



## **ADVISER BROCHURE**

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This Brochure provides information about the qualifications and business practices of Shufro, Rose & Co., LLC (“**SRC**”). If you have any questions about the contents of this Brochure, please contact us at 212-754-5100 or our Chief Compliance Officer (“**CCO**”), John Wilkens, at [jwilkens@shufrorose.com](mailto:jwilkens@shufrorose.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Shufro, Rose & Co., LLC is an investment adviser registered with the United States Securities and Exchange Commission (“**SEC**”) under the U.S. Investment Advisers Act of 1940, as amended (“**Advisers Act**”). Registration with the SEC does not imply any level of skill or training.

Additional information about Shufro, Rose & Co., LLC is also available on the SEC’s website at <https://adviserinfo.sec.gov/>.

## ***ITEM 2 – MATERIAL CHANGES***

Since SRC's previous annual filing dated March 17, 2020, the Firm is reporting the following material changes:

- SRC's Portfolio Managers have expanded the available investment strategies to further broaden portfolio management options for Clients. Such strategies have been developed with the assistance of independent research firms and are more fully described in Item 4.
- SRC has added additional risk factors in Item 8.

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#### ***ITEM 4 – ADVISORY BUSINESS***

##### **Owners**

Shufro, Rose & Co., LLC (“**SRC**”, the “**Adviser**”, the “**Firm**”, “**we**”) was founded in 1938 and was converted to an LLC in 1997. SRC is not affiliated with any other active business entity and is owned entirely by SRC's Working Members, each of whom is a Principal & Senior Financial Advisor and, also serves as a Portfolio Manager. The current Principal & Senior Financial Advisors are:

STEPHEN LEIT, born 1945, received his B.A. from the University of Rochester in 1967 and his M.A. from Northwestern University in 1970. He became a Chartered Financial Analyst (“**CFA**”) in 1978, joined the Firm in 1984, and became a Principal in 1989.

STEVEN J. GLASS, born 1967, received his B.S. in Business Administration from the University of Hartford in 1988 and joined the Firm in the same year. He became a Principal in 1997.

HARVEY WACHT, born 1945, received his B.B.A. from Baruch College in 1967. He became a Certified Public Accountant (“**CPA**”) in 1972 and was a Principal at Herzog Heine Geduld for thirty years in senior executive and investment positions. He joined the Firm in 2001 and became a Principal in 2003.

JOHN M. CONTANT, born 1974, received his B.S. in Finance from Lehigh University in 1996 and joined the Firm that same year. He became a Principal in 2004.

GREGORY D. SHUFRO, born 1969, received his B.A. in English from the University of Pennsylvania in 1991 and his J.D. from Fordham University School of Law in 1997. Prior to joining the Firm in 2003, he practiced law in New York and specialized in securities litigation and bankruptcy. He became a Principal in 2008.

TONIA L. KAMINSKY, born 1968, received her B.S. in Business Administration from the University of Massachusetts Amherst in 1991 and joined the Firm in 1999. She became a Principal in 2009.

Additional information is available to clients in SRC’s brochure supplements (e.g., SEC ADV Form 2B), in accordance with SEC requirements.

## **Types of Advisory Services**

Shufro, Rose & Co., LLC was founded as a partnership in 1938 and converted to a Limited Liability Company (“LLC”) under the laws of the state of New York in 1997. The firm is among the oldest wealth management firms in the United States specializing in the discretionary management of investment portfolios. We are independent and owned entirely by our working principals, each of whom is a Senior Financial Advisor and Portfolio Manager. The Principals of SRC have worked together for many years; two have been in the investment business for more than forty years. Foremost in our minds is that putting our clients’ interests first and producing good investment results are the most important services we can provide. In numerous instances we now advise the fourth successive generation of a family. Because we are focused on the overall financial health of our clients, we often help clients anticipate and plan for future needs by working closely with their accountants, other advisors, and attorneys. These lasting relationships as well as the growth in our assets under management attest to our diligence on behalf of our clients. SRC provides investment management and advisory services to separately managed accounts of individuals, high-net worth individuals, trusts and estates, retirement accounts, businesses and charitable organizations (each referred to as the “**Client**”, collectively the “**Clients**”) on a discretionary and non-discretionary basis. Although all Portfolio Managers share investment ideas, some primary Portfolio Managers are also supported by, and work closely with, one or more other Portfolio Managers in the management of accounts. Each account is assigned to an individual Portfolio Manager—or in some cases a pair of Portfolio Managers. These Portfolio Managers or teams of Portfolio Managers have primary responsibility for formulating investment advice and exercising discretion for their Client’s separately managed accounts. Portfolio Managers meet with Clients to discuss Client’s financial goals and objectives, as well as establishing a risk tolerance. Such information is considered by the Portfolio Manager when initially structuring a Client’s portfolio and for ongoing monitoring and managing portfolios.

