



**Item 1. COVER PAGE**

**FIRST CITIZENS INVESTOR SERVICES, INC.**

FORM ADV, PART 2A (FIRM BROCHURE)

100 E. Tryon Rd.

Raleigh, NC 27603

Phone: 800-229-0205

[FirstCitizens.com](http://FirstCitizens.com)

Date of Brochure: March 31, 2023

This brochure provides information about the qualifications and business practices of First Citizens Investor Services, Inc. (also referred to as “FCIS,” “we,” “us,” or “our/ours”). If you have any questions about the contents of this brochure, please contact us at 1-800-229-0205.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about First Citizens Investor Services, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm’s information on this website by searching for First Citizen Investor Services, Inc.

Our firm’s SEC number is 801-57302, or our firm’s CRD number is 44430.

## **Item 2. MATERIAL CHANGES**

The last annual updating amendment to Form ADV Part 2A Firm Brochure was dated March 31, 2022. Material changes to this Firm Brochure since the March 31, 2022, filing includes amendments to the following item(s):

Item 4 – Advisory Business - FCIS no longer offers the Paramount Choice Account options. The Paramount Choice programs were referred to in prior brochures as the “Funds Program”, “Manager Program”, and “Consulting Manager Program”. During the last twelve months, FCIS advisors worked with clients that were invested in Paramount Choice models and transitioned those accounts to another appropriate offering at First Citizens Investor Services. Any accounts invested in a Paramount Choice offering that have not transferred over to a new offering by March 31, 2023, will be removed from fee billing and will transition over to a brokerage account. Accounts that were still invested in a Paramount Choice offering received a letter in Mid-February 2023 and received a second letter on or around March 15, 2023, explaining this change and urging the account holder to reach out to the assigned advisor prior to the March 31, 2023 deadline.

Item 5 – Fees and Compensation – This section was amended to clarify the account termination process. FCIS generally requires a written notice of termination. Upon such notice, FCIS will cease making investment decisions for the client and implement any reasonable written instructions. Client’s agreement will be terminated only after any open trades have been settled. FCIS will refund any un-earned portion of its management fee.

Item 5 – Fees and Compensation – With regard to the tiered fee schedule, FCIS amended this section to clarify that FCIS does not aggregate client accounts (household) when determining the client fee.

Item 10 – Other Financial Industry Activities and Affiliations – On March 27, 2023 First Citizens Bank & Trust, the parent company of First Citizens Investor Services, Inc. acquired Silicon Valley Bridge Bank, N.A., formerly known as Silicon Valley Bank the parent company of SVB Asset Management, SVB Wealth LLC (formerly known as Boston Private Wealth LLC), and SVB Investment Services, Inc.

Item 15 – Custody – FCIS is amending item 15 to clarify that First Citizens Bank, an affiliate of FCIS, does have custody of FCIS client assets in those instances where an FCIS Advisory account is pledged to First Citizens Bank as collateral for a Bank loan. Under such circumstances, and as per a properly executed control agreement, First Citizens Bank would have the ability to direct FCIS to liquidate securities in a pledged advisory account and transfer funds to the Bank, depending on certain triggering events, including loan default. Under SEC rule 206 (4)-2 FCIS also has custody of these pledged assets because FCIS is not operationally independent from First Citizens Bank.

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#### **Item 4. ADVISORY BUSINESS**

##### **Information on First Citizens Investor Services, Inc.**

First Citizens Investor Services, Inc. (“FCIS”) is a wholly-owned subsidiary of First-Citizens Bank & Trust Company, which in turn, is a wholly-owned subsidiary of First Citizens Bancshares, Inc., a publicly-traded company (NASDAQ: FCNCA). FCIS is a corporation formed under the laws of the State of North Carolina.

FCIS is a dually registered broker-dealer and investment adviser with the Securities and Exchange Commission (SEC). FCIS has been registered with the SEC as a broker-dealer since April 1998 and as an investment adviser under the Investment Advisers Act of 1940, as amended, since February 2000.

FCIS is also an insurance producer, domiciled in the State of North Carolina, licensed to solicit life, accident, annuity, health, and long-term care.

In this Brochure, we provide essential information and disclosures about First Citizens Investor Services, Inc., our services, offerings, and practices. You should review and understand the information in this Brochure before participating in advisory services, including opening a Program account offered by us.

FCIS provides investment advisory services through an Investment Adviser Representative (IAR) of FCIS (referred to as “Advisor” throughout this Brochure). You may obtain information about your Advisor through the Brochure Supplement, which is a separate document provided along with this disclosure brochure. If you did not receive a Brochure Supplement from your Advisor, please contact FCIS Compliance at 1-800-229-0205.

