



# Form ADV – Part 2A

## *Firm Brochure*

*(Item 1)*

March 2021

*This brochure provides information about the qualifications and business practices of Investec Advisory Group, L.P. If you have any questions about the contents of this brochure, please contact us at 713-622-9111 or [daniel@investecwealth.com](mailto:daniel@investecwealth.com). 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 Investec Advisory Group, L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## ***Material Changes (Item 2)***

Investec's last annual amendment to Form ADV Part 2 was in March 2020. No material changes have occurred since that filing.

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## ***ADVISORY BUSINESS (ITEM4)***

Investec Advisory Group, L.P. (DBA Investec Wealth Strategies, hereinafter referred to as “Investec” or the “Firm”) was registered with the SEC in July 2000 and is owned by JHB Holdings, LLC, which is wholly owned by John Goott. Daniel Goott owns a profits interest and is the planned successor to John Goott. Investec is the successor to Investec Group, Inc., which was founded in 1984. The Firm is managed on a day-to-day basis by John Goott and Daniel Goott.

Investec provides investment management and financial planning services to affluent individuals and their families. In addition, the Firm provides fiduciary investment monitoring services to the trustees of corporate retirement plans.

Investec consults with clients regarding their personal financial goals and objectives. The client’s individual situation determines an appropriate portfolio structure – the allocation of assets among investment classes and the management of risk through diversification.

### **Consulting Services for Individuals and their Families**

Investec provides its clients with *Wealth Strategies* – building lasting relationships with clients and their families and coordinating their life goals with financial solutions. The advisors combine their expertise with an overriding concern for their clients’ interests. As a multi-generational family business, Investec understands the critical role family dynamics plays in wealth management.

In addition, Investec helps clients plan for wealth preservation – an effective, tax-efficient transfer of assets to the next generation, along with the values and skills to steward them wisely.

### **Investment Management Services**

Investec provides investment management services to its affluent clients, which typically include:

- An analysis of a client’s investment strategy and risk tolerance.
- Education on investment principles and how a client may relate an investment plan to specific financial goals.
- Creation of an Investment Policy Statement for review and approval by the client.
- Development of asset allocation strategies to assist in the selection of asset classes that are consistent with the client’s stated investment objectives, personal risk tolerance and overall financial goals.
- Research and identification of money managers that are compatible with the client’s Investment Policy Statement. This will generally be based upon quantitative analysis such as risk and performance criteria using available published data, and subjective, qualitative analysis.
- Monitoring and reporting of investment results and the performance of a client’s portfolio and/or money managers.
- Ongoing review and rebalancing of each client’s portfolio.

## **Tailored Advisory Services**

Clients are able to direct Investec to restrict the purchase or sale of certain securities. These restrictions can be changed or removed by the client at any time.

## **Financial Planning Services**

Investec provides the following services to help clients navigate life's transitions and meet the challenges that lie ahead, as requested by clients:

- ***Retirement and Cash Flow Planning*** – A personalized analysis is developed based on discussions with clients about their needs, wants and wishes. Various methods are used to illustrate the likelihood of achieving these goals, including probability of success calculations.
- ***Estate Planning*** – Investec works with clients and their estate attorneys to develop an estate plan, designed to effectively carry out the client's wishes while reducing or eliminating estate tax liabilities. Consideration is given to gifting strategies and various trusts, in addition to the use of more advanced techniques such as family limited partnerships and charitable vehicles. Investec will also work in coordination with the trustees appointed by a client to ensure that the wishes of the grantor are carried out according to the terms of any trusts that are established.
- ***Tax Planning\**** – Investec reviews the income tax consequences of the investment strategies a client employs. Additionally, the Firm may introduce concepts designed to reduce a client's income or estate taxes, as appropriate. Consideration is given to various strategies such as: utilizing NUA (net unrealized appreciation) in a client's company-sponsored retirement plan, distributing income from a trust to a beneficiary to take advantage of lower tax brackets, income tax leveling, Roth IRA conversions, etc. Investec will also work in coordination with clients' tax professionals.

\* Investec is not a CPA firm.

- ***Insurance Planning*** – Existing life, disability income and long-term care insurance coverage is evaluated to determine if it is cost-effective and appropriate for a client's needs.
- ***Education Planning*** – Projected future costs of a college education will be illustrated to help a client set aside suitable funding levels to provide for those needs. Both taxable and tax-free investment accounts may be considered for education funding. These accounts will then be reevaluated and rebalanced on an ongoing basis.

