

## Item 1. Cover Page

### **Part 2A of Form ADV Firm Brochure**

March 9, 2021

#### **Front Barnett Associates, LLC**

SEC File No. 801-46599

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This brochure provides information about the qualifications and business practices of Front Barnett Associates, LLC. If you have any questions about the contents of this brochure, please contact us at [cgesior@front-barnett.com](mailto:cgesior@front-barnett.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any State Securities Commission. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

Additional information about Front Barnett Associates, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## Item 4. Advisory Business

### A. Front Barnett Associates, LLC

Front Barnett Associates, LLC ("Front Barnett" and/or "the firm"), a Delaware limited liability company, was founded in May 1994 as an independent investment counseling firm. The firm is principally owned by its chairman and CEO, Marshall Front, and other employees of the firm.

### B. Advisory Services Offered

Front Barnett provides discretionary asset management services to individuals and high-net-worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other legal entities. Front Barnett's goal is to achieve above-average after-tax returns on client portfolios over a market cycle. Front Barnett may open non-discretionary advisory accounts under certain very limited circumstances, such as where the firm has an established discretionary portfolio management arrangement with a related family member and where the client requests we implement transactions according to his or her direction on a non-discretionary basis and provide portfolio accounting.

Each client relationship is under the direct, continuous management of a team of professionals led by an officer of the firm. In addition to its asset management services, Front Barnett provides a broad range of informal collateral financial advice to clients in connection with estate planning, tax, and general business matters as more fully described below.

In addition to providing Front Barnett with information regarding their personal financial circumstances, investment objectives, and tolerance for risk, clients are obligated to provide Front Barnett with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify Front Barnett in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk. On a quarterly basis, Front Barnett's reports to clients will remind clients of their obligation to inform Front Barnett of any such changes or any restrictions that should be imposed on the management of the client's account. Front Barnett will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives, and tolerance for risk.

#### B.1. Discretionary Asset Management Services – Core Equity Portfolios

Front Barnett's core equity portfolio employs a growth and value-blended investment strategy. The firm believes this approach is likely to produce more consistent returns over the long term than either style on a stand-alone basis. Front Barnett's equity portfolios are broadly diversified with large-, mid-, and small-capitalization securities composed of domestic and foreign domiciled common stocks, index funds, mutual funds, exchange-traded funds, and exchange-traded notes.

Front Barnett utilizes a disciplined approach, intensely monitoring its proprietary Economic Model and employing a wide range of thoroughly researched security choices.

### **B.2. Discretionary Asset Management Services – Fixed Income Portfolios**

Front Barnett manages its fixed income portfolios through active management, duration control, broad sector diversification, maintenance of issues with maturities of generally 10 years or less, and continuity of income streams ordinarily through use of investment-grade instruments.

### **B.3. Financial Advisory Services**

As an adjunct to its discretionary asset management services, Front Barnett provides clients with informal advice concerning tax and estate planning issues as well as on general business matters based upon each client's unique needs. Such advice, provided without charge and in the context of the firm's asset management activities, is not intended to be a stand-alone service subject to separate fees. Front Barnett charges an asset-based fee for all of its services as more fully described in Item 5 of this Brochure.

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Client relationships are managed on the basis of the individual client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of his or her account.

## **D. Wrap Fee Programs**

Front Barnett does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

## **E. Client Assets Under Management**

As of December 31, 2020, Front Barnett had \$1,061,820,122 of discretionary and \$5,176,906 of non-discretionary client assets under supervision.

## Item 5. Fees and Compensation

### A. Methods of Compensation and Fee Schedule

Front Barnett's advisory fees are based solely upon the fee schedule contained in the investment advisory agreement between the client and the firm as agreed to at the outset of the relationship. The annual recommended fee for services provided by Front Barnett will be charged as a percentage of assets under supervision by the firm, billed quarterly in advance. Front Barnett's current asset-based fee schedule for new accounts is detailed below:

<u>Portfolio Value</u>	<u>Annual Fee</u>
First \$1,000,000	1.00%
Next \$4,000,000	0.75%
Next \$10,000,000	0.60%
On the next \$35,000,0000	0.50%

Front Barnett generally requires a minimum account fee of \$10,000 for accounts it manages. For accounts with portfolio assets less than \$1,000,000, clients may be able to obtain more favorable pricing elsewhere. Front Barnett, in its sole discretion, may waive the required minimum or aggregate related accounts to meet the minimum fee.

