

# Fleetwood Asset Management Ltd.

## Form ADV 2A

### Main Office:

31 Mamaroneck Avenue  
Suite 513  
White Plains, NY 10601

### Mailing Address:

100 Parrott Drive  
Unit 1503  
Shelton, CT 06484

Phone and Fax: 914-468-1002

March 26, 2021

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

*This disclosure brochure provides clients with information about the qualifications and business practices of Fleetwood Asset Management Ltd., an independent investment advisory firm registered with the United States Securities and Exchange Commission ("SEC"). It also describes the services Fleetwood Asset Management Ltd. provides as well as background information on those individuals who provide investment advisory services on behalf of Fleetwood Asset Management Ltd. Please contact Joan M. Guccione CFP®, President of Fleetwood Asset Management Ltd. at 888-878-7929 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that Fleetwood Asset Management Ltd. or any individual providing investment advisory services on behalf of Fleetwood Asset Management Ltd. possess a certain level of skill or training. Additional information about Fleetwood Asset Management Ltd. is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Fleetwood Asset Management Ltd. is 132095.*

## **Item 2 – Material Changes**

This item discusses specific material changes to the Fleetwood Asset Management, Ltd. disclosure brochure.

Pursuant to current SEC Rules, Fleetwood Asset Management, Ltd. will ensure that clients receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of the firm's fiscal year which occurs at the end of the calendar year. Fleetwood Asset Management, Ltd. may further provide other ongoing disclosure information about material changes as necessary.

Fleetwood Asset Management, Ltd. will also provide clients with a new brochure as necessary based on changes or new information, at any time, without charge.

This disclosure brochure has been materially modified from its prior version and contains new information for the benefit of clients and prospective clients. In this summary of material changes, Fleetwood Asset Management, Ltd. discusses only the material changes since March 11, 2013 the date when Fleetwood Asset Management, Ltd. last updated its brochure:

There have been no material changes to this disclosure brochure since the filing of its most recent annual updating amendment (March 25, 2020).

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## **Item 4 - Advisory Business**

### **A. The Company**

Fleetwood Asset Management Ltd. is a privately-held New York corporation that has been providing investment advisory services since 2004 and has been registered with the SEC since May 2007. Throughout this disclosure brochure, the company is referred to as “Fleetwood”.

The principal owner of Fleetwood is Joan M. Guccione.

### **B. Advisory Services**

Fleetwood provides the following investment advisory services:

#### Investment Management Services

Fleetwood provides personalized investment management services which consists of giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions, during which a client's goals and objectives are established, a client financial profile is developed to determine appropriate investments and levels of risk. The profile is developed as follows:

1. Gathering of client information.
2. Consultation with client to determine goals and objectives.
3. Review of basic financial data including overview of assets and liabilities, cash flow, tax situation, short-term events, long-term goals, risk management, and estate structures.
4. Identify the need for additional professional advice re: legal, tax, etc.

Fleetwood will then create and manage a customized portfolio based on that profile. Fleetwood will allocate the client's assets among various investments based on the client's risk tolerance. Fleetwood will create a portfolio principally comprised of no-load mutual funds and exchange traded funds (ETF's). Each portfolio will be designed with the goal of meeting each client's individual needs. The mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure.

Clients will retain individual ownership of all securities.

Fleetwood will manage advisory accounts on a discretionary basis only.

#### Financial Consulting Services

Occasionally, clients request consultation services in the areas of insurance, taxation, and general or overall financial management. In these instances, the specific services are agreed upon beforehand. An engagement letter is written specifying the exact nature of the services and the estimated hours of services.

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

Fleetwood offers a full range of investment advisory services which can be tailored to meet the specific needs of each client. In order to provide appropriately individualized services, Fleetwood will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs. Fleetwood will periodically review with clients their financial circumstances, investment objectives and risk profile. In order for Fleetwood to provide effective advisory services, it is critical that clients provide accurate and complete information to Fleetwood and inform the firm anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds, mutual funds or with respect to certain third-party products or services made available through Fleetwood. In addition, a restriction request may not be honored if it is fundamentally inconsistent with Fleetwood's investment philosophy, runs counter to the client's stated investment objectives, or would prevent Fleetwood from properly servicing client accounts.

#### **D. Wrap Fee Programs**

Fleetwood does not provide portfolio management services to a wrap fee program(s). Under a wrap fee program, advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and transaction services (*e.g.*, execution of trades) are provided for one fee. This is different than traditional investment management programs whereby services are provided for a fee, but transaction services are billed separately on a per-transaction basis.