## **Additional Services**

Investec provides additional services to clients that go beyond the realm of traditional financial planning. Investec helps guide its clients through the financial impact of life's changes, such as the birth of a child or grandchild, the death of a loved one, divorce and marriage or remarriage. The Firm is able to provide guidance with other situations including purchasing a car, refinancing a mortgage or addressing the cost of a health care need. In addition, Investec works together with other professionals engaged by the client, such as accountants and attorneys.

## **Consulting Services for Institutional Clients**

### **Retirement Plans**

Investec provides investment consulting and monitoring services to the trustees of qualified retirement plans, including 401(k) plans. As independent consultants, Investec assists plan fiduciaries in:

- Highlighting deficiencies in their investment process;
- Developing an Investment Policy Statement encompassing the selection of appropriate asset classes to be included and made available as investment options;
- Monitoring and ongoing review of plan investments;
- Recommending appropriate changes that follow prudent practices; and
- Coordinating education and enrollment meeting for plan participants.

These services include an independent review and oversight of the investment options provided to plan participants and recommendations to plan trustees for fund selection. Investec undertakes regular reviews of each investment option and provides ongoing assistance in the evaluation of and recommendation for the replacement of funds where appropriate.

### **Endowments and Foundations**

Investec provides the same investment management services to other institutional clients, such as endowments and foundations, as those provided to its individual clients. Investec assists the client in the drafting of an Investment Policy Statement, which would document and identify the major asset classes and limitations on investments to be made on behalf of the client. Investec will assist the client in the selection of the investment managers [which would include mutual funds, exchange traded funds (ETFs) or separate account managers (SAMs)] and monitor and evaluate their investment performance.

## **Assets under Management**

As of December 31, 2020, Investec had assets under management of \$700,570,989 comprised of \$628,778,420 in discretionary assets and \$71,792,569 in non-discretionary assets.

## ***FEES AND COMPENSATION (Item 5)***

### **Investment Management Services**

Investec is compensated for the services discussed above based upon a percentage of assets under management including cash holdings and accrued interest as determined by the custodian on the last trading day of each quarter according to the following fee schedule\*.

<b><u>Managed Assets</u></b>	<b><u>Annual Rate</u></b>
First \$750,000	1.00%
Next \$750,000	0.75%
Next \$1,000,000	0.50%
Next \$7,500,000	0.40%
Next \$10,000,000	0.20%
Additional Assets	Negotiable

\*Fees on private equity investments are charged based on the most recent valuation provided by the fund manager. Valuations for private equity investments may lag by a quarter, depending on the timing of Investec's receipt of the reports from the fund manager.

Quarter-end account values may differ slightly, as the custodian reports as of settlement date, and Investec reports as of trade date. Fees payable in the first quarter of an account's inception will be prorated from the effective date of the Investment Advisory Agreement. Fees will also be prorated to take into account deposits and/or withdrawals in excess of \$25,000.00 during each quarter based on the actual days in that quarter. In the event the Investment Advisory Agreement is terminated prior to quarter end, the fees will be pro-rated as of the date of termination and are due and payable immediately.

Accounts held by members of the same household are aggregated in order to attain the lowest fee.

Investec reserves the right to allow for differences in fees and account minimums when a reduced level of service is acceptable to the client and/or a business purpose justifies such action. Based on individual circumstances, some clients are on a fixed fee percentage rather than a tiered schedule. This means some clients are paying more (or less) than clients on other schedules or with other structures.

Fees are calculated quarterly in arrears in accordance with the Investment Advisory Agreement at the rate of  $\frac{1}{4}$  of the annual fee shown above. Such fees are deducted directly from the account(s) unless otherwise agreed to in advance by Investec and the client. Clients often direct Investec to deduct fees for several accounts from one account within the household.

Mutual funds are purchased on a "no load" or load-waived, non-commissionable basis. Thus the client will not be subject to any front-end or back-end sales charges. Investec will endeavor to avoid an early redemption fee imposed by certain funds, unless the benefit of the "sell decision" is expected to outweigh the cost of such redemption. At no time would these fees inure to the benefit of Investec.

Transaction and custodial fees, fund expenses and/or separate account manager costs will be paid by the client from his/her account(s). Investec does not receive, either directly or indirectly, any part of these additional fees or commissions.

### Financial Planning Services

Investec and the client on rare occasions have agreed to a fixed fee to provide financial planning and/or investment management services. The fee is determined based on the complexity of the client's particular needs. This fee is charged in advance or arrears as agreed to with the client.