The Portfolio Managers primarily invest client assets in stocks, exchange-traded securities, closed-end funds, and various types of fixed income securities. Portfolio Managers typically maintain cash equivalent positions (e.g., money market funds) through a “sweep” program as well. Some Portfolio Managers use short-term bond mutual funds or U.S. Treasury bills to generate more interest income than is available from money market funds. Short-term bond funds generally

involve a greater interest rate and credit quality risk than money market funds. One Portfolio Manager also routinely invests in mutual funds and utilizes options, primarily with the intention of increasing income and/or reducing downside risk.

The Portfolio Managers can also recommend selected alternative private investment funds (“**Funds**”) to qualified investors. Prior to investing in Funds, Clients will receive and/or execute a private placement memorandum, subscription documents and/or limited partnership agreements (“**Offering Materials**”).

SRC may also engage one or more third-party sub-advisors (“**Independent Managers**”) to manage a portion of client assets if deemed in the best interest of the Clients, subject to the Client’s executed Investment Management Agreement (“**IMA**”), and if the Independent Manager’s strategy aligns with the Client’s investment objectives and risk tolerance. SRC will generally execute a sub-advisory agreement with the Independent Manager. SRC will also deliver a sub-adviser’s Form ADV Part 2A, Part 2B, Form CRS and Privacy Policy to the relevant Clients. There may be instances whereby SRC may require Client to sign separate written agreements directly with those Independent Managers instead of SRC doing so on a Client’s behalf. The Client agrees to timely execute any such agreements. Clients may be asked to open new custodian accounts with a third-party custodian to separate sub-advised assets from the remaining Client assets advised by SRC. Independent Managers shall have limited power-of-attorney and shall have only trading authority over those assets SRC directs to them for management. Independent Managers shall be authorized to buy, sell and trade (in accordance with applicable law and consistent with the client’s objectives) and to give instructions, related to their authority, to the broker-dealer and custodian. Unless otherwise disclosed to Clients prior to the engagement of an Independent Manager, SRC will be responsible for compensating the Independent Manager for any investment management fees due for advisory services performed on SRC Client accounts by Independent Managers subject to the IMA with SRC. Generally, the Client will not incur additional management fees for the investment advisory services rendered by the Independent Manager. In the event fees to an Independent Manager shall result in increased fees to Clients, Clients shall be notified in writing and such increased fees shall become effective no earlier than 30 days after written notice is sent to the Client, unless a written objection is sent to the Adviser prior to the expiration of that time. The Client may still incur transaction and any custodial fees on assets

managed by the Independent Manager. SRC will remain the primary investment advisor on such sub-advised managed accounts. SRC reasonably monitors and reviews performance of all Client account activity managed by Independent Managers and is responsible for all consolidated Client reporting.

SRC, if requested by its Clients, may provide non-discretionary asset management services. Under this relationship, SRC consults with the Client prior to executing trades in the Client's account. In addition, SRC may monitor and manage Client investments and provide consolidated portfolio reporting and portfolio management to the Client.

### **Individualized Advisory Services**

SRC has expanded the options of portfolio management strategies that Portfolio Managers can implement in order to meet a Clients' investment objectives, risk tolerance and potential tax exposure. SRC has engaged the services of outside investment research providers and electronic portfolio management and rebalancer platforms to assist with the development of such strategies and guidelines. Each strategy offers an investment sleeve of diversified security weightings that provide exposure to various sectors and investment strategies. Portfolio Managers consider these diversified strategies, if appropriate, when managing a Client's portfolios.

The adoption of these portfolio allocation strategies is designed to better address SRC's Client investment needs. At account inception and any time thereafter, a Client may impose reasonable restrictions on what assets can be purchased for, or sold from, their accounts.

SRC does not issue lists of 'recommended' securities. Portfolio Managers exercise their individual judgment regarding all purchases, sales and investment advice for the accounts they supervise using those investment techniques and methods which they believe are appropriate. Different Portfolio Managers: (i) employ different investment techniques, (ii) produce different outcomes, and (iii) may have differences in their fee schedules. Further, the highly individualized, hands-on investment management approach means that even accounts with similar investment profiles, which are managed by the same Portfolio Manager, may own different securities from one another and have different results.

In some cases, Portfolio Managers will manage several accounts together as a household or ‘family group’ of accounts.

### **Financial Planning Services**

SRC is available for a fee to provide certain financial planning services as well as financial advice on non-investment related matters such as general financial oversight, balance sheet, cash flow management, mortgage refinancing, estate planning, insurance planning, annuity and pension planning and charitable gift planning. Under this arrangement, any recommendations provided by SRC may be implemented at the Client’s sole discretion with the professional consultants of the Client’s choosing, and there is no obligation to engage SRC for investment advisory services.

