well as interest in accounts where clients have chosen to assume a margin loan. When NAM purchases mutual funds for its clients, it seeks to use institutional share classes, if available, that offer the lowest cost to the client. While many of the mutual funds accessed through Fidelity do not incur any transaction charge, nominal charges apply on certain mutual fund trades. Additional fees that may apply include short term redemption fees and transaction fee surcharges for any mutual fund family with which Fidelity has been unable to reach an agreement regarding payment of fees for administrative and shareholder servicing costs.
- C. Where the broker/dealer is the custodian, such as Fidelity, NAM can choose whether or not to execute trades with this custodian.
- D. In certain situations, NAM allows clients to direct brokerage and to have the final choice as to the selection of a custodian. However, if clients choose to direct brokerage, NAM will not seek better execution services or prices from other broker/dealers. Likewise, NAM will not be able to aggregate the client's transactions for execution through other broker/dealers with orders for other accounts advised or managed by the Firm. Clients directing brokerage could be unable to achieve the most favorable execution of their transactions, paying materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case. In the event of Firm-wide trades, the orders for directed brokers are typically placed after the orders for non-directed brokers. Overall, the practice of directing brokerage could cost clients more money.
- E. Any limitations which might be placed on NAM are "client specific" and, to the extent that they exist, are detailed at the opening of the client's account.
- F. If a client directs NAM to utilize a particular broker/dealer to execute transactions for the client's account, the client is responsible for negotiating the terms and arrangements for the account with that broker/dealer.

## Trading Practice

- A. When possible, orders for the same security can be aggregated to facilitate best execution and to allocate equitably among NAM's clients.
- B. Aggregation avoids differences in prices that might have been obtained had such orders been placed independently.
- C. Employee client accounts (Related Accounts) often participate in aggregated transactions with other advisory clients. However, in no case will these accounts participate if the order only partially fills (i.e. client orders will be filled before Related Accounts receive allocations).
- D. NAM aggregates the purchase or sale of transactions with each broker to try to ensure that no participating client, including any Related Account, is favored over any other client. Specifically, each client in an aggregated transaction will participate at the average share price and will bear a pro rata portion of the execution cost for all of the aggregated transactions with that broker in that security on that business day.
- E. Securities purchased or sold in an aggregated transaction are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account.
- F. NAM can, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd lots or small numbers of shares for particular clients.
- G. Additionally, if NAM is unable to fully execute an aggregated transaction and determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, we can allocate such securities in a manner determined in good faith to be a reasonable and fair allocation.
- H. For accounts other than those with directed brokerage, NAM will, under certain circumstances, execute trades at a broker/dealer other than the prime broker, which can cause an account to incur a trade-away fee in addition to the regular commission/transaction fee. NAM will reimburse its clients, on a quarterly basis, for the equity trade-away fees.

## ITEM 13 – REVIEW OF ACCOUNTS

- A. NAM monitors client investment accounts as part of an ongoing supervisory process. Regular reviews of client accounts and/or financial plans occur at least on an annual basis, generally at client meetings. Client accounts are analyzed by our investment management personnel and wealth management team. Investments, transactions and performance are reviewed and discussed in detail.



Investment Policy Statements are checked to confirm whether risk tolerance levels and/or current circumstances require a reevaluation of investment objectives.

- B. Furthermore, throughout the year, clients also converse with our investment management personnel or the wealth management team via telephone, email, and other forms of communication. These conversations often include a review of accounts.
- C. Additional events that can trigger a review of accounts vary and could include (extraordinary) market conditions, international and domestic political and economic events, corporate and industry developments, as well as other factors affecting an individual account such as a client's age, or a change in immediate or future circumstances.
- D. Clients can reasonably anticipate recurrent attention to their investment objectives and requirements. The number of accounts reviewed by any one person and the sequence of the accounts reviewed are not fixed. Reviews are conducted by the Chief Investment Officer, or his designee, members of the Investment Committee and the Portfolio Management Team, and the respective Wealth Advisor. NAM's Chief Compliance Officer, or his designee, performs random account reviews throughout the year. These reviews cover a variety of areas, including, but not limited to, comparing an account's strategy and/or allocation to its stated objectives, reviewing invoices, and confirming the client documentation on file (this includes, where applicable, investment policy statements, trusts, wills, and financial plans, among others).
- E. NAM provides clients with a quarterly investment newsletter detailing our views on market news, conditions and factors that we are considering as we navigate the economic environment. NAM also produces a wealth planning note on a quarterly basis, offering useful tips and information to our clients.
- F. Clients receive quarterly written statements from NAM that provide some or all of the following, based on the type of account: an account overview, an appraisal with cost basis and yield information, purchase and sale details, realized gains and losses, and account performance. Custodial account statements also provide some or all of the following, based on the account type and the custodian: a summary of income, disbursements, capital gains and losses booked from the beginning of the year, together with a summary of withdrawals and changes in investment values. **We strongly recommend that clients compare the account statement received from their qualified custodian with those provided by NAM.**