### **Termination**

Investment Advisory Agreements may be terminated by the client, without penalty or charge, upon delivery of written notice to Investec within five (5) business days after the date of the client's execution of the Investment Advisory Agreement. Thereafter, Investec or the client may terminate the agreement upon receipt of written notice, unless otherwise agreed to.

Should the client remove Investec from the account prior to the final prorated fee being withdrawn, the client agrees to make payment to Investec within fifteen (15) days of receipt of the final invoice.

### ***PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT (ITEM 6)***

Investec does not charge any performance-based fees so this does not apply.

## ***TYPES OF CLIENTS (ITEM 7)***

Investec provides investment management and financial planning services to affluent individuals and their families. In addition, the Firm provides investment services to the trustees of corporate retirement plans, endowments, foundations and trusts.

## ***METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS (Item 8)***

Investec uses a combination of the following types of analysis in evaluating investments for client accounts:

- Quantitative – which includes analysis of:
  - ✓ Performance consistency
  - ✓ Volatility and downside risk relative to its benchmark and peers
  - ✓ Level of assets on which the track record is based
  - ✓ Expenses
  - ✓ Manager tenure
- Qualitative – which includes analysis of:
  - ✓ Manager's investment philosophy
  - ✓ Team focus
  - ✓ Stability and culture of the organization
  - ✓ Team quality

Investec provides different investment platforms to clients to implement their investment strategies. Portfolios will be invested primarily in mutual funds or exchange traded funds (ETFs) but, in certain circumstances, could also include the purchase of individual stocks or bonds, hedge funds or other alternative investments. Investment strategies and recommendations are based upon many factors, including but not limited to: diversification, risk factors, time horizon, investment discipline and income tax considerations.

### ***Investment Philosophy***

#### **Asset Allocation and Fund Selection Discipline**

The term asset allocation means different things to different people. Some investors equate asset allocation with short-term market timing. Others view it as a dynamic process of identifying longer-term valuation discrepancies between asset classes and taking advantage of these to either increase return without increasing risk, or to lower risk without sacrificing return. Some investment advisors use technical analysis (statistical models of price and volume data) to time shifts from one asset class to another. Others combine numerical analysis and qualitative judgment. Finally, some take a long-term view of asset allocation and advise static allocations to various asset classes based on investor risk tolerance. While there is no single "correct" way to allocate assets, Investec does not advocate short-term market timing or sole reliance on technical analysis.

Investec's asset allocation decisions assume a minimum three-year time frame. Three years is long enough to give the Firm confidence those underlying investment fundamentals, rather than short-term market sentiment, will drive returns. However, Investec tests the overall portfolio risk in consideration of its one-year loss threshold. Occasionally this forces changes in portfolio allocations based on a long-term decision horizon – though most of the time it does not.



There are three primary steps to Investec's asset allocation for its portfolio strategies:

### *Step 1 – Establishing a Neutral Allocation for Each Portfolio Type*

A neutral allocation reflects a logical, static, strategic asset allocation for a long-term investor who is not using active asset allocation. It is based on an evaluation of the historical long-term risk and return relationships of the asset classes, and what Investec considers to be realistic and reasonable expectations going forward. This is the starting point for the active asset allocation process.

### *Step 2 – Active Management and Compelling Investment Opportunities*

Active management is the process of shifting the allocation away from neutral, primarily when there are compelling investment opportunities, such as:

- When one asset class is extremely undervalued relative to competing asset classes;
- When cyclical or other factors don't significantly detract from the valuation story; or
- When long-term trends that Investec believes will have a major impact in defining the upcoming investment climate don't detract from the valuation story.

Investec's asset allocation process and active management decisions emphasize researching for opportunities in the markets.

*Compelling Investment Opportunities:* Financial markets are generally efficient – assets are priced fairly (based on publicly available information) most of the time. This means that it is typically difficult to “outsmart” the market. However, the market occasionally offers investors exceptional opportunities. Capturing a portion of the returns from these opportunities, and locking them in for a full market cycle, can result in market-beating performance for that cycle.

### *Step 3: Scenario Analysis*

Investec reviews scenario analysis to assess risk exposure in each of the strategies. This analysis considers different possible scenarios that could trigger a stock market decline. This is followed by a qualitative assessment of the downside to stocks and bonds in general and, specifically, to the individual funds the Firm selects to determine the downside exposure to the overall portfolios in each scenario. This analysis may lead Investec to be more or less defensive at any given time.