With respect to any financial planning provided by SRC, each Client must acknowledge to us that: (i) such Client is free at all times to accept or reject any of our recommendations, and such Client acknowledges that such Client has the sole authority with regard to the implementation, acceptance, or rejection of any recommendation or advice from us; (ii) our recommendations (i.e., estate planning, retirement planning, insurance, etc.) may be discussed and/or implemented, at such Client’s sole discretion, with the corresponding professional adviser(s) (i.e., broker, accountant, attorney, etc.) of such Client’s choosing; (iii) in respect to estate planning and tax planning matters, our role shall be that of a facilitator between such Client and his/her corresponding professional adviser(s); (iv) we are not an attorney or accountant, and no portion of our services should be interpreted by such Client as legal or tax advice (rather, such Client should defer to such Client’s attorney and/or accountant with respect to all legal or tax matters); and (v) such Client will maintain sole responsibility to notify us if there is a change in such Client’s financial situation or investment objective(s) for the purpose of reviewing/evaluating/revising our previous recommendations and/or services and/or to address new planning or consulting matters.

### **Assets under Management (Regulatory Assets under Management)**

As of December 31, 2020, our Regulatory Assets Under Management (“RAUM”) were \$1,821,822,812 of which \$1,712,325,460 are managed on a discretionary basis and \$109,497,352 are managed on a non-discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

SRC charges an advisory fee to its Clients. The annual investment advisory fee is paid quarterly in arrears and is calculated using Average Daily-adjusted Assets under Management (“AAUM”) for the quarter—which generally includes all discretionary assets in an account that are invested or held for investment except for those assets that have been expressly excluded under the respective fee agreement or otherwise as determined by the Portfolio Manager. The advisory fee is assessed in accordance with the fee schedule the client authorized. SRC has, and may in the future, at its discretion, waive or reduce the fees calculated in accordance with the fee schedule for specific accounts taking into consideration, among other things, account strategy, current portfolio and asset classes, the size of the account and the length of the client relationship. A detailed copy of the calculation is available upon request.

*SRC maintains the discretion to vary or modify its fee schedule subject to applicable law and contract.*

The fee range generally offered by SRC is summarized below.

<b>Annual Fee (based on AAUM)</b>
Ranging from 0.65% to 1.50% assessed quarterly in arrears.

In certain circumstances, multiple accounts of Clients related by blood or marriage and/or sharing a household may be combined to reach a certain asset under management level in order to qualify for certain fee breakpoints. Several factors—such as the amount of assets invested, and types of investments being made - may influence the amount of the annual fee.

Unless a Client directs otherwise, fees are deducted from the relevant account or from a related account. For example, for some Clients, advisory fees for IRA accounts are deducted from the Clients’ taxable accounts. When fees are deducted, the charge is shown on the monthly statement for the month in which the charge is made. Fees are prorated for accounts that open or close during the billing period. Existing accounts may use fee schedules or payment terms that differ from the fee schedules or payment terms offered to new clients. If an account transfers to a different Portfolio Manager within SRC, the fee schedule in existence immediately prior to the transfer will govern the account unless a new arrangement is agreed upon between SRC and the relevant Client.

Clients do not pay any charges to SRC except as described above in connection with investment advisory services. SRC does not charge commissions to Clients. SRC's management fees may or may not be exclusive of any fees and/or expenses charged by third-parties. Such third-party fees and/or expenses may include, but not be limited to, custodial fees, brokerage commissions, transaction fees, third-party investment management fees, odd lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Some trades are assessed regulatory fees (*e.g.*, Chicago Board Options Exchange (“CBOE”) fees for options, and an SEC fee for all sales). If foreign securities are purchased, additional charges for exchanging currency may be charged by the respective custodian. With respect to investments in mutual funds including Exchange Traded Funds (“ETFs”), management/marketing fees are charged by such funds. These fees are included in the cost of the shares and are disclosed in the prospectuses that are sent by the custodian at the time of purchase. In all cases, a portion of those fees (often called 12b-1 fees) are directed to the custodian. Because SRC is not a broker-dealer, we are not allowed to receive any portion of these fees. Clients should review their custodial statements to review all expenses.

For alternative private investment fund managers, Clients will incur management and incentive fees, in addition to administrative, audit, legal and other such allowable expenses pursuant to the Offering Materials. These fees and expenses will be in addition to the management fees paid to SRC.

If SRC engages an Independent Manager to manage a portion of Client assets, SRC will generally pay the management fees charged by such Independent Manager resulting in no increased fee to the Client. In the event fees to an Independent Manager shall result in increased fees to the Client, the Client shall be notified in writing and such increased fees shall become effective no earlier than 30 days after written notice is sent to the Client, unless a written objection is sent to the Adviser prior to the expiration of that time. Clients may also incur transaction or custodial fees on any sub-advised accounts as Clients would if SRC were managing the assets. The Independent Manager will send an itemized management fee calculation on a quarterly basis to SRC for review and payment.

SRC has retained Financial Recovery Technologies (“FRT”) to file securities class actions on behalf of Clients. FRT bears the processing costs associated with filing such actions and is entitled

to receive fifteen percent (15%) of the gross recovery connected to such claims. SRC receives no portion of such fee or recovered amount.