#### **E. Our Assets Under Management**

As of December 31, 2020, the total amount of client assets managed by Fleetwood is approximately \$75,834,000. All of these assets are managed on a discretionary basis.

### **Item 5 - Fees And Compensation**

#### **A. Advisory Fees**

##### Investment Management Fees

The annual fee for Investment Management Services will be charged as a percentage of assets under management according to the following schedule:

<b>Assets Under Management</b>	<b>Maximum Annual Fee (%)</b>
On amounts up to \$500,000	1.25%
On amounts from \$500,000 to \$1 Million	1.00%
On amounts from \$1 Million to \$2 Million	0.70%
On amounts from \$2 Million to \$5 Million	0.50%
On amounts from \$5 Million to \$10 Million	0.40%
On amounts over \$10 Million	0.30%

Clients will be billed in arrears at the end of each calendar quarter based upon the market value of the assets in the client's account at the end of that quarter. Market value will be determined by the account custodian. In the event that the account custodian cannot provide a market value for an asset, Fleetwood will determine a fair market value for that asset.

Unless otherwise agreed to, Fleetwood is authorized to invoice the account custodian directly for its fees. From time to time, small portions of positions will be sold to bring the cash account balance to the level required for automatic deduction of fees. It is understood that the payment of these fees will reduce the total investment return.

If an account is terminated during a calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the agreement was effective. Details of the investment management fee charged are more fully described in the advisory agreement entered into with each client.

### **Financial Consulting Fees**

Financial Consulting Services fees will be charged as an hourly fee at the rate of \$250 per hour. The length of time it will take to complete the advisory service will depend on the nature and complexity of the individual client's personal circumstances. An estimate for total hours will be determined at the start of the advisory relationship. Fees for Financial Consulting Services are due and payable upon completion of the advisory service.

### **B. Payment Method**

Unless otherwise agreed to, Fleetwood is authorized to invoice the account custodian directly for its fees. Each quarter, Fleetwood will notify the client's qualified custodian of the amount of the fee due and payable to Fleetwood pursuant to the firm's fee schedule and advisory agreement. The qualified custodian will not validate or check Fleetwood's fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account the client has designated to pay Fleetwood's advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to Fleetwood.

### **C. Additional Fees and Expenses**

#### Mutual Fund Fees

All fees paid to Fleetwood for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of Fleetwood. In that case, the client would not receive the services provided by Fleetwood which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in

the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by Fleetwood to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### Trading and Other Costs

All fees paid to Fleetwood for investment advisory services are separate and distinct from transaction fees charged by broker-dealers associated with the purchase and sale of equity securities and options. In addition, fees do not include the services of any co-fiduciaries, accountants, broker-dealers or attorneys. Please see the section entitled "Brokerage Practices" on page 13 of this disclosure brochure for additional information on brokerage and other transaction costs.

#### Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client, will be billed directly by such professional(s).

### **D. Termination and Refunds**

A client agreement may be canceled at any time, by either party, for any reason upon written notice to the other party. Because all advisory fees are paid in arrears, no refund will be due to clients. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

### **E. Important Additional Information**

#### Fees Only

Fleetwood is compensated solely by fees paid by its clients and does not accept commissions or compensation from any other source (i.e., mutual funds, insurance products or any other investment product).

#### Investment Management Services Fees Negotiable

Fleetwood retains the right to modify fees in its sole and absolute discretion, on a client-by-client basis based on the size, complexity and nature of the advisory services provided. In addition, the assets of related clients may be aggregated for the purposes of determining the fee.

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

Fleetwood does not accept performance-based fees or engage in side-by-side management of client accounts. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Fleetwood's fees are calculated as described above in Item 5 - Fees and Compensation - and are not charged on the basis of a share of the capital gains upon, or capital appreciation of, the funds in a client's account.

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

Fleetwood provides investment advisory services to individuals (including high net worth individuals), trusts, estates, corporations and other types of business entities.

### **Engaging the Services of Fleetwood**

All clients wishing to engage Fleetwood for investment advisory services must first complete the applicable investment advisory agreement as well as any other document or questionnaire provided by Fleetwood. The investment advisory agreement describes the services and responsibilities of Fleetwood to the client. It also outlines Fleetwood's fee in detail. In addition, clients must complete certain broker-dealer/custodial documentation. Upon completion of all these documents, Fleetwood will be considered engaged by the client. Clients are responsible for ensuring that Fleetwood is informed in a timely manner of changes in their investment objectives and risk tolerance.