## **Fund Selection and Implementation**

Once the asset classes are established, Investec then focuses on fund selection. Choosing the right funds is important – as even within a single asset class, performance can vary widely. Cost is a key factor and Investec seeks to minimize costs by investing in institutionally priced funds that have the lowest available cost structure. Occasionally fund choice can alter the asset allocation strategy. If the Firm has a high degree of confidence in a particular fund manager, more may be allocated to that manager's asset class. On the other hand, if there are no attractive funds in an attractive asset class, the Firm may use index funds as an alternative.

## **Conclusion**

Investec's investment discipline means taking action when the chances of success are considered good. Fundamentally, the Firm takes a long-term approach – looking for value in both the equity and debt markets throughout the world. After identifying compelling asset-class opportunities, the Firm executes its strategy using the best funds it can identify. The "best" funds are determined using a host of quantitative and qualitative criteria. Risk control is also critical. Investec manages risk probability

through diversification and ongoing scenario analysis that tests for downside risk tolerance in severe selloffs. Portfolio management is a dynamic process, calling for ongoing attention and adjustment to enhance returns as well as to control risk.

### *Investment Risks and Rewards*

Investec advisory representatives work directly with each client to determine the most appropriate combination of risk and reward to meet stated personal financial objectives. This is done by way of a personal interview process and typically includes the completion of a questionnaire. Full disclosure by the client of his or her overall financial situation will greatly assist in an appropriate determination of a client's investment policy. Where appropriate, this is done in conjunction with a retirement and/or estate plan. Clients are responsible for notifying Investec of any changes in their financial situation or their goals and objectives.

Securities and other investments carry different types and levels of risk. These risks are typically discussed with clients in defining the investment policies and objectives that will guide investment decisions for their accounts. Investec advisory representatives discuss investment strategies that they believe may reduce these risks for a particular client's circumstances.

Clients must understand that obtaining higher rates of return on investments necessitates higher levels of risk. Based upon discussions with clients, Investec advisory representatives attempt to identify the balance of risk and reward that is appropriate and comfortable for the client. It is the clients' responsibility to ask questions if they do not fully understand the risks associated with an investment. Clients are encouraged to read prospectuses and ask questions throughout the investment process.

Investec advisory representatives use their best judgment when rendering advice. However, Investec cannot assure clients that investments will be profitable or that no losses will occur in their portfolios. Investing in securities entails a risk of loss, which the client should be prepared to bear. Past performance is an important consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.

### ***DISCIPLINARY INFORMATION (ITEM 9)***

There have been no legal or disciplinary actions against Investec or its advisory representatives.

### ***OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (ITEM 10)***

Some advisory representatives of Investec are licensed to sell insurance products, including life, disability income and long-term care insurance through Investec Asset Management Group, Inc. (IAMG), an affiliated life and health brokerage agency, which is licensed under various state insurance departments. These insurance transactions generate compensation in the form of commissions, creating a conflict of interest with Investec's clients. This conflict of interest between Investec's clients and Investec (because Investec recommends purchase of insurance products) is mitigated by the fact that clients are free to purchase insurance products elsewhere. Investec may also use non-commissioned annuity products on which the Firm charges fees.

Investec and IAMG have common ownership and some advisory representatives are officers in both companies.

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

Investec has adopted a Code of Ethics which describes the general standards of conduct the Firm expects of all personnel (collectively referred to as employees) and focuses on upholding the highest standards of behavior in order to protect the clients' interests and personal information and to maintain the Firm's dedication to integrity. Failure to uphold the Code of Ethics could result in disciplinary action, including termination from the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics for review. The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- The interests of the clients come before the interests of the Firm and those of the Firm's employees.
- The Firm and its employees must comply with all applicable laws, rules and regulations governing investment advisor activities.
- The Firm will disclose all material facts about conflicts of interest or potential conflicts of interest.
- Neither the Firm nor its employees will engage in any practice, transaction or course of business which defrauds, deceives or manipulates a client or potential client.
- The Firm will render advice that is both objective and appropriate.
- All business dealings will be conducted in the highest ethical and professional manner.
- The Firm and its employees will protect the confidentiality of all client information.
- Neither the Firm nor its employees will take inappropriate advantage of their positions of trust with or responsibility to clients.
- Firm employees are prohibited from falsifying or altering records or reports.
- Firm employees are prohibited from trading, either personally or on behalf of others, while in possession of material, non-public information (also known as "insider information"). Firm employees are also prohibited from conveying material, non-public information to others.
- Firm employees are prohibited from using information regarding client trade orders to influence trades in either their personal accounts or the accounts of others.
- Firm employees may not accept or give luxurious or extravagant gifts, especially where such gift is in relation to the business of the Firm.