All these fees and expenses that may be incurred by Clients are in addition to the investment advisory fee paid to SRC. SRC does not receive any portion of these potential third-party charges.

SRC believes that assessing its Clients a reasonable annual advisory fee based on their AAUM is consistent with its fiduciary duty as an investment adviser and creates an appropriate alignment of interests between the Portfolio Managers and Clients. SRC does not share advisory fee revenue with any custodian. SRC does not have any significant ‘undisclosed’ revenue sources; such as ‘soft’ dollars, referral fees, ‘mark-ups’ or ‘pull-backs’, underwriting fees and concessions, product or cash balance overrides, payment for order flow, directed trades, or other fees.

### **Termination of the Advisory Relationship**

As noted above, fees are prorated for accounts that close during the billing period. The advisory fee will be prorated based on the AAUM, for the period, on the termination date or date of death of Client.

### **ERISA Accounts**

SRC is deemed to be a 3(21) fiduciary to advisory Clients that are employee benefit plans or individual retirement accounts (“**IRAs**”) pursuant to the Employee Retirement Income and Securities Act (“**ERISA**”), and regulations under the Internal Revenue Code of 1986 (the “**Code**”), respectively. As such, SRC is subject to specific duties and obligations under ERISA and the Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, SRC charges advisory fees for investment advice on products for which SRC and/or our related persons do not receive any commissions or trailing fees such as 12b-1 fees.

### **Advisory Fees in General**

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar, lower, or higher fees.

### **Fees and Compensation from the Sale of Securities or Mutual Funds**

Mr. Harvey Wacht, in his individual capacity and not as a Portfolio Manager at SRC, is a licensed registered representative with Purshe Kaplan Sterling (“PKS”), a FINRA member broker-dealer. Mr. Wacht holds Series 7, 24, and 63 licenses with FINRA. These affiliations and licenses are maintained in order to effectuate certain securities transactions that may only be offered through a FINRA member broker-dealer. These transactions are typically commission paid transactions that may not otherwise be accessible directly. Any commissions (to the extent received) by Mr. Wacht in his individual capacity, are executed independent from a Client’s advisory account and are independent from assets managed by SRC and therefore separate from the investment advisory fee paid to the Adviser. This practice presents a potential conflict of interest and gives us or our supervised persons an incentive to recommend investment products based on compensation received, rather than on a Client’s needs. We address these conflicts by disclosing these transactions to the Client prior to or at the time of purchase. To the extent that certain mutual fund companies pay 12b-1 fees, Mr. Wacht has opted out of collecting such fees.

Clients have the option to purchase investment products that Mr. Wacht recommends through other brokers or agents that are not affiliated with Mr. Wacht. Mr. Wacht only sells investment products on a commission basis and does not charge an advisory fee to his brokerage clients affiliated with PKS. The PKS client’s assets are not included in SRC RAUM.

### **Financial Planning Fees**

Financial planning services are provided for a minimum fixed fee of \$2,500, but vary depending on the scope and complexity of the agreed upon services. SRC may, at its discretion, waive or reduce the financial planning fee taking into consideration, among other things, the length of the client relationship. Financial planning services shall be set forth and described in a separate agreement between SRC and such Clients. All or a portion of the fixed fees for financial planning services are subject to negotiation.

Financial planning service scope and fixed fees are reviewed annually and charged quarterly in arrears.

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

SRC does not charge any performance-based fees.

## ***ITEM 7 – TYPES OF CLIENTS***

SRC's Clients are primarily individuals, high net-worth individuals, or trusts, including IRAs and retirement accounts. The remaining accounts consist of charitable, educational, endowment and corporate accounts as well as family limited partnerships or investment clubs.

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

*Investing in securities involves risk of loss that Clients should be prepared to bear.*

SRC manages individualized portfolios for Clients based upon their personal objectives, goals and risk tolerances. Portfolio Managers take into account Client's anticipated future spending requirements, age, and financial circumstances. The desire for income and safety of principal are balanced with the need for inflation protection and willingness or ability to assume risk in order to facilitate future growth. An intended investment approach and portfolio construction result from this synthesis of requirements. Portfolios are reviewed periodically for consistency with the intended investment approach.

Depending on the investment objectives and risk tolerance of Client, a portfolio may include stocks, bonds, U.S. Treasury bills, cash equivalents, preferred stocks, open and closed end funds or ETFs representing a basket of equities or fixed income securities. In isolated cases and only with separate signed approval by the Client, a Portfolio Manager may also use exchange listed options or margin. Within a given asset class, Portfolio Managers employ a variety of valuation techniques designed to signal when a security is advantageously priced and offers potential for price appreciation. Such indicators include, but are not limited to: price to earnings comparisons, price to sales comparisons, expected growth rates, historical valuations, leverage ratios, price to book values and cash flow analyses, as well as considerations regarding company management and style. SRC's investment horizon is normally long term, so its perspective in assessing a potential investment usually incorporates a multi-year assessment of the security's likely performance relative to peers and to the general market.