### **Conditions for Managing Accounts**

#### Investment Management Services

Fleetwood requires new clients have a minimum account of \$250,000 for Investment Management Services. Fleetwood retains the right to reduce or waive this minimum account size. Accounts of less than \$250,000 may be set up when the client and Fleetwood anticipate the client will add additional funds to the accounts bringing the total to \$250,000 within a reasonable time. Other exceptions will apply to employees of Fleetwood and their relatives, or relatives of existing clients. Economic hardship circumstances may also be taken into consideration.

#### Financial Consulting Services

There is no minimum annual fee requirement for Financial Consulting Services.

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

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

#### Methods of Analysis

Fleetwood's security analysis methods include fundamental analysis, technical analysis, cyclical analysis and charting.

#### *Fundamental Analysis*

Fundamental analysis is a method of evaluating securities by attempting to measure the intrinsic value of a stock. Fundamental analysts study the overall economy and industry conditions, the financial condition of a company, details regarding the company's product line, and the experience and expertise of the company's management. The resulting data is used to measure the true value of the company's stock compared to the current market value.

#### *Technical Analysis*



Technical analysis involves the examination of past market data rather than specific company data in determining which securities to buy/sell. Technical analysis may involve the use of various quantitative-based calculations, variation metrics and charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of a company. These trends may include put/call ratios, pricing trends, moving averages, volume, changes in volume, among many others. These trends, both short and long-term, are used for determining specific trade entry and exit points and broad economic analysis.

### *Cyclical Analysis*

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (e.g., the entire market/economy) or micro (e.g., company specific) level, rather than the overall fundamental analysis of the health of a particular company. Cyclical analysis involves the historical patterns and trends of securities, markets or economies as a whole in an effort to determine future behaviors, the estimation of price movement and an evaluation of a transaction before entry into the market in terms of risk and profit potential.

### *Charting*

Charting involves the use of patterns in performance charts which might identify favorable conditions for buying and/or selling a security. Charts of market and security activity are reviewed in an attempt to identify when the market is moving up or down and to predict how long the trend will last and when that trend may reverse.

### Investment Strategies

Fleetwood will use all or some of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons, among other considerations:

#### *Long-Term Purchases*

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

#### *Short-Term Purchases*

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

### Types of Investments

Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Recommendations for new investments will typically be limited to no-load mutual funds and exchanged traded funds (ETFs). When appropriate for a client's portfolio, Fleetwood will recommend the use of domestic and foreign equity securities, corporate debt securities, commercial paper, certificates of deposit, municipal and United States government securities.

### Sources of Information

In conducting security analysis, Fleetwood may utilize the following sources of information: financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the U.S. Securities and Exchange Commission and company press releases.

### Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Management Risk.* A client's portfolio is subject to management risk because it is actively managed by Fleetwood's investment professionals. Fleetwood will apply its investment techniques and risk analysis in making investment decisions for a client's portfolio, but there is no guarantee that these techniques and Fleetwood's judgment will produce the intended results.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.
- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of

expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.

- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.
- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing Fleetwood from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### *Risks Associated with Investment Strategies*

#### Long-Term Purchases

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., “locking-up” assets that may be better utilized in the short-term in other investments).

### Short-Term Purchases

Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.

### *Risk Associated with Methods of Analysis*

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment.

Fleetwood’s securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While Fleetwood is alert to indications that data may be incorrect, there is always the risk that the firm’s analysis may be compromised by inaccurate or misleading information.

### Fundamental Analysis

Fundamental analysis, when used in isolation, has a number of risks:

- Information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock’s value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- The data used may be out of date.
- It ignores the influence of random events such as oil spills, product defects being exposed, acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- The market may fail to reach expectations of perceived value.

### Technical Analysis

The primary risk in using technical analysis is that spotting historical trends may not help predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee than Fleetwood will be able to accurately predict such a reoccurrence.

### Cyclical Analysis

The primary risk in using cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore, there is an attendant difficulty in predicting economic trends. Consequently, the changing value of securities that would be affected by these changing trends.

### Charting

The primary risk in using charting analysis is that it may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about a security and yet, day-to-day changes in the market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

## **C. Risks Associated with Specific Securities Utilized**

### Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (e.g., increase the value of the company's stock price).

### Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (e.g., corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as "default risk." Credit risk may also occur when an issuer's ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

### Municipal Bonds

In addition to the risks set forth under “Fixed-Income Securities” above, municipal bonds are susceptible to events in the municipality that issued the bond or the security posted for the bond. These events may include economic or political policy changes, changes in law, tax base erosion, state constitutional limits on tax increases, budget deficits or other financial difficulties and changes in the credit rating assigned to municipal issues.