Additionally, the Code of Ethics contains provisions regarding:

- A review of the Code of Ethics, at least annually, to ensure that it remains updated and pertinent to the Firm's business.
- Acknowledgment by the Firm's employees that they have read, understand and agree to abide by the Code of Ethics.
- Instruction for the reporting of any violation or possible violation of the Code of Ethics.

### *Personal Securities Trading*

Employees of Investec can maintain personal brokerage accounts in which they are able to trade individual securities. These accounts and all trading activity therein must be disclosed. The Firm receives copies of these outside brokerage account statements annually and reviews all reportable transactions no less often than quarterly. Additional restrictions on the purchase or sale of securities could be imposed if Investec determines a conflict or a potential conflict of interest exists.

As previously discussed, Investec's portfolios are invested primarily in mutual funds and exchange traded funds (ETFs). Investec does not routinely advise its clients to buy individual securities. As mutual funds are traded once daily at the market close of business, there exists no opportunity to affect pricing, therefore no employee, client or group of clients could benefit from preferential pricing. Buys and sells of exchange traded funds (ETFs) are generally executed in "block trades" so that all clients receive the same average price per share.

Employees are permitted to trade in the same securities with client accounts on an aggregated basis consistent with Investec's obligation of best execution. In such circumstances, the employee and client accounts will receive the same average price. Employees are also required to obtain pre-clearance before participating in an IPO or investing in a private placement.

#### *Outside Business Activities*

Employees are required to report to Investec any outside business activities which generate revenue. If any are deemed to be in conflict with clients, such conflicts are fully disclosed to clients.

#### ***BROKERAGE PRACTICES (ITEM 12)***

Investec recommends that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker/dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Investec is independently owned and operated and is not affiliated with Schwab.

Schwab provides Investec with access to its institutional trading and custody services, which are not typically available to Schwab retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them, as long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Service and are not otherwise contingent upon Investec committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab'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.

Schwab generally does not charge separately for custody services for Investec client accounts but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab.

Investec negotiates with Schwab to ensure that clients receive transaction costs and commission rates that are competitive with other brokerage firms. (This negotiation occurs on an ongoing basis for all clients, rather than on a trade-by-trade basis.) Schwab undertakes to provide clients with best execution for trades of individual securities.

Investec generally aggregates brokerage orders for its clients and allocates the securities purchased or sold among the participating accounts, with each account receiving the same terms. Since Schwab assesses transaction costs at the account level whether or not a trade is placed as part of a block trade, aggregating trades does not affect client transaction costs. The proportion in which participating accounts will share in the transaction will be determined by the Firm on the basis of the amount of shares needed to align the

portfolio to its target allocation and/or other relevant factors. The overarching principle for such allocation is that no client is intentionally favored over another client that is similarly situated.

### **Research and Other Benefits**

Schwab Advisor Services makes available products and services that benefit Investec, but may not directly benefit its clients' accounts. These products and services, that assist Investec with managing and administering client accounts, include: software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitating trade execution and allocation of aggregated trade orders for multiple client accounts; providing research, pricing information and other market data; facilitating payment of Investec's fees from its clients' accounts; and assisting with back-office support, recordkeeping and client reporting. Many of these products and services are used to service all or a substantial number of Investec's accounts, including assets not maintained at Schwab.

Schwab Advisor Services also provides other services intended to help Investec manage and further develop its business enterprise. These services include: compliance, legal and business consulting; educational conferences and events; publications and conferences on practice management and business succession; and access to employee benefits providers, human capital consultants and insurance providers. The availability to Investec of the foregoing products and services is *not* contingent upon Investec committing to Schwab or enacting any specific amount of trading or assets.

At this time, Investec is not recommending other brokerage firms, other than for investments that Schwab cannot custody. Investec has researched other firms and will continue to consider other firms to provide services; however, at this time, none have exceeded the capabilities, cost and service offered to Investec and its clients by Schwab. Not all investment advisors require their clients to use a particular broker/dealer or custodian.

Other vendors periodically host client educational or entertainment events which are offered only to Investec clients. Investec personnel benefit from these by participating/attending. Periodically Schwab or other conference sponsors have provided transportation to Investec personnel to and from the conference and/or discounted fees to attend the conference. Investec makes no commitment to any such entity of future business from Investec or its clients.