Individuals receiving this Brochure should be aware that registration or licensure of either FCIS or the individual Advisor does not imply a certain level of skill, training, or expertise in providing advisory services.

##### **Advisory Services**

FCIS Advisors work with clients on an individualized basis to assess their financial needs, risk tolerance, and investment objectives. As a Client, you will provide personal information vital in determining which advisory service(s), if any, are appropriate for you. Through the course of selecting

advisory services, you may request restrictions on investing in particular securities, sectors, or types of securities.

FCIS offers advisory services and programs including investment education, investment advice, portfolio management, wrap programs (e.g., asset allocation, model portfolios, and separately managed accounts), and financial planning.

FCIS offers wrap-fee programs and, as a result, receives all or a portion of the fee charged. The amount retained by FCIS varies by the Program option selected. The wrap-fee Programs currently offered by FCIS are collectively referred to as the First Citizens Investor Services Wealth Strategies and are sub-advised by third parties.

### **First Citizens Investor Services Wealth Strategies Account Options**

#### **Portfolio Manager Program-UMA option**

The Portfolio Manager Program contains portfolio options managed by third-party investment advisers registered (also referred to as Third Party Managers) with the Securities and Exchange Commission (SEC) within a Unified Managed Account. FCIS, as the sponsor, has discretionary authority to retain, modify, or discharge Third-Party Manager(s) and portfolio options to its Portfolio Manager Program. The Third-Party Manager independently determines whether to accept each client's Portfolio Manager Program account based on, among other factors, the Client's investment profile, restrictions imposed by the Client, and any additional relevant information provided by the Client. You give discretionary authority to the Third Party Manager to include the amount and type of securities to be bought and sold within your account. You may add or amend any reasonable restrictions imposed on your account by providing written instructions to FCIS and the Third Party Manager. If accepted, the Third Party Manager invests in securities or assets based on factors the Third Party Manager deems relevant and appropriate to meet the investment objective.

The Portfolio Manager Program utilizes a Unified Managed Account ("UMA"). A UMA is an account that can encompass a range of investment options (e.g., third-party managed accounts, mutual funds, stocks, bonds, and exchange-traded funds) based on each account registration. The UMA removes the need to have more than one account and can combine assets into one account within a single registration, placing each strategy in a segment (or sleeve) of the account. The account is managed for allocation purposes, with each segment managed to its stated objective(s). Item 5- Fees and Compensation lists the fees charged for a Portfolio Manager Program account.

### **Portfolio Manager Program-SMA option**

The Portfolio Manager Program contains portfolio options managed by third-party investment advisers registered (also referred to as Third Party Managers) with the Securities and Exchange Commission (SEC) within a Separately Managed Account (SMA). FCIS, as the sponsor, has discretionary authority to retain, modify, or discharge Third-Party Manager(s) and portfolio options to its Manager Program. The Third-Party Manager independently determines whether to accept your Manager Program account based on, among other factors, your investment profile and any additional relevant information you provide. You give discretionary authority to the Third Party Manager to include the amount and type of securities to be bought and sold within your account. You may add or amend any reasonable restrictions imposed on the account by providing written instructions to FCIS and the Third Party Manager. If accepted, the Third Party Manager invests in securities or assets based on factors the Third Party Manager deems relevant and appropriate to meet the investment objective.

The Manager Program utilizes a Separately Managed Account (“SMA”). An SMA is an account specific to the selected investment objective and Third Party Money Manager. Item 5- Fees and Compensation lists the fees charged for a Portfolio Manager Program account.

### **Financial Planning**

FCIS offers financial planning to clients to formulate investment strategies and provide investment advice and education more effectively. In some circumstances, FCIS will prepare and deliver to you a written financial plan to assist you in achieving your individual financial goals and investment objectives. The preparation of such a plan necessitates that you provide us with personal data such as family records, budgeting, personal liability, estate information, and additional financial information. Not all clients will engage in the financial planning process. A written financial plan can generally include any or all of the following: asset protection, tax planning, business succession, strategies for exercising stock options, cash flow, education planning, estate planning, wealth transfer, charitable gifting, long-term care, disability planning, retirement planning, insurance planning, asset allocation comparisons, and risk management. Your Advisor may not include all topics in developing their analysis and recommendations under a written financial plan. The implementation of financial plan recommendations is entirely at your discretion.

FCIS, at its discretion, offers some financial planning services without charge. Complex financial plans may incur a fee that is negotiable in advance between you, the Advisor, and FCIS. These fees are in addition to any Fees charged for the Wrap Fee Programs mentioned in this Brochure.