Advisory fees are always subject to the investment advisory agreement between the client and Front Barnett. Asset-based fees are payable quarterly in advance. The client and the client's custodian or broker-dealer will be invoiced at the beginning of each calendar quarter, based upon the market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous quarter, as mutually agreed upon by the client and Front Barnett. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter. There will be no fee adjustments for contributions to and distributions from a client's portfolio.

The client authorizes the custodian of client's securities to automatically deduct Front Barnett's advisory fee payable to the adviser from the assets in the account when due, with such payments to be reflected on the next custodian's account statement sent to the client. If insufficient cash is available to pay such fees, sufficient securities will be liquidated to pay for the unpaid balance. Front Barnett may modify the fee at any time upon 30 days' written notice to the client.

A client investment advisory agreement may be terminated by either party at any time upon written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

### B. Client Payment of Fees

Front Barnett generally requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction

from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

Front Barnett will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Front Barnett may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

### **D. Prepayment of Client Fees**

Front Barnett requires the prepayment of its advisory fees. Front Barnett's fees will either be paid directly by the client or disbursed to Front Barnett by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be terminated by either party at any time upon written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

### **E. External Compensation for the Sale of Securities to Clients**

Front Barnett's financial advisors are compensated solely through a salary and bonus structure. Front Barnett is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.



## **Item 6. Performance-Based Fees**

Front Barnett does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what it believes to be in the clients' best interests.

## **Item 7. Types of Clients**

Front Barnett offers personalized investment management services to individuals and high-net-worth individuals and related trusts, charitable organizations, pension and profit sharing plans, corporations, and other business entities. Although Front Barnett provides investment services to the various types of clients mentioned, the services are conditioned upon meeting the following certain minimum criteria established by the firm.

Front Barnett requires a minimum account fee of \$10,000 for accounts it manages. For accounts with portfolio assets less than \$1,000,000, clients may be able to obtain more favorable pricing elsewhere. Front Barnett, in its sole discretion, may waive the required minimum or aggregate related accounts to meet the minimum fee.

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

### **A. Methods of Analysis and Investment Strategies**

Front Barnett is responsible for identifying and implementing analytical methodologies used in formulating investment recommendations to clients. The methods of research may include fundamental analysis, quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. Front Barnett may retain independent third parties to work in conjunction with its management team to provide input and guidance for the investment direction communicated by the firm. Front Barnett may utilize third-party software to assist in formulating investment recommendations to clients.

Based upon the client's investment objectives, portfolios under the supervision of Front Barnett may include cash equivalents, fixed income securities, and equity securities.

#### **A.1. Equity Portfolios**

Front Barnett invests in domestic and foreign large-, mid-, and small-capitalization companies and other vehicles as described under A.3. below. The methods of analysis for these investments may include:

- fundamental and technical analysis
- input from portfolio managers
- economic models
- quantitative methods for optimizing client portfolios
- computer-based risk/return analysis
- statistical and/or computer models utilizing long-term economic criteria

In addition, Front Barnett continually reviews its proprietary Economic Model, research material prepared by others, corporate filings, corporate rating services, corporate press releases, and a variety of financial publications to develop insights useful in securities selection.

A description of the factors to be used in formulating investment advice and recommendations are as follows:

- economic outlook
- capital markets
- political, social, and demographic trends
- international conditions
- supply/demand considerations

Front Barnett may utilize independent third parties to assist in recommending and monitoring individual equity securities and other investment vehicles to clients as appropriate under the circumstances.