#### Exchange Traded Funds

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client’s portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF’s portfolio, may be considered “non-qualified” under certain tax code provisions.

#### Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor’s shares, when redeemed or sold, may be worth more or less than their original cost. Other risks 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, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client’s portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

#### Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also the same risks as set forth under “Fixed-Income Securities” listed above.

#### Indexed Funds

Indexed Funds have the potential to be affected by “tracking error risk” which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a “sample index” that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund’s portfolio, may be considered “non-qualified” under certain tax code provisions.

**Note that there may be other circumstances not described here that could adversely affect a client's investment and prevent their portfolio from reaching its objective.**

#### **D. Cash Management**

Clients are instructed to make investment checks payable to Charles Schwab & Co., Inc. for the benefit of relevant account registration. All checks received at our office are listed on a check log sheet by date, account number, account registration and amount. Copies of investment checks are retained in the relevant client account file.

Checks are overnighted for deposit to client's money market account. Checks are sent via overnight delivery for morning receipt to the Institutional Service Group at Charles Schwab & Co., Inc, 1958 Summit Park Drive, Orlando, Florida 32810.

#### **Item 9 - Disciplinary History**

Fleetwood is required to disclose any legal or disciplinary events that are material to a client's or a prospective client's evaluation of the firm's advisory business or the integrity of Fleetwood's management. Fleetwood has never been disciplined by a regulatory agency.

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

Neither Fleetwood nor any of its supervised persons engage in any other financial industry activities or have any other financial industry affiliations.

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

##### **Code of Ethics**

Fleetwood has adopted a Code of Ethics to prevent violations of federal securities laws. The Code of Ethics is predicated on the principle that Fleetwood and its employees owe a fiduciary duty to its clients. Accordingly, Fleetwood expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. Fleetwood and its employees are required to adhere to the Code of Ethics. At all times, Fleetwood and its employees must (i) place client interests ahead of Fleetwood's; (ii) engage in personal investing that is in full compliance with Fleetwood's Code of Ethics; and (iii) avoid taking advantage of their position. Clients and prospective clients may request a copy of Fleetwood's Code of Ethics by contacting Joan M. Guccione, President of Fleetwood, at 888-878-7929.

##### **Participation or Interest in Client Transactions**

Substantially all of the securities purchased for client accounts are mutual funds, but there are some accounts that hold positions in individual securities as well. In order to prevent the possibility of, or the possible appearance of, unfair insider trading, Fleetwood has established specific trading procedures. In the instance when Fleetwood or its advisory personnel and a client are buying or selling the same security, all client orders must be executed before any advisor orders for the same security. On occasion, personnel of Fleetwood may hold, purchase,

or sell shares of the same mutual funds, exchange listed, over-the-counter or individual securities that are sold or purchased for client accounts. As mutual funds are offered for continual purchase at net asset value by their sponsors, client transactions are effectively executed on the same terms as are applicable to purchase by affiliated parties. All securities transactions by Fleetwood personnel are reviewed by Fleetwood officers for compliance purposes. Fleetwood also maintains written procedures and monitors employee transactions in order to deter the improper use of inside information by employees.

## **Item 12 - Brokerage Practices**

### **A. Broker Selection**

#### Best Execution

Best execution has been defined by the SEC as the “execution of securities transactions for clients in such a manner that the client’s total cost or proceeds in each transaction is the most favorable under the circumstances.” The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer’s services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Fleetwood will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

#### Broker Analysis

Fleetwood evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer’s trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving Fleetwood.

Also in consideration is such broker-dealers’ provision or payment of the costs of research and other investment management-related services (the provisional payment of such costs by brokers are referred to as payment made by “soft dollars”, as further discussed in the “Research/Soft Dollars Benefits” section immediately below). Accordingly, if Fleetwood determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

Fleetwood’s President is responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for our client accounts to ensure consistent quality executions. In addition, Fleetwood periodically reviews its transaction costs in light of current market circumstances and other relevant information.



### Research/Soft Dollar Benefits

Fleetwood uses Charles Schwab & Co.'s, Schwab Institutional (Schwab Institutional) service. There is no direct link between Fleetwood's use of Schwab Institutional and the investment advice it gives to its clients, although Fleetwood receives economic benefits through its participation in the program that are typically not available to Schwab Institutional retail investors.