## FIRST CITIZENS INVESTOR SERVICES, INC. FIRM BROCHURE

FCIS does not provide tax, accounting, or legal advice. FCIS suggests you work closely with your attorney, accountant, or other professionals should you choose to implement any or all recommendations contained in the written plan. Implementation of your written plan may include persons who, in certain circumstances, are also employees or affiliates of FCIS. In certain circumstances, FCIS will be compensated by an affiliate or non-affiliated third-party for referrals made to address or implement recommendations made from financial planning activities.

You should understand that you remain responsible for notifying FCIS of changes in your financial circumstances, investment objectives, or investment restrictions. Also, we will not independently verify any information we receive from you or your other professional advisors but will instead rely upon the accuracy and completeness of the information provided in performing our services when creating a financial plan for you.

### **Tailoring Advisory Services to the Individual**

FCIS bases the suitability and selection of our advisory services on one-on-one discussions, interviews, and questionnaire responses you provide.

FCIS will not enter into an investment advisory relationship with a prospective client whose investment objectives are incompatible with our investment philosophy or strategies. Also, FCIS is unable to enter into or continue an investment adviser relationship where restrictions or investment guidelines are unreasonable for FCIS to accommodate.

FCIS or a Third-Party Manager will manage your account following one or more investment models. Accounts managed using models mean that investment selections are based on the underlying model and are not a customized (or individualized) portfolio for each client. Determining to use a particular model(s), however, is based on your individual investment goals, objectives, and requested restrictions.

### **Wrap Fee Program(s)**

FCIS offers its current Program account options as wrap fee advisory accounts. An advisory fee applies for investment advisory services (which includes portfolio management or advice concerning the selection of other investment advisors) and the execution of client transactions. Fees charged to you for advisory services described in this Brochure will result in FCIS receiving all or a portion of the Fee. A portion of the fee is also paid to your advisor.

### **Client Assets Managed by FCIS**

As of December 31, 2022, FCIS managed a total \$1,526,535,778 all on a discretionary basis.

### **Item 5. FEES AND COMPENSATION**

The Program fees charged by FCIS (the “Fee” or “Fees”) are generally asset-based, expressed as an annual percentage of the assets in the account. The fees cover a range of available services including management, consulting and administrative services provided by FCIS; ongoing monitoring of investment managers; services provided by your Advisor (including periodic reviews of your account); execution costs and reporting of transactions with or through FCIS; custody of securities by Pershing and services provided by the Platform Provider associated with the program. The Fees are set forth below in the Fee Schedules and represent the maximum standard annual rate for each Program. Fees are negotiable and differ among clients based on several factors, including the specific Program(s) selected, the type and size of the account, and the client’s overall relationship with FCIS.

FCIS believes that its annual fee is reasonable considering: (1) services provided and (2) the fees charged by other investment advisers offering similar services and programs. However, our annual investment advisory fee is higher than some investment advisers providing similar services or programs. In addition to our compensation, in certain circumstances, you will also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses) and/or brokerage charges, such as Section 31 fees imposed by the Securities and Exchange Commission.

### **First Citizens Investor Services Wealth Strategies**

The Fee applied to all Wealth Strategies Program accounts is tiered, as shown in Item 5. The Fee is assessed quarterly in advance, based on the average daily total market value of Program assets during the previous calendar quarter (or at the funding of the Program account). The Fee charged at account inception is prorated to capture the number of days remaining in the calendar quarter and charged immediately to the account. The Program services continue in effect until terminated by either party (i.e., you or FCIS) by providing written notice of termination to the other party. Upon such notice, FCIS will cease making investment decisions for the client and implement any reasonable written instructions. Client’s agreement will be terminated only after any open trades have been settled. FCIS will refund any un-earned portion of its management fee.



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The tiered fee schedule below is assessed for each account, and FCIS does not aggregate other accounts for the client (Householding) when determining the fee.

FCIS believes that its annual fee is reasonable based on the services provided and fees charged by other investment advisers offering similar services and programs. You should be aware that our annual investment advisory fee is higher than that charged by some other investment advisers offering comparable services or programs. In addition to our compensation, in certain circumstances, you will also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses) and/or brokerage charges, such as Section 31 fees imposed by the Securities and Exchange Commission.

### Other Fees

Investment company shares (e.g., mutual funds) and similar investment vehicles used in the wrap-fee programs, impose fees, charges and other expenses, described in their respective prospectuses. As a result, Program accounts bear a proportionate amount of these expenses in addition to FCIS' Fees. Parties supporting Program accounts (e.g., FCIS, the Third Party Managers, Custodians, and Platform Providers) and their affiliates often receive distribution payments or other compensation from such funds. These parties are permitted to receive distribution payments pursuant to the Investment Company Act of 1940 and Rules promulgated by the SEC under that Act, or receive similar compensation from similar investment vehicles unless the Program Account is a Retirement Plan or Retirement Account.