### **Directed Brokerage**

Clients are not able to direct Investec where to trade on their behalf.

### ***REVIEW OF ACCOUNTS (ITEM 13)***

Reviews of investment advisory accounts are completed no less frequently than quarterly, though the managed positions within clients' accounts will be continually monitored.

Investec is responsible for reviewing mutual funds and ETFs and making asset allocation decisions. Investec reviews the investments within each account for performance, portfolio manager changes (amongst other criteria) and the ongoing benefit to clients' accounts based on their objectives and Investec's outlook for such securities. Investec relies on a number of published sources for investment research. Investec's principals make the final decisions on all investment selections, asset allocation changes and buy/sell decisions.

In providing financial planning services, Investec meets with its clients to gather information and assess their current financial situation and relies on the clients to provide the Firm with updates to any of the pertinent information. Once Investec fully understands the client's needs and objectives, strategies to

meet those goals are developed. Advice is given on a best-efforts basis and is communicated verbally and/or in written format.

On an ongoing basis, it is up to each client to seek the Firm's advice in the various areas of financial planning services. Investec prefers to meet with clients at least annually to discuss and address their financial planning needs.

Financial planning clients are provided with reports which can vary from client to client and entail different depths of analysis and can include a review of the client's: retirement cash flow, estate plan, insurance coverage, education planning needs or tax strategies as deemed appropriate by Investec.

Investment management clients are provided with reports as follows:

- The custodian sends the client an account statement on a monthly, quarterly or semi-annual basis detailing current portfolio positions and all transactions completed within the statement time period. These statements report accounts as of settlement date.
- A written quarterly report is typically issued by Investec, which includes a review of the markets for the quarter and its impact on client portfolios, a performance report, a portfolio appraisal and an informational detailed invoice. The portfolio appraisal reports accounts as of settlement date, so they will differ slightly from the custodian's statements. Clients should review both statements to ensure there are no material discrepancies.

#### ***CLIENT REFERRALS AND OTHER COMPENSATION (ITEM 14)***

Investec does not pay outside parties for referring clients.

Some of Investec's advisory representatives are licensed insurance agents and receive compensation for insurance-related activities as noted in the Other Financial Industry Activities and Affiliations section of this brochure. Please refer to that section for additional information.

#### ***CUSTODY (ITEM 15)***

Investec does not take physical possession of client assets. Clients are required to open accounts with a qualified custodian. Many clients give Investec the authority to move assets from one account in their name to another account only with specific instructions which are also provided to the initial account custodian.

The SEC has deemed that Investec has custody of client assets to the extent that:

- 1) Investec is given authority by some clients to deduct investment management fees from their accounts. Investec has procedures in place to ensure that fees are calculated in accordance with each client's Investment Advisory Agreement.
- 2) Clients have established standing instructions with Schwab where the amount and/or timing of transfers from the client's account to another party are not pre-defined. Although we are deemed to have custody of the sending accounts, we are not required to have an annual surprise examination of those accounts by a public accounting firm.

#### ***INVESTMENT DISCRETION (ITEM 16)***

Investec provides investment consulting services and advice on either a discretionary or non-discretionary basis. For discretionary accounts, the Firm has full trading authority over client accounts under a limited power of attorney as described in the Investment Advisory Agreement and the custodian's account

application. As a result, Investec will determine, without obtaining specific client consent, the amount and type of securities to be bought or sold in a client's portfolio and when trades are to be placed. For non-discretionary accounts, clients must provide permission before any trade is placed in their accounts.

**Trading Authority and Access to 401(k) Plans:** Some clients request that the Firm place trades in the client's 401(k) account by providing written authorization by email and verbally providing the PIN to an authorized Access Person of the Firm. In these instances, the Firm will obtain verification from the plan custodian that the PIN authorizes only: the placing of trades, or withdrawal of funds or securities only to the client's address or an account in the client's name at a qualified custodian. For this purpose the Firm will have obtained verification from the plan custodian confirming that the PIN does not allow the Firm to withdraw funds from the client's 401(k) account other than to the client's address of record or bank account on file with the plan custodian.

### ***VOTING CLIENT SECURITIES (ITEM 17)***

Investec does not vote proxies or participate in class action shareholder suits for its clients. Clients receive proxy material directly from their account custodian by email or U.S. mail.

### ***FINANCIAL INFORMATION (ITEM 18)***

There is no financial condition that is reasonably likely to impair Investec's ability to continue to provide services to its clients.