As a user Schwab Institutional, Schwab makes available to Fleetwood other products and services that benefit Fleetwood, but may not benefit its clients' accounts. Some of these other products and services assist Fleetwood in managing and administering clients' accounts, including:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk serving Schwab Institutional participants exclusively;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts;
- Ability to have investment advisory fees deducted directly from client account;
- Access, for a fee, to an electronic communication network for client order entry and account information;
- Receipt of compliance publications; and
- Access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors.

Schwab Institutional also makes available to Fleetwood other services intended to help Fleetwood manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab Institutional may make available, arrange and/or pay for these types of services rendered to Fleetwood by independent third parties.

Additional benefits received because of Fleetwood's use of Schwab Institutional may depend upon the amount of transactions directed to, or amount of assets custodied by, Charles Schwab & Co., Inc. Fleetwood is required to maintain a minimum level of client assets with Schwab Institutional to avoid a quarterly service fee. While as a fiduciary Fleetwood endeavors to act in its clients' best interests, Fleetwood's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Fleetwood of the availability of some of the foregoing products and services and not solely on the nature cost or quality of custody and brokerage provided by Schwab which may create a conflict of interest.

### **Directed Brokerage**

#### Fleetwood Directed Brokerage

Fleetwood does not have the discretionary authority to determine the broker-dealer to be used. As stated above, clients in need of brokerage will have Charles Schwab & Co., Inc. Institutional Services Group ("Schwab") recommended to them. While there is no direct linkage between the investment advice given and usage of Schwab, economic benefits are received which would not be received if Fleetwood did not give investment advice to clients (please see additional

disclosures in the “Research/Soft Dollars Benefits” section directly above). Fleetwood does not participate in any transaction fees or commissions paid to the broker-dealer or custodian and does not receive any fees or commissions for the opening or maintenance of client accounts at recommended brokers.

Not all investment advisers require their clients to direct brokerage. Fleetwood is required to disclose that by directing brokerage, Fleetwood may not be able to achieve most favorable execution of client transactions and this practice may cost clients more money.

#### Client Directed Brokerage

Certain clients may direct Fleetwood to use particular brokers for executing transactions in their accounts. With regard to client directed brokerage, Fleetwood is required to disclose that Fleetwood may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates Fleetwood might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. Fleetwood reserves the right to decline acceptance of any client account that directs the use of a broker-dealer if Fleetwood believes that the broker-dealer would adversely affect Fleetwood’s fiduciary duty to the client and/or ability to effectively service the client portfolio.

As a general rule, Fleetwood encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker-dealer to the client in exchange for the directed brokerage designation.

### **B. Trade Aggregation/Allocation**

#### Investment Management Services

It is the objective of Fleetwood to provide a means of allocating trading and investment opportunities between advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. With respect to clients’ accounts with substantially similar investment objectives and policies, Fleetwood may often seek to purchase or sell a particular security in each account. Fleetwood will aggregate orders only when such aggregation is consistent with Fleetwood’s duty to seek best execution and is consistent with the investment objective of each client. No client account will be unfairly favored over any other account. Each client that participates in an aggregated order will participate based on the average execution price in that particular security. All transaction costs will be allocated pro rata based on each client’s participation in the transaction. All securities purchased or sold, whether the order is filled completely or partially, will then be allocated pro rata based on the assets of each account.

#### Financial Planning Services

Fleetwood's Financial Consulting Services practice, due to the nature of its business and client needs, does not include blocking trades, negotiating commissions with broker-dealers or obtaining volume discounts, nor necessarily obtaining the best price. Clients will be required to select their own broker-dealers and insurance companies for the implementation of consulting recommendations. Fleetwood may recommend any one of several brokers. Fleetwood’s clients must independently evaluate these brokers before opening an account. The

factors considered by Fleetwood when making this recommendation are set forth above. Fleetwood's financial consulting clients may use any broker or dealer of their choice.

### **C. Trade Errors**

If a trade is executed inadvertently for the wrong account, a letter of instruction is sent to Schwab upon discovery of the error to rectify the situation immediately. This letter of instruction will direct Schwab to transfer the security in-kind to the intended account.

Trade Errors are always corrected as soon as possible and without negative financial consequences to any client.