Program accounts holding cash or money market funds generally result in Pershing, the Custodian, Third-Party Managers, or an FCIS affiliate, to receive management fees or other compensation. FCIS, as the Broker-Dealer or Pershing, in some circumstances, does receive trailing commissions or other compensation based on the arrangement with mutual fund companies. These payments create a conflict of interest for FCIS or our advisors when they evaluate which Funds to include in your portfolio. When FCIS receives trailing commission or other similar payments from mutual fund companies, FCIS will refund these trailing commissions to the Account, where administratively feasible.

### Fee Schedules

#### First Citizens Investor Services Wealth Strategies Fee Schedule

Account Value	Annualized Fee
First \$100,000	1.30%
Next \$150,000	1.20%
Next \$250,000	1.05%
Next \$500,000	0.90%

Over \$1,000,000	0.85%
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Fees for Third-Party Managers are in addition to fees for the Wealth Strategies Program Fee. Third Party Manager Fees currently range from 0.0% to 0.55%.

### **Valuation**

Program assets will be valued by an independent pricing service, where available, or otherwise in good faith at the value reflected on Pershing's books and records. The Program Account value used for Fee calculation can differ from that shown on your account statement due to settlement-date accounting, the treatment of accrued income, distributions, or necessary adjustments. Where appropriate, the Program asset values will be determined based on the trade date, rather than the settlement date, of transactions.

Neither FCIS nor any Third Party Manager will be compensated based on a share of capital gains or upon capital appreciation of the Program Account. FCIS determines at its discretion the portion of the Fees paid to any relevant Third Party Manager. These fees ordinarily range on an annual basis between 0 and 55 basis points of the correlating Portfolio Manager and Manager Program assets. FCIS absorbs many of the transaction, billing, administrative, and marketing expenses that otherwise would be borne by the Third Party Manager (see "Additional Information Regarding Fees and Expenses").

### **Payments to Advisors**

The Program is only one of a variety of investment options that are offered by your Advisor for which they receive compensation. Your Advisor will receive a portion of the Fees charged in a Program account. The Advisor's compensation through the Program may be more or less than if you participated in other FCIS programs, including paying separately for investment advice, brokerage, and other services. You also have the option to purchase the investment products recommended to you at another broker or agent of your choice.

Depending upon the size of the account, your ability to negotiate fees or commissions, changes in account value over time, and other factors, the costs associated with a Program account may cost you more than purchasing the services separately.

The investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account. The Account Agreement authorizes the custodian(s) of your account to deduct fees from your account and pay those fees directly to our firm.

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You should review your account statements received from the custodian(s) and verify that investment advisory fees are deducted appropriately. The custodian(s) will not verify the accuracy of the investment advisory fees deducted.

### **Additional Information Regarding Fees and Expenses**

FCIS absorbs any SEC or exchange fees arising from the Account activity. Administrative fees normally applicable to retirement accounts and qualified plans sponsored by Pershing are waived within Program accounts, except for 401(k) plan set-up fees, retirement account and qualified plan termination fees, and other fees (such as electronic fund/wire transfer fees) identified in the Pershing documents related to retirement accounts and qualified plans. The Fee does not cover transfer taxes, other charges required by law, regulation, Brokerage or Custodian fees, or rule to be imposed in addition to the Fee, or other costs that you agree to pay in addition to the Fee. Some Portfolio Managers can assess additional fees for specific products or services which they provide; if you select these product(s) or service(s), the Program Account will pay those amounts in addition to the Fees.

FCIS strives to invest client funds in the cheapest available share class. Nevertheless, FCIS will still receive 12b-1 fees and/or service fees on certain shares either because the cheapest available share class still provides these fees, or from assets that were transferred into a client's account. If FCIS does receive 12b-1 fees or shareholder service fees, the fee will be credited back to the client's account.

Registered funds often offer one or more share classes that do not charge 12b-1 or shareholder services fees. Under certain circumstances, you can invest in lower-cost share classes directly or through other investment offerings. Program Accounts generally are not permitted to effect margin transactions; however, we allow First Citizens Bank and Trust Company to collateralize Program accounts. If FCIS allows a margin transaction in the Account, FCIS and Pershing will receive margin interest and additional compensation for borrowing against securities that will not be credited back to you when calculating the relevant Fee.

You will pay the public offering price on any securities purchased from an underwriter or dealer involved in a distribution, which may result in the payment of distribution compensation to the underwriter or dealer in addition to the relevant Program Fee.

Pershing acts as principal on Program account transactions in certain circumstances, meaning that securities in your portfolio are purchased from Pershing's inventory. No mark-up or mark-down on such trades will be charged to you, meaning you will pay the price that Pershing paid for the securities.