SRC tends to maintain Clients' investment positions for an extended time, resulting in a minimization of trading costs and taxes. However, if a security achieves what the Portfolio Manager considers its full value, or if circumstances warrant selling sooner than originally expected, the Portfolio Manager may hold investment positions for a shorter period resulting in an increase in trading costs and potentially higher tax liability.

SRC attempts to mitigate the risks posed by individual securities by either holding a selection of securities in different asset classes and weightings of securities, such as stocks, bonds and cash equivalents, and by balancing a predominantly equity portfolio with cash equivalents to offset market declines. SRC typically seeks to diversify holdings across industry classes within each portfolio or family group. Due to special circumstances (such as large, very low-cost basis legacy positions), some accounts have larger than average positions. Portfolio Managers use their discretion to determine the composition of each portfolio or family group.

The Portfolio Managers' assessment of any security's likely future performance is inherently a prediction and it is subject to uncertainty and risk that the outlook might prove wrong. An outcome contrary to what the Portfolio Manager envisions may arise from a number of factors, such as: an erroneous assessment of the value offered by the security, either by wrongly anticipating earnings or misperceiving what a "standard" valuation should be for the type of security in question; a change in the fundamental business and industry dynamics that the Portfolio Manager fails to anticipate; an allocation of capital by the company that changes value and renders the forecasts invalid, or a mistaken reading of the future economic environment. If any of these risks materialize, the resulting loss, if any, would negatively contribute to the performance of a Client's portfolio.

In addition to these risks, fixed income securities and preferred stocks are subject to risks on account of or due to changes in interest rates, credit quality and prepayments.

For all alternative private fund investments recommended to Clients, SRC performs initial investment and operational due diligence. SRC employs a multi-phase approach to researching and selecting managers suitable for Clients. These managers are evaluated on an initial and ongoing basis. A due diligence memorandum outlining the review and recommendation is provided to all Portfolio Managers for review and acceptance.

SRC may identify and review Independent Managers from time to time and may invest a portion of Client assets with such sub-advisers subject to the Client's investment objectives and risk tolerance. In selecting Independent Managers, SRC will perform reasonable due diligence to determine that the Independent Managers are registered investment advisers and that they have appropriate compliance policies and procedures in place that are comparable to SRC, especially in the areas of allocation and best execution. SRC is not responsible for any loss that Client may suffer by reason of any decision made or other action taken by any Independent Manager. Liabilities are limited as set forth in the IMA.

Regarding the newly developed strategies that Portfolio Managers may adopt as part of portfolio diversification, the respective Portfolio Management team will monitor the securities and weightings, and adjust the holdings as deemed necessary.

### ***Summary of Material Risks***

There can be no assurance that the investment objective of our Clients will be achieved, and that Clients will not incur losses. The risks described below are not meant to be a comprehensive collection of all risks with which Clients will be confronted. Each Client is also encouraged to consult with SRC to review the specific risk parameters of, and assets that comprise of, the Client's account at any given time and from time to time.

### **Equity Securities**

Common stocks and other equity securities generally increase or decrease in value based on the earnings of a company and on general industry and market conditions. The value of a company's share price could decline as a result of poor decisions made by management, lower demand for the company's services or products or if the company's revenues fall short of expectations. There are also risks associated with the stock market overall; in particular, the stock market may experience periods of turbulence and instability.

### **Options**

Options can be highly volatile investments and involve special risks. Successful investment strategies using options require the ability to predict future movements in securities prices, interest rates and other economic factors. SRC's, or an investment manager's efforts to use options (even for hedging purposes) may not be successful. SRC or an investment manager can invest in options

based on any type of security, index or currency, including options traded on foreign exchanges and options not traded on exchanges. If the Firm or an investment manager applies a hedge at an inappropriate time or judges market conditions incorrectly, options strategies will reduce a Client's return. A Client will also experience losses if the prices of option positions were to be poorly correlated with its other investments, or if it could not close its positions because of an illiquid secondary market.

### **Fixed Income Securities**

Fixed income or debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities and mortgage-backed securities can be more sensitive to interest rate changes. In addition, short-term securities tend to react to changes in short-term interest rates, and long-term securities tend to react to changes in long-term interest rates. Many types of fixed income securities are also subject to prepayment risk. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. Below-investment grade fixed income securities are generally subject to greater credit risk than investment-grade securities and will be issued by companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations, or financial restructurings. Many below-investment grade fixed income securities are also less liquid than investment-grade securities and could be subject to greater volatility.

### **Exchange Traded Funds**

Exchange Traded Funds ("ETFs") are designed to represent a fixed portfolio of securities that is intended to track a particular market index. The risks associated with investing in ETFs generally reflect the risks of owning the underlying securities in which they are designed to track, although lack of liquidity in an ETF could result in an ETF being more volatile than the particular market index it intends to track. ETFs also have separate management fees and expenses, which a Client will bear through its investment in the underlying ETF.