## **Item 13 - Review Of Accounts**

### **Investment Management Services**

#### Reviews

All accounts are under the supervision of Joan M. Guccione, CFP® and President of Fleetwood. Fleetwood's accounts are managed according to each client's specific goals and investment objectives. Account reviews are conducted to monitor suitability, asset allocation and risk management. Transaction records and market pricing is downloaded daily reflecting holdings and prices as of the close of business the previous day. Therefore, client portfolios are analyzed and evaluated on a daily basis. Accounts are reviewed without priority. Client requests for an account review are given immediate attention. Individual holdings are routinely researched and evaluated in-house according to performance and market conditions. This process is an important part of our investment management services and the determination of appropriate action.

#### Reports

Comprehensive reporting is mailed to all clients on a quarterly basis. The Portfolio Quarterly Performance Report provides an overview of relevant account information for various time intervals such as beginning/ending account values, net portfolio gain/loss and net contributions. This report also includes time-weighted rates of return along with several widely used indices for comparative performance benchmarks. The Portfolio Account Summary will list each account and its corresponding performance as well as the blended returns for aggregated account balances. Additionally, a listing containing the individual holdings showing percentage of total assets, ticker symbol or CUSIP, security description, quantity, price, current value as of the last trading day of the calendar quarter and the consolidated total for the account(s). Quarterly reports also include various graphs and/or charts for illustrative purposes.

### **Financial Consulting Services**

These client accounts will be reviewed as contracted for at the inception of the advisory relationship.

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

## A. Economic Benefits

Fleetwood does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

## B. Client Referrals

From time to time, Fleetwood may retain solicitors to refer clients to Fleetwood. If a client is introduced to Fleetwood by either an unaffiliated or an affiliated solicitor, Fleetwood may pay that solicitor a referral fee in accordance with the all requirements of the Investment Advisers Act, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Fleetwood's portfolio management fee, and shall not result in any additional charge to the client. If the client is introduced to Fleetwood by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of this written disclosure statement together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Fleetwood and the solicitor, including the compensation to be received by the solicitor from Fleetwood. Any affiliated solicitor of Fleetwood shall disclose the nature of their relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this written disclosure statement.

## Item 15 - Custody

Custody of client assets will be maintained with the independent custodian selected by the client. Fleetwood will not have physical custody of any assets in the client's account except as permitted for payment of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize Fleetwood to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. *Clients are urged to carefully review the account statement sent by the broker-dealer/custodian and to compare the account statement provided by the broker-dealer/custodian with any statements provided by Fleetwood.*

## Item 16 - Investment Discretion

For those client accounts over which Fleetwood has discretion, Fleetwood requests that it be provided with written authority (e.g., limited power of attorney contained in Fleetwood's Managed Investment Portfolio Contract) to determine the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments shall be submitted in writing.

Fleetwood generally has discretionary authority to make the following determinations without obtaining the consent of the client before the transactions are effected: (1) which securities are bought and sold for the account and (2) the total amount of securities to be bought and sold. Fleetwood's authority in making investment related decisions may be limited by account

guidelines, investment objectives and trading restrictions, as agreed between Fleetwood and the client.

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

### **Proxy Voting**

Fleetwood does not vote proxies on behalf of its clients. Therefore, although Fleetwood may provide investment advisory services relative to client investment assets, it is the client that maintains exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. Fleetwood and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clients can contact Joan M. Guccione, the President of Fleetwood, at 888-878-7929 if they have questions regarding a particular solicitation.

### **Class Action Settlements**

Although Fleetwood may have discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

## **Item 18 - Financial Information**

### **A. Prepayment of Fees**

Because Fleetwood does not require or accept prepayment of more than \$500 in fees six months or more in advance, Fleetwood is not required **to** include a balance sheet with this disclosure brochure.

### **B. Financial Condition**

Fleetwood does not have any adverse financial conditions to disclose.

### **C. Bankruptcy**

Fleetwood has never been the subject of a bankruptcy petition.

## **Item 19 - Additional Information**

### **Privacy Notice**

Fleetwood views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. Fleetwood does not disclose any nonpublic personal information about its clients or former clients to any

nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, Fleetwood may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. Fleetwood restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for Fleetwood. As emphasized above, it has always been and will always be Fleetwood's policy never to sell information about current or former clients or their accounts to anyone. It is also Fleetwood's policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of Fleetwood's Privacy Policy, please contact Joan M. Guccione, the President of Fleetwood, at 888-878-7929.

### **Requests for Additional Information**

Clients may contact Joan M. Guccione, the President of Fleetwood, at 888-878-7929 to request additional information or submit a complaint. Written complaints should be sent to Fleetwood Asset Management Ltd., 100 Parrott Drive, Unit 1503, Shelton, CT 06484.