Pershing, in certain circumstances, receives benefits from the spread (i.e., the price difference between the purchase and sale of the security) and any gain on the value of the security.

Wrap program fees vary across different programs and sponsors. The Program costs to you may be more or less than purchasing the component services separately. Before opening a Program Account, you should carefully evaluate the Fees and other expenses. Consideration should be given to the costs of such services when purchased separately outside the Program, the type and size of the account, the historical and anticipated trading activity in the Account, and the supplementary advisory and client-related services provided to the Account.

FCIS offers to you Portfolio Managers that have met the conditions of our due diligence review. There are likely to be multiple Portfolio Managers that may be suitable for you, not all of which are available through FCIS. Portfolio Managers' expenses vary, and the option chosen may be more or less costly than others available to you. FCIS makes no guarantees that we will meet your financial goals, objectives, or investment performance expectations.

#### **Item 6. PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

Neither FCIS nor any of its supervised persons accept performance-based fees.

#### **Item 7. TYPES OF CLIENTS**

FCIS's investment advisory clients include individuals, individual retirement accounts ("IRAs"), trusts, estates, charitable organizations, pension, and profit-sharing plans, corporations, and other business entities.

You are required to execute a written agreement with FCIS specifying the particular advisory services you will receive in order to establish a client arrangement with FCIS.

#### **Minimum Investment Amounts Required**

FCIS requires a minimum of \$25,000 to open a Program account. Third-party money managers also have a minimum account and fee requirements to participate in their programs. There are some portfolio models and Third-Party Managers that have minimums higher than the stated Program minimum of \$25,000. Each Third-Party Manager will disclose their minimum account size and fees in their Form ADV Part 2A Disclosure Brochure(s).

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

The Investment Committee's decision to include or retain a specific investment, or a third party manager (sub adviser) in the program is guided by quantitative and qualitative criteria which include, but is not limited to:

### **A. Quantitative Criteria**

Quantitative criteria are evaluated both in terms of the Fund/Manager's absolute performance and performance relative to its investment-style group or sector, and generally includes:

1. Rate of return
2. The standard deviation of returns
3. Risk-adjusted rate of return
4. Consistency of returns

### **B. Qualitative criteria**

Qualitative criteria used in Fund/Manager evaluations generally include:

1. Manager tenure
2. Assets under management
3. Investment philosophy
4. Adherence to investment philosophy
5. Financial, operational, and client servicing resources

The Committee may elect to replace an investment or manager that does not meet one or more of the criteria mentioned above. When an investment/manager is removed, FCIS will generally liquidate the position(s) and reinvest the proceed with a replacement investment or manager.

## **Portfolio Manager Designation and Reviews**

FCIS has selected the Third-Party Managers available in the Manager Program primarily from information that was provided by those firms or was publicly available. The relevant third-party management firm generally provides performance information used by FCIS. FCIS does not attempt to independently determine or verify the information's accuracy or its compliance with presentation

standards. The third-party management firms do not necessarily calculate performance information on a uniform or consistent basis. FCIS, from time-to-time, considers additional third-party management firms for the Program. In this process, FCIS obtains and may rely upon certain information from independent sources, including a Consultant.

In its reviews and selections, the Committee analyzes the Third Party Managers and candidate firms based upon quantitative and qualitative criteria which generally include:

A. Quantitative Criteria

Quantitative criteria are evaluated in terms of both a Portfolio Manager's or a firm's absolute performance and performance relative to its investment style group and generally include:

1. Rate of return
2. The standard deviation (variation) of returns
3. Risk-adjusted rate of return
4. Consistency of returns

B. Qualitative Criteria

Qualitative criteria used in Portfolio Manager or firm evaluations generally includes:

1. Years in the business
2. Assets under management
3. Investment philosophy
4. Adherence to investment philosophy
5. Financial, operational, and client servicing resources
6. History of Portfolio Manager

The Committee meets monthly and on an as-needed basis, and periodically reviews the Third Party Managers. When appropriate, the Committee considers removing a firm as a Third-Party Manager. The removal of a Third-Party Manager may be based upon the criteria described above, or upon other information the Committee deems material. The Committee considers all relevant criteria; no one criterion is necessarily determinative. In its review process, the Committee emphasizes a Third-Party Manager's long-term overall performance.

## **Portfolio Manager Profiles**

You will receive “Third Party Manager Profiles” created from the information provided by the Third Party Manager. The Profiles describe the Third Party Manager’s strategies, investments, investment philosophy, management style(s), and other relevant information about the Third Party Manager. Any performance information included in the Third Party Manager Profile is accompanied by disclosures, including disclosures about the types of accounts included in compiling the performance information.