## **A.2. Fixed Income Portfolios**

Front Barnett recognizes that clients generally assume market risk in the equity portion of their portfolio and, as a result, the firm ordinarily limits its fixed income risk exposure by investing in investment-grade bonds and by controlling the bond portfolio's duration. Duration is defined as the weighted average time until cash flows are received and is measured in years. The methods of analysis for these investments may include:

- fundamental and technical analysis
- input from portfolio managers
- economic models
- quantitative methods for optimizing client portfolios
- computer-based risk/return analysis
- statistical and/or computer models utilizing long-term economic criteria
- reports of outside bond specialists and rating services

## **A.3. Material Risks of Investment Instruments**

Front Barnett typically invests in equity securities, corporate and bank-sponsored debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and other securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Exchange-traded notes
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

### **A.3.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **A.3.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

### **A.3.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **A.3.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.3.e. Exchange-Traded Notes ("ETN")**

ETNs are structured debt securities. ETN liabilities are unsecured general obligations of the issuer. Most ETNs are designed to track a particular market segment or index. ETNs have expenses associated with their operation. When a fund invests in an ETN, in addition to directly bearing expenses associated with its own operations, it will bear its pro rata portion of the ETN's expenses. The risks of owning an ETN generally reflect the risks of owning the underlying securities the ETN is designed to track, although lack of liquidity in an ETN could result in it being more volatile than the underlying portfolio of securities. In addition, because of ETN expenses, compared to owning the underlying securities directly it may be more costly to own an ETN. The value of an ETN security should also be expected to fluctuate with the credit rating of the issuer.

#### **A.3.f. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.3.g. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.3.h. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.3.i. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within

the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **A.3.j. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. Front Barnett may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **A.3.k. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Front Barnett may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through

securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

#### **A.3.I. Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

## **B. Investment Strategy and Method of Analysis of Material Risks**

### **B.1. Short-Term Trading**

Although Front Barnett, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.



### **C. Concentration Risk**

Although Front Barnett employs a broad diversification strategy, there may be times when one industry, sector, or company is more heavily weighted than others. In such cases, there is the possibility that negative performance of the heavily weighted security will have a greater impact on the overall performance of the portfolio. Clients who have broadly diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Front Barnett neither has an affiliate broker-dealer nor is in process of registering an affiliate as a broker-dealer.

### **B. Futures or Commodity Registration**

Neither Front Barnett nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

Other than as described in Item 12 of this Brochure, there are no relationships material to Front Barnett's advisory business to report.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Front Barnett does not receive any remuneration from advisers, investment managers, outside consultants or other service providers, including custodians, that it recommends to clients.

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

### **A. Code of Ethics Description**

Members and employees of Front Barnett may purchase or hold securities that are recommended for purchase or sale by clients. Personal security transactions by persons associated with the firm are subject to the firm's Code of Ethics, which includes various reporting, disclosure, and approval requirements in order to prevent actual or potential conflicts of interest with transactions recommended to clients. Compliance with the Code of Ethics is a condition of employment. These requirements include the following:

- No employee or member may transact purchases or sales for his or her account, or for immediate family members' accounts, or for any other account in which the employee or employee's immediate family has an economic interest, which might reasonably be expected to materially affect the prices of securities for which transactions have been recommended or might be made for or recommended to clients in the near future.
- No employee or member may participate in initial public offerings.
- All trades must be pre-approved by a senior portfolio manager and must be executed within two trading days of approval.
- Client accounts in which an employee has an interest are to be treated under the same guidelines as all other client accounts.
- Quarterly, the firm requires a summary of trading activity.
- Annually, the firm requires a list of holdings. Transactions and holdings in government securities, bank certificates of deposit, and shares of open-end mutual funds are excluded from the reporting requirements.

Front Barnett will forward clients a copy of its Code of Ethics upon written request.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Front Barnett does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Front Barnett does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Front Barnett, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities

transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Front Barnett specifically prohibits. Front Barnett has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Front Barnett's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Front Barnett, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Front Barnett clients. Front Barnett will make a reasonable attempt to trade securities in client accounts prior to trading the securities in its employee or employee-related accounts. It is the policy of the firm to place the clients' interests above those of Front Barnett and its employees.

## Item 12. Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Front Barnett may, at the client's request, assist the client in establishing accounts with Bank of America, U.S. Trust, or with the Schwab Advisor Services division of Charles Schwab & Co., Inc., ("Schwab"), a FINRA-registered broker-dealer, member SIPC, or with another custodian to maintain custody of clients' assets and to effect trades for their accounts (herein collectively referred to as "custodian"). Although Front Barnett may be asked to recommend a custodian, it is the client's decision to custody assets with the custodian. Front Barnett is independently owned and operated and not affiliated with any custodian.