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

### **Solicitor Arrangements**

NAM compensates persons for the referral of advisory clients to NAM provided appropriate disclosures and regulatory requirements are met. NAM currently has one referral agreement. NAM's Solicitor is an unaffiliated marketing representative. Under this arrangement, dated 3/13/2003, the Solicitor receives compensation equal to 25% of the fees derived from any clients referred by him. Payments continue until the agreement is terminated by either NAM or the Solicitor.

The payment of fees to solicitors for prospective client referrals creates a potential conflict of interest to the extent that the solicitor is motivated, at least in part, by financial gain and the referral is not unbiased. To ensure the Firm's fiduciary obligations are maintained, NAM has implemented the following procedures, among others: (1) referral fees are paid in accordance with Rule 206(4)-3 of the Advisers Act; and (2) at the time of solicitation, the solicitor is required to disclose the nature of his/her relationship with NAM and provide each prospective client with a copy of NAM's Form ADV Part 2 together with a copy of the written disclosure statement (the written disclosure statement outlines the terms of the solicitation agreement between NAM and the solicitor, including the compensation to be received by the solicitor from NAM).

### **Economic Benefits Provided by Third Parties**

Fidelity provides other services, beyond those relating to brokerage and custody activities, intended to help NAM manage and further develop its business. These services include consulting, publications, webinars, and conferences regarding practice management and information technology. In addition, Fidelity can make arrangements and/or pay third party vendors for these types of services to be rendered to NAM. Fidelity also offers other benefits such as educational events and occasional business entertainment for NAM employees. The scope of these benefits is determined in part by the overall level of client assets that NAM has on the Fidelity platform. In evaluating whether to recommend that clients place their assets in custody at Fidelity, NAM takes into consideration the availability of some of these ancillary products and services and not solely the cost or quality of custody and brokerage services provided by Fidelity, which can create a potential conflict of interest.

## ITEM 15 – CUSTODY

NAM does not maintain physical custody of client assets, but is deemed to have constructive custody of clients' funds for accounts in which: (1) NAM deducts advisory fees directly from client accounts; and/or (2) an employee is a trustee or co-trustee; and/or (3) NAFS is a trustee or trust protector; and/or (4) the client has established standing instructions authorizing NAM to determine the size and date of



distributions made to a specific third party. Clients receive quarterly report packages from NAM as well as account statements, at a minimum quarterly, directly from their qualified custodians.

**We urge clients to compare the account statement received from their qualified custodian with those provided by NAM.** Please note, for tax and other purposes, the custodial statement should be considered the official record of client account(s) and assets.

## ITEM 16 – INVESTMENT DISCRETION

- A. NAM accepts discretionary authority to manage securities accounts on behalf of the vast majority of its clients. NAM also manages client accounts on a non-discretionary basis.
- B. Clients sign a wealth management agreement with NAM and, in most cases, a custodian account application at the commencement of the relationship confirming that NAM has discretion.
- C. This discretionary authority allows us to determine, without specific consent, the following:
  - i. The types of assets/securities bought or sold in an account.
  - ii. The quantities of assets/securities bought or sold in an account.
  - iii. The broker/dealers used to buy or sell assets/securities in an account.
- D. Clients can place limitations on our discretionary authority.
- E. Any limitations are “client specific” and, to the extent that they exist, are detailed when the client’s account is opened (or upon notification by the client thereafter).
- F. Limitations include the following:
  - i. Selection of alternative custodian or broker/dealer.
  - ii. Specific asset types that should not be held in an account – e.g., no Master Limited Partnerships.
  - iii. Specific securities that should not be held in an account – e.g., no securities issued by tobacco companies.
  - iv. Cash levels.
- G. Such limitations will be noted for each account. Restrictions are placed that prevent contravening transactions in these accounts, or that direct the trades to selected broker/dealers (without the consent/authority of the client).