You also receive a copy of the Third Party Manager’s ADV Part 2A (Firm Brochure). You should carefully review the Third Party Manager Profile and the Firm Brochure before selecting the Third Party Manager. Neither FCIS, Platform Provider, Consultant, nor Pershing guarantees the accuracy of the Third Party Manager Profile or their Firm Brochure. Past performance is no indication of future results. The actual results of any Manager Program account can be materially different from past performance or results for other accounts managed by the Third Party Manager because of differences in the diversification of securities, transaction and related costs, the inception dates of the accounts, withdrawals and additions, investment objectives and restrictions, and other factors.

## **Financial Advisors**

Advisors are generally college graduates who possess prior business experience in a securities-related field. Advisors receive internal training and must have successfully passed all examinations and received all licenses necessary for the products and services they offer. Advisors are subject to high standards of business conduct prescribed by FCIS, including its Code of Ethics.

Advisors must have met one of the following securities industry education and certification requirements: (a) successful completion of both the FINRA Series 7 General Securities Registered Representative exam and Series 66 Uniform Combined State Law Exam, or prior equivalent, or (b) successful completion of the FINRA Series 6 Investment Products and Variable Contracts Products Representative exam (for advisory products consisting solely of investment company securities), the Series 63 Uniform Securities Agent State Law Exam, and the Series 65 Uniform Investment Advisers Law Exam.

In addition to this Brochure, you received one or more Brochure Supplement(s), which provides information about your Advisor(s) and, where applicable, other FCIS Associates who will be involved in managing the Program Account. You should carefully review these documents before opening a Program Account.

### **Client Information Provided to Third Party Managers**

FCIS will generally provide the Third Party Manager with material information for your Program account as it becomes available. FCIS usually conveys this information to the Third Party Manager through the Platform Provider. Your Advisor will be available on an ongoing basis to assist with Program account administration, including substitutions of Third Party Managers.

### **Methods of Analysis**

FCIS or the third party managers (sub-advisers) will generally use some or all of the following methods of analysis in formulating investment advice:

#### **1. Cyclical**

This method analyzes an investment's sensitivity to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins and fall before a downturn occurs. Investors in cyclical stocks try to make the most substantial gains by buying the stock at the bottom of a business cycle, just before a turnaround begins. While most economists and investors agree that there are cycles in the economy, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may be timed incorrectly. If done before the bottom, losses can result before gains, if any. If done after the bottom, then some gains may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in a missed opportunity for further increases in the value of a security, or realized losses in a portfolio.

#### **2. Fundamental**

A method of evaluating a security by examining related economic, financial, and other qualitative and quantitative factors in an attempt to determine its intrinsic value. Fundamental analysts try to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and company specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or sell short). Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can also be used other types of securities.



The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. Those market forces can point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could, therefore, lead to an unfavorable investment decision.

### **3. Technical**

A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead, use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis because it relies on a proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness (expectation for positive future performance) and bearishness (expectation for negative future performance) in a given security.

There are risks involved when using any method of analysis.

### **Investment Strategies**

FCIS or the third party manager may use the following investment strategies when managing client assets or providing investment advice:

- Long term purchases (i.e., investments held at least a year);
- Short term purchases (i.e., investments sold within a year of purchase);
- Tactical asset allocation - Allows for a range of percentages in each asset class. The ranges establish minimum and maximum acceptable percentages that permit the portfolio manager to take advantage of market conditions within these parameters. By specifying a range rather than a fixed percentage, the portfolio manager has the flexibility to move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak

- Strategic asset allocation - Setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is similar to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets can change over time as the client’s goals and needs change, and as the time horizon for major events such as retirement and college funding grow shorter.

### **Primarily Recommend One Type of Security**

We do not primarily recommend one type of security to our clients. Instead, we recommend products and managers that we believe to be your best interest, based on your specific circumstances and needs.

### **Risk of Loss**

Past performance is not indicative of future results; therefore, you should never assume that the future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves the risk of loss. Further, depending on the different types of investments, there are varying degrees of risk. You should be prepared to bear investment loss, including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market highs or lows, or insulate you from losses due to market corrections or declines.

There are certain additional risks associated with investing in securities through our investment management program, as described below:

Market Risk – Either the stock market as a whole or the value of an individual company, goes down resulting in a decrease in the value of your investments, also referred to as systematic risk.

Equity (stock) Risk – Common stocks are susceptible to market fluctuations and to volatile increases and decrease in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally have a higher exposure to risk than if you held preferred stocks and debt obligations of the issuer.