For Front Barnett client accounts maintained in its custody, a custodian may or may not charge separately for custody services, and may be compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

In making recommendations with respect to custodial services, Front Barnett will take into account the needs of the individual client, the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Front Barnett shall be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

Front Barnett seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions

- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Soft Dollar Arrangements**

Front Barnett does not utilize soft dollar arrangements for direct brokerage transactions to executing brokers for research and brokerage services. Front Barnett does not have any formal soft dollar arrangements requiring a soft dollar budget.

#### **A.1.c. Institutional Trading and Custody Services**

The custodian provides Front Barnett with access to its institutional trading and/or custody services, which are typically not available to the custodian's retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

#### **A.1.d. Other Products and Services**

The custodian also makes available to Front Barnett other products and services that benefit Front Barnett but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Front Barnett's accounts, including accounts not maintained at the custodian. The custodian may also make available to Front Barnett managing and administering software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing, and other market data
- facilitate payment of Front Barnett's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

The custodian also offers other services intended to help Front Barnett manage and further develop its business enterprise. These services may include

- compliance, legal, and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants, and insurance providers

The custodian may also provide other benefits, such as educational events or occasional business entertainment of Front Barnett personnel. In evaluating whether to recommend that clients custody their assets at a certain custodian, Front Barnett may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

**A.1.e. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Front Barnett. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Front Barnett.

**A.1.f. Additional Compensation Received from Custodians**

Front Barnett may participate in institutional customer programs sponsored by broker-dealers or custodians. Front Barnett may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Front Barnett's participation in such programs and the investment advice it gives to its clients, although Front Barnett receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving Front Barnett participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Front Barnett by third-party vendors

The custodian may also pay for business consulting and professional services received by Front Barnett's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for Front Barnett's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Front Barnett but may not benefit its client accounts. These products or services may assist Front Barnett in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made



available through the programs are intended to help Front Barnett manage and further develop its business enterprise. The benefits received by Front Barnett or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Front Barnett also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Front Barnett to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Front Barnett will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Front Barnett's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Front Barnett's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Front Barnett endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Front Barnett or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Front Barnett's recommendation of broker-dealers for custody and brokerage services.

## **A.2. Brokerage for Client Referrals**

Front Barnett does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. Front Barnett Recommendations**

Front Barnett, if requested by a client, may (among others) recommend Bank of America, U.S. Trust, or Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Front Barnett to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Front Barnett derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Front Barnett loses the ability to aggregate trades with other Front Barnett advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## B. Trading Practices

### B.1. Best Execution

Front Barnett may, if the client requests, recommend that clients establish brokerage accounts with Bank of America, U.S. Trust, or with the Schwab Advisor Services division of Charles Schwab & Co., Inc., ("Schwab"), a FINRA-registered broker-dealer, member SIPC, or with other custodians to maintain custody of clients' assets and to effect trades for their accounts (herein collectively referred to as "custodian"). Such accounts will be prime broker eligible so that if and when the need arises to effect securities transactions at broker-dealers ("executing brokers") other than with the client's current custodian, such custodian will accept delivery or deliver the applicable security from/to the executing broker. The custodian charges a "trade away" fee, which is charged against the client's account for each trade away occurrence. Other custodians have their own policies concerning prime broker accounts and trade away fees. Clients will consult their current custodian for their policies and fees.

Front Barnett, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the price of such securities, the executing broker, and the commission rates to be paid to effect such transactions. Front Barnett recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Front Barnett will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- The ability to borrow securities for short sale
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

## **B.2. Security Allocation**

Since Front Barnett may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Front Barnett in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. Front Barnett's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account clients' best interests. Front Barnett will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Front Barnett's advice to certain clients and entities and the action of Front Barnett for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Front Barnett with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of the firm to or on behalf of other clients.

## **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may or may not also be aggregated with filled orders. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Front Barnett believes that a larger size block trade would lead to best overall price for the security being transacted.