## **Private Funds**

A Client may be invested in pooled invested vehicles sponsored by third-party managers. SRC will not have an active role in the management of the assets of the underlying funds, including the valuation by the underlying funds of their investments. A Client's ability to withdraw from or transfer interests in such funds is limited and could include risk of significant loss. Furthermore, the performance and success of each underlying fund will depend on the management of the underlying manager.

## **Alternative Investment Manager Risks**

SRC could recommend that Client assets be invested with alternative investment managers, including Independent Managers, who make their trading decisions independently. It is possible that one or more investment managers may take investment positions that are opposite of positions taken by other investment managers. Some investment managers may have overlapping strategies or portfolios and thus could accumulate large positions in the same or related instruments at the same time. SRC may not have access to information regarding the underlying investments made by the investment managers or investment funds and thus may not be able to mitigate the associated risks of concentration or exposure to specific markets or strategies. Because each investment manager will trade independently of the others, the trading losses of some investment managers could offset trading profits achieved by other investment managers. In addition, investment managers may compete for similar positions at the same time.

## **Activities of Alternative Investment Managers and Alternative Investment Funds**

SRC will have no control over the day-to-day operations of any unaffiliated alternative investment fund or investment manager. As a result, there can be no assurance that every alternative investment fund or investment manager will invest on the basis expected by SRC. Furthermore, because SRC will have no control over any investment fund's or investment manager's day-to-day operations, Clients may experience losses due to the fraud.

## **Operational Risk**

Operational risk is the potential for loss caused by a deficiency in information, communication, transaction processing and settlement and accounting systems. SRC will maintain controls that

include systems and procedures to record and reconcile transactions and positions, and to obtain necessary documentation for trading activities.

### **Business Continuity Risks**

SRC's business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disasters, terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolonged power outages. Although SRC has implemented measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have a material adverse effect on SRC and investments therein.

### **Coronavirus Outbreak**

An epidemic outbreak and reactions to such an outbreak could cause uncertainty in markets and businesses, including SRC's business, and may adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. SRC has policies and procedures to address known situations, but because a large epidemic may create significant market and business uncertainties and disruptions, not all events that could affect SRC's business and/or the markets can be determined and addressed in advance. During the recent COVID-19 outbreak, SRC's Business Continuity Plan allowed SRC's personnel to work remotely without interruption to SRC's investment management or client service. This incident response may not be representative of future incident conditions.

### **Risk of Loss**

Investing in securities involves risk of loss that Clients should be prepared to bear. All investments in securities and other financial investments involve substantial risk of volatility arising from numerous factors that are beyond the control of SRC and alternative investment managers or strategies utilized by SRC, including market conditions, changing domestic or international economic or political conditions, changes in tax laws and government regulation and other factors.

This list of risks is not exhaustive. For certain securities purchased for accounts, such as mutual funds and newly issued municipal bonds, Clients receive prospectuses and official statements which identify the risk factors associated with those securities and issuers. Clients are encouraged to review such disclosure documents.

#### ***ITEM 9 – DISCIPLINARY INFORMATION***

SRC and our management have no disciplinary events within the prior ten years to disclose.

#### ***ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS***

SRC is only registered as an investment adviser with the Securities and Exchange Commission.

Mr. Harvey Wacht, in his individual capacity, is a licensed registered representative with Purshe Kaplan Sterling, a FINRA member broker-dealer. Mr. Wacht holds Series 7, 24, and 63 licenses with FINRA. This affiliation is primarily an accommodation to help service our existing Client base. Certain products and services cannot be purchased without registration through a broker-dealer or other licensing. Products typically utilized in this capacity include stocks, options and mutual funds. No advisory Clients are under any obligation to retain us for services related to the recommendation of such products and commissions-based securities. We do not reduce our advisory fees to offset commissions received. When Mr. Wacht sells investment products on a commission basis, the Adviser does not charge an advisory fee in addition to the commissions paid by Clients for such product. However, given the availability of compensation in the form of commissions, a conflict of interest between Mr. Wacht and Clients is apparent. When offering these types of instruments to Clients, we address the conflicts by providing disclosure that the products and services are being offered through a broker-dealer and commission is being paid directly to Mr. Wacht as a registered representative, separate and apart from ongoing advisory work that is provided through SRC.

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

SRC has implemented measures to ensure that it adheres to its responsibility to treat Clients with a high level of fiduciary attention.