Company Risk- When purchasing stock positions, there is always a certain level of company or industry-specific risk that is inherent in each investment, also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a

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company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

Fixed Income Risk- When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed income investors receive set, regular payments that face the same inflation risk, although inflation-protected products may also be available.

Options Risk- Options on securities may be subject to more significant fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro-rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds.

Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

Pledging Assets- The bank holding the loan may have the authority to liquidate all or part of the securities at any time without your prior notice to maintain required maintenance levels, or to call the loan at any time. As a practical matter, this may cause you to sell assets and realize losses in a declining market. These actions may interrupt your long-term investment goals and result in adverse tax consequences and additional fees to the bank. The returns on accounts or pledged assets may not cover the cost of loan interest and account fees and may dictate a more aggressive investment strategy to support the costs of borrowing. Before pledging assets in an account, you should carefully review the loan agreement, loan application, and any forms required by the bank and any other documents and disclosures provided by FCIS.

Margin Risk - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you would be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and sell assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Agreement established between you and FCIS and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account;
- The account custodian or clearing firm can force the sale of securities or other assets in your account;
- The account custodian or clearing firm can sell your securities or other assets without contacting you;
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call;
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities;
- The account custodian or clearing firm can increase its “house” maintenance margin requirements at any time, and they are not required to provide you advance written notice; and,
- You are not entitled to an extension of time on a margin call.

In general, FCIS does not allow the use of margin in investment advisory accounts.

## **Item 9. DISCIPLINARY INFORMATION**

In February 2018, the U.S. Securities and Exchange Commission (“SEC”) announced an industry-wide initiative to identify and remedy conflicts of interest that arise where investment advisers failed to make required disclosures relating to their selection of certain mutual fund share classes that paid the adviser (or its related entities) a fee pursuant to Rule 12b-1 under the Investment Company Act of 1940 (“12b-1 fee”) when a lower-cost share class for the same fund was available to clients. First Citizens Investor Services, Inc. (“FCIS”) elected to participate in this initiative and, based on information that FCIS provided, the SEC issued an Order Instituting Administrative and Cease-and-Desist Proceedings against FCIS on March 11, 2019 (the “Order”). The SEC determined that for the period January 1, 2014, through July 20, 2018, FCIS purchased, recommended, or held for advisory clients, mutual fund share classes that paid 12b-1 fees to FCIS instead of lower-cost share classes for the same funds for which the

clients were eligible. The SEC determined that FCIS did not adequately disclose this conflict of interest and that the failure to do so constituted breaches of FCIS's fiduciary duties and willful violations of Sections 206(2) and 207 of the Investment Advisers Act of 1940 (the "Advisers Act"). The SEC, among other things, censured FCIS and ordered FCIS to cease-and-desist from any future violations of Sections 206(2) and 207 of the Advisers Act, and to pay \$359,872.11 in disgorgement and \$42,793.07 in prejudgment interest to FCIS's affected investors, in accordance with procedures set forth in the Order. The SEC did not order a civil monetary penalty or fine. The SEC also directed FCIS to complete certain remedial undertakings. FCIS consented to the Order without admitting or denying the SEC's findings

(except as to jurisdiction, which was admitted). The SEC's Order can be found at <https://www.sec.gov/litigation/admin/2019/ia-5124.pdf>.

In order to ensure that this conduct is not repeated, among other things, since March 11, 2016, FCIS has been crediting all 12b-1 fees back to advisory accounts.

On January 24, 2020, First Citizens Investor Services, Inc. paid a monetary fine of \$250.00 to the Louisiana Department of Insurance for late disclosure of the publicly available SEC Order, referenced above.

#### **Item 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

FCIS and the Advisor receive compensation for advice implemented as a registered investment adviser, registered representative, or insurance agent of FCIS. The Advisor providing advice may, with your permission, implement recommendations as a registered investment adviser, registered representative, or an insurance agent when appropriately registered or licensed to do so. Individuals acting as registered investment advisers have a fiduciary duty to their clients. An inherent conflict of interest exists for Advisors who are dually registered and insurance licensed.

The Advisors, certain management and support staff of FCIS, are also registered representatives of First Citizens Investor Services, Inc., a securities broker-dealer and insurance agency. In addition, Advisors, management, and support staff can be representatives of First Citizens Asset Management (FCAM), a Registered Investment Advisor under common control with FCIS. FCAM provides advisory services similar to FCIS and serves as a sub-adviser/manager on certain model portfolios available via FCIS. Certain management, Advisors, and support staff also have employment agreements with our parent company, First Citizens Bank & Trust (FCB). You may work with your Advisor in his or her separate capacity as a registered representative of First Citizens Investor Services, Inc., FCAM, or FCB. When acting in his or her separate capacity, your Advisor may be registered or licensed to sell securities and/or insurance products to you on a commission basis, or offer banking products such as deposit accounts, loans, and trust services. Your Advisor may suggest that you implement investment advice by

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purchasing products through a commission-based brokerage account in addition to or in lieu of a fee-based advisory account. This receipt of commissions creates an incentive to recommend those products for which your Advisor will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased. You are under no obligation to use the services of our representative(s) in this separate capacity.