- H. Clients that engage NAM on a non-discretionary investment advisory basis must be willing to accept that NAM cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that NAM would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, NAM will be unable to effect the account transaction(s) (as it would for its discretionary account clients) without first obtaining the client's consent.

## ITEM 17 – VOTING CLIENT SECURITIES

### Proxy Voting

- A. The majority of NAM's clients have requested that NAM receive and vote the proxy ballots for their accounts. However, clients have the option of electing to vote their own proxies and can exercise this right by instructing NAM, either in the management agreement or in writing, to refrain from voting proxies on behalf of their account. When a client elects to vote his/her own proxies, the client will receive the proxies or other solicitations directly from the custodian.
- B. NAM has an agreement with Broadridge Financial Solutions ("Broadridge"), a national proxy service firm, which authorizes Broadridge to vote corporate proxies on behalf of our clients according to the Glass Lewis Investment Manager Guidelines. As part of this agreement, Glass Lewis & Co. ("GLC") provides us with recommendations based on their research and analysis of corporate proxy issues. NAM's Proxy Voting Committee ("PVC") reviews and evaluates the GLC's Investment Manager Guidelines in light of the long-term best interests of our clients.
- C. We will vote proxies solicited by, or with respect to, issuers of securities held in clients' accounts. In these cases, we continue to follow the guidance received from GLC on the securities in question.
- D. The client's custodian and NAM each submit client holdings information to Broadridge; however, Broadridge relies solely upon the custodian's holdings reports to vote client proxies. NAM's holdings reports are utilized primarily for reconciliation purposes. Although NAM submits various types of holdings in its reports, NAM does not submit its mutual fund holdings to Broadridge. As a result, NAM does not reconcile the votes for clients' mutual fund holdings.
- E. If NAM has engaged a separate account manager on behalf of a client, then NAM will often delegate authority for voting the related proxies to the sub-adviser. In some instances, a sub-adviser will not accept voting authority. When this happens, NAM will vote the related proxies, unless the account is held at Fidelity. For separately managed accounts held at Fidelity, when a sub-adviser does not accept voting authority, the responsibility for voting the related proxies belongs to the client. Fidelity will not allow NAM to vote the related proxies.

- F. If we are informed by Broadridge or become aware of a conflict of interest, NAM's Proxy Voting Committee, or designee, will make a reasonable effort to vote these shares on behalf of its clients. If we determine that NAM or one of our employees faces a material conflict of interest in voting your proxy (e.g., an employee of NAM personally benefits if the proxy is voted in a particular way), the PVC will assess how the clients' best interests will be served in voting the proxy and will make a reasonable effort to vote the shares. In the event that the vote is not unanimous, we will engage an independent third party, at our expense, to determine the appropriate vote. Any vote cast by this independent party is binding and cannot be overridden by NAM.
- G. In regards to those proxy votes received in hard copy and voted directly by NAM (not voted by Broadridge), NAM will vote according to GLC recommendations unless the PVC, or designee, determines otherwise for reasons such as, but not limited to, client direction or awareness of a conflict of interest. In addition, if NAM receives notification of proxy votes that have not been received by Broadridge, then the PVC, or designated person, will make a reasonable effort to vote the shares on behalf of clients.
- H. NAM does not currently incorporate ESG principles into its proxy voting process. However, for NAM's ESG strategies, each external manager may use its own proprietary assessments of ESG issues when voting proxies. Each manager seeks to vote proxies in a way that is in the best interest of its shareholders and consistent with its ESG criteria. Such voting is qualitative and subjective by nature.
- I. Clients can request a proxy vote record if NAM has proxy voting authority for them. Clients can contact NAM's Chief Compliance Officer with any questions regarding NAM's proxy voting.
- J. Clients can receive a copy of our proxy voting policies and procedures upon request.

## **Class Actions**

- A. NAM has an agreement with Chicago Clearing Corporation (CCC) to provide class action monitoring and claim filing for our clients.
- B. CCC will deduct 15% of any monies received from a successful class action settlement.
- C. NAM does not receive any financial benefits from this relationship with CCC.
- D. Clients can opt out of this service at any time.
- E. There is no guarantee that CCC will identify all eligible class actions, make timely claims, or obtain full recoveries.

- F. Clients may find it difficult or impractical to opt out of class actions and in so doing would forego an opportunity to pursue their rights directly.

## ITEM 18 – FINANCIAL INFORMATION

NAM is not required to include a financial statement in this Brochure, as the Firm does not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

NAM is aware of no financial conditions that would impair its ability to meet contractual commitments to clients.