## **Code of Ethics**

SRC has adopted a Code of Ethics detailing the standards of conduct expected of its associated persons. The Code of Ethics and other written procedures of SRC contain policies reasonably designed to prevent violations of the federal securities laws. The Code of Ethics and procedures therein also require SRC's personnel to report certain of their personal securities holdings and transactions and obtain pre-approval for specific types of investments such as initial public offerings and private placements. SRC maintains a "restricted list" which identifies all securities in which SRC, or any SRC employee has material non-public information or other situations that may be presented to restrict a security for a period of time. SRC employees are prohibited from trading in securities on the restricted list. SRC employees, including the Portfolio Managers, are permitted to invest in the same securities as Clients within a block trade and obtain the same price as Clients, consistent with SRC's fiduciary duty to Clients. Portfolio Managers are prohibited from day-trading any securities which are held in Client accounts. Portfolio Managers also must obtain pre-clearance from the CCO for any individual (non-block) trades and document their reasoning if they trade for their own accounts in an opposite way from the way they trade for Clients' accounts (e.g., if a Portfolio Manager sells a particular stock in his own account while buying or holding it for Clients' accounts). SRC will provide clients and prospective clients a copy of its Code of Ethics upon request.

## **Potential Conflicts of Interests**

### **Personal Trading and Participation or Interest in Client Transactions**

The Portfolio Managers routinely buy and own for themselves the same securities that they recommend to Clients. SRC believes this demonstrates the Portfolio Managers' faith in the securities they purchase for Clients. SRC recognizes, however, that this overlap can create potential conflicts of interest, particularly because SRC's business model encourages Portfolio Managers to use subjective allocations to satisfy individual Client needs. Although the Portfolio Managers believe they do not engage in personal trading to Clients' detriment and that all Clients are treated fairly and equitably over time, some disparities in allocation and price across accounts may result. SRC has developed procedures to mitigate some of the effects of such conflicts. Portfolio Managers may not buy or sell a security that is being purchased, sold or considered for Client accounts they manage until they have reviewed all Client accounts the particular Portfolio

Manager or Portfolio Managers manage and determined that the trades they are entering for themselves (or for their related accounts) have already been entered for the advisory Clients for whom they intend to trade at that time. Further, when Portfolio Managers trade in their own accounts on the same day as Client accounts over which they exercise primary management responsibility, they are not permitted to receive better executions than their advisory Client trades executed on the same day.

Notwithstanding these procedures, changes in market conditions, fluctuations in cash balances (due to, among other things, new deposits, accumulation of dividends and interest, sales of other securities, maturity dates of bonds) and other idiosyncratic factors may drive the Portfolio Managers' allocation decisions. Accordingly, unlike firms with rigid asset allocation and rebalancing programs, not all Clients of a Portfolio Manager who buys (or sells) a security will do so on the same day, and some may buy or sell after the Portfolio Manager has bought (or sold) for himself and for his family accounts. Depending on the availability of the security, subsequent price movements, the frequency with which the security trades, and other subjective factors considered by the Portfolio Manager, Clients may not all receive allocations at or about the same time as other clients, or as the Portfolio Managers themselves.

As part of the daily review, the Compliance Department will review SRC Portfolio Managers' trades.

### **Firm Trading**

SRC does not maintain principal or proprietary accounts. On occasion, the firm may purchase U.S. Treasury bills on its own behalf.

### ***ITEM 12 – BROKERAGE PRACTICES***

SRC is not registered nor does the firm act as a broker-dealer. Most of the trades made by SRC are directed through a qualified custodian.

### **Best Execution**

As an investment adviser, SRC has a duty to use reasonable diligence to obtain "best execution" for the transactions being affected for Clients. Essentially this means that SRC's trading process must seek to maximize value such that the total costs and proceeds are the most valuable to Clients

under the circumstances. In selecting a broker, SRC considers the full range of the broker's services, not just the cost, including, but not limited to:

- Quality of execution—i.e., the accuracy and timeliness of executions, clearance and error/dispute resolution;
- Reputation, financial strength, and stability of the broker;
- Desired timing of transactions and size of trades; and
- Overall cost of trades.

In selecting a broker, SRC does not consider any gifts or entertainment; the broker's willingness to cover trade errors caused by SRC; or client referrals or capital introduction.

For almost all of its trades, SRC acts as discretionary investment adviser. Most of the securities traded by SRC are highly liquid. SRC directs the overwhelming majority of these orders through an order routing system provided by the custodians, which is designed to automatically seek out the best bid or offer as well as the largest source of liquidity. The custodians charge service fees, which are fully disclosed to Clients in their IMAs.

The Best Execution Committee chaired by the CCO is responsible for overseeing the trading process in relation to SRC's stated policies and procedures. The Committee reviews trade and broker best execution reports for quality of execution to ensure the Firm meets its best execution obligations. In determining whether we have used "reasonable diligence" regarding best execution, the following factors are considered:

- character of the market for the security (e.g., price, volatility, relative liquidity, and pressure on available communications);
- size and type of transaction;
- number of markets checked;
- accessibility of the quotation; and
- terms and conditions of the order which result in the transaction, as communicated to the member and persons associated with the member.

The CCO schedules best execution meetings no less than semi-annually and shall summarize in minutes the findings, discussions and action taken as a result of the meetings, which are retained along with copies of the reports reviewed at such meetings.