FCIS is under common ownership with the following entities:

CIT Capital Securities LLC., a Broker/Dealer

CIT Asset Management, a Registered Investment Adviser

SVB Asset Management, a Registered Investment Adviser

SVB Wealth LLC, a Registered Investment Adviser

SVB Investment Services Inc., a Broker/Dealer

Neuse Title Services, a Insurance Agency

No representatives of FCIS are affiliated with the entities referenced above.

When acting as a representative of FCIS, your Advisor can recommend one of the programs described in Item 4. Some of these programs use third-party managers or “sub-advisors” to implement the selected investment strategy. In their capacity as a representative of FCIS, your Advisor may recommend a program that uses FCAM as a sub-advisor. In these instances, the total compensation received by First Citizens Investor Services and its related affiliates is higher than it would be if a different sub-advisor were selected. This creates a conflict of interest between the firm and Advisor, as well as between you and the Advisor.

The Advisors, as well as certain management and support staff of FCIS, are licensed insurance agents with First Citizens Investor Services Insurance Agency. You may work with your Advisor in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the Advisor may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. This receipt of commissions creates an incentive to recommend those products for which your Advisor will receive a commission in his or her separate capacity as an insurance agent. FCIS does not currently offer insurance products on an advisory basis. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your Advisor.

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You may select any broker/dealer, insurance company, or agency you wish to implement any advice provided by your Advisor. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use First Citizen Investor Services, Inc. to effect any such transactions, and you will be required to enter into a new account agreement with First Citizens Investor Services, Inc.

FCIS acts as an introducing broker-dealer to provide brokerage services for Program accounts described in this Brochure.

FCIS nor any of its management persons are registered as or associated persons of any futures commission merchant, commodity pool operator or a commodity trading Advisor.

FCIS does not engage in all services that we make recommendations for as a result of financial planning. As a result, we may refer you to other professionals to assist you in implementing our recommendations. FCIS, in many circumstances, will receive compensation for those referrals. Pursuing any referral or business relationship with any individual, organization, or professional is completely at your discretion.

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

FCIS has established a Code of Ethics that will apply to all of its supervised persons. As a fiduciary, it is an Advisor's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of its clients at all times. This fiduciary duty is considered the core underlying principle for our Code of Ethics, which also covers our Insider Trading and Personal Securities Transaction Policies and Procedures. FCIS requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times.

Upon employment or affiliation, when changes occur, and no less than annually, all supervised persons will sign an acknowledgment that they have read, understand, and agree to comply with the Code of Ethics. FCIS has the responsibility to make sure that the interests of all clients are placed ahead of FCIS' Management or its supervised person's own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to you prior to any services being conducted. FCIS Management and its supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our fiduciary duty. This disclosure is provided to give a summary of FCIS's Code of Ethics. If you would like to review FCIS's Code of Ethics in its entirety, a copy will be provided upon request.

### **Employee Personal Securities Transactions Disclosure**

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The Advisor may buy or sell securities for their personal accounts that are also recommended to you. To minimize this conflict of interest, FCIS only recommends and purchases securities which are widely held and publicly traded.

To prevent conflicts of interest, we have developed compliance procedures that include personal investment and trading policies for our representatives, employees, and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client;
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for their client's account(s);
- Associated persons cannot buy or sell securities for their personal accounts based on material, non-public information;
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider;"
- Associated persons are discouraged from conducting frequent personal trading; and,
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted by the President and Chief Compliance Officer of FCIS.

Any associated person not observing our policies is subject to sanctions up to and including termination.

### **Conflicts of Interest**

#### **Discounting**

The Advisor has the ability to discount the commission or fees you pay on certain investments or programs. These discounts create a conflict of interest between your interests and the Firm's because the Firm's compensation is negatively impacted when commissions and fees are discounted.

#### **Registration of Advisors**

Not all Advisors are licensed to offer both brokerage and investment advisory products and services. Some Advisors may only be licensed to make a recommendation regarding investment company (i.e. mutual funds) or variable contract products (i.e. variable annuities) and may not be licensed to make a recommendation for individual equities or fixed income products (i.e. stocks and bonds) or provide investment advisory products or services. Because of the differences in the compensation payable with respect to these products, this could be seen as creating a conflict for the Advisor.



### **