## **B.4. Allocation of Trades**

### **B.4.a. Equities**

All equity trades are pre-allocated by Portfolio Managers ("PMs"); blocks are created in a bottom-up fashion and no trades are executed before all initial allocations are made, as evidenced by time-stamped "block detail" vs. time-stamped sending of trades via Bloomberg.

Partial fills are allocated at random by our trading system Moxy until shares are exhausted (this function is built into Advent [Moxy]). Partial fills are fairly rare, but are indicated by a mismatch in the trade ticket reports between the "block detail" (pre-trade allocations) and "block execution detail" (post-trade allocations) reports.

In the event that an error is made in an allocation, details of the error will be noted on the trade correction form or order ticket as applicable, along with the correct allocation.

**B.4.b. Fixed Income**

Allocation percentages applied to fixed income assets are made by the senior PM assigned to the respective account. This allocation is communicated to the Fixed Income PM/Trader. A list of accounts for which bonds are to be purchased is maintained either by the fixed income trader or the PM.

Once a specific bond is identified for purchase, the PMs determine which clients are to be included based on clients' needs.

If a sufficient amount of the bond is available for all accounts, the Fixed Income PM/Trader solicits offerings from brokers. The trade is awarded on the basis of the lowest offering price for best execution on behalf of the client(s).

If a limited amount of the bond is available and is insufficient to fill the total amount of orders, the Fixed Income PM/Trader considers the following factors when allocating a specific bond:

- Overall fit with the existing portfolio
- Amount of cash available as a percentage of the total fixed-income portfolio
- Sector/industry/issuer-specific diversification
- Effect on weighted average portfolio duration
- Fit within existing maturity ladder
- In addition: Municipals – yield net of state and local income taxes, geographic and bond backing (general obligation vs. revenue) diversification within the existing portfolio

## Item 13. Review of Accounts

### A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

Client accounts under the supervision of Front Barnett are continually reviewed by the portfolio manager servicing the client relationship. Such professionals are subject to the general authority of Front Barnett's Manager. The Manager or his designee(s) must review and approve the opening of each new advisory relationship and oversee reviews of client accounts. The Manager or designee(s) is also responsible for ensuring that any significant change in a client's investment strategy or in the concentration of a client's assets is appropriate for and has been reviewed with the client.

### B. Review of Client Accounts on Non-Periodic Basis

Front Barnett may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, a change in the firm's investment policy, or a material change in how Front Barnett formulates investment advice.

### C. Content of Client-Provided Reports and Frequency

Front Barnett continually reviews all managed accounts. The firm provides performance reports quarterly; gains and loss summaries and evaluations are generally provided monthly. Reviews for managed accounts consist of an analysis of the following factors:

- client investment objectives
- industry issues
- credit issues
- information concerning individual holdings in portfolios
- review of performance versus benchmark and performance attribution

The client's independent custodian also provides regular account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's account and supersedes any statements or reports created on behalf of the client by Front Barnett.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Other than what is disclosed in Item 12 regarding benefits the firm receives from its custodian(s), Front Barnett does not receive economic benefits for referring clients to third-party service providers.

### **B. Advisory Firm Payments for Client Referrals**

Front Barnett does not enter make payment for client referrals.

## Item 15. Custody

Front Barnett is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
  - Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
    1. The client provides an instruction to the 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 the investment adviser, 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. The investment adviser 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. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
    7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account. Private fund investors will receive fund level statements of all activity, cash balances, and portfolio holdings on a quarterly basis from their qualified custodian.

Certain Front Barnett executives act as trustee for certain advisory client trusts. As such, the firm is deemed to have custody of client assets and therefore subject to a surprise annual audit by an independent certified public accounting firm.

## **Item 16. Investment Discretion**

Clients are required to grant a limited power of attorney to Front Barnett with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Front Barnett will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.



## Item 17. Voting Client Securities

Front Barnett does not take discretion with respect to voting proxies on behalf of its clients. Front Barnett will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Front Barnett supervised and/or managed assets. In no event will Front Barnett take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Front Barnett will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Front Barnett has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Front Barnett also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Front Barnett has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Front Barnett receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18. Financial Disclosures**

### **A. Balance Sheet**

Front Barnett does not require the prepayment of fees of \$1,200 or more, six months or more in advance.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Front Barnett does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.