## **Research and Soft Dollars**

SRC has no active soft dollar arrangements.

SRC does not believe that these arrangements are material to its selection of brokers and has implemented the aforementioned policies and procedures to ensure best execution. These practices are in compliance with Securities and Exchange Commission Rule 28(e), a safe harbor provision which provides that there is no breach of the fiduciary duty to clients when participating in soft dollar arrangements if the manager determines in good faith that the amount of the commission is reasonable in relation to the value of these services.

## **Aggregation of Client Orders**

Absent special circumstances (such as client deposits occurring mid-day), all discretionary Client trades in advisory accounts executed on a single day, on the same side of the market, by the same Portfolio Manager (or Primary Portfolio Manager Team), are averaged together. This practice is designed to treat all Clients fairly on average but means that any particular Client's trade may receive a better or worse price than it would have had the trade not been aggregated with other Clients. Same day/same side trades by other Portfolio Managers at SRC, even ones who support or work closely with each other, may not be averaged with each other, meaning that Clients of different Portfolio Managers may receive different prices on any given day.

## **Trade Errors**

As a fiduciary, SRC will have the responsibility to effect orders correctly, promptly and in the best interests of the Client. In the event any error occurs in the handling of any transactions due to SRC's actions, or inaction, or the actions of others, SRC's policy is to assess each trade error on a case-by-case basis and assure that the Client is made whole. SRC will defer to the trade error policies of the custodians if applicable.

## ***ITEM 13 - REVIEW OF ACCOUNTS***

The Portfolio Managers review the advisory accounts they are responsible for at least quarterly, however in practice accounts are monitored on a continuous basis. When reviewing accounts, the Portfolio Managers look for percentage allocation in specific investments and/or industry class,

among other factors, as they relate to Client's individual circumstances. Client accounts are also monitored frequently by the Chief Compliance Officer.

Clients are encouraged to notify their Portfolio Managers whenever they have changes to their financial circumstances, investment objectives and/or risk tolerances. Such communications trigger additional account reviews to assess the new information.

Early each year the Portfolio Managers provide reports to Clients that report, among other things, the account's performance over the preceding calendar year, as well as all fees deducted from that account during the prior year. This is in addition to the transaction confirmations and periodic account statements sent by the custodian. We urge Clients to carefully review these reports and compare the statements that they receive from their custodian to the reports that we provide. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### ***ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION***

As noted throughout this Investment Advisory Brochure, SRC's significant revenue sources are transparent to its Clients. Advisory fees are SRC's primary source of revenue.

As of this date, the Firm does not compensate any third-parties to assist with client referrals. The Firm may in the future, enter into solicitation agreements pursuant to which it compensates one or more third-parties for client referrals that will result in the provision of investment advisory services by the Firm. Any future cash solicitation agreements will comply with Rule 206(4)-3 of the Advisers Act.

#### ***ITEM 15 - CUSTODY***

Pursuant to Rule 206(4)-2, we are deemed to have custody of Client account's funds and securities because (i) we may debit fees directly from the accounts of such Clients and/or (ii) certain Clients have executed a letter or instruction or similar asset transfer authorization arrangement with a qualified custodian whereby we are authorized to withdraw Client funds or securities maintained with a qualified custodian upon our instruction to the qualified custodian (each, an "SLOA"). The terms of each such SLOA are consistent with the terms described in the February 21, 2017 letter of the Chief Counsel's Office of the Securities and Exchange Commission clarifying custody with

respect to a standing letter of instruction or other similar asset transfer authorization arrangement established by a client with a qualified custodian. As a result, with respect to transfers of funds and securities between Client accounts and to third-parties, Client accounts will not be subject to independent verification (i.e., a surprise exam).

Clients have access to their portfolio holdings and activity on a continuous basis by logging into their qualified custodial accounts via secure login and password. In addition, the qualified custodian of each Client account sends, unless the Client opts out, or makes available, on a quarterly basis or more frequently, account statements directly to each Client. We urge Clients to carefully review these account statements from their qualified custodians and compare the information therein with any financial statements or information received or made available to Clients through us or any other outside vendor.

#### ***ITEM 16 – INVESTMENT DISCRETION***

As noted in Item 4, SRC's primary business model involves providing discretionary asset management to its Clients. At the commencement of the relationship and for each new account, each Client executes an investment advisory agreement which grants SRC authority to execute trades in the account. SRC cannot execute trades on margin or in options without further written Client approval. In addition, under certain conditions, SRC, if requested by its Clients, will provide non-discretionary asset management services. Under this relationship, the Client initiates and SRC executes trades in the account.

#### ***ITEM 17 – VOTING CLIENT SECURITIES***

SRC, nor any Independent Manager, has or will accept authority to vote a Client's securities. Clients will receive proxies or other solicitations directly from their respective custodian.

#### ***ITEM 18 – FINANCIAL INFORMATION***

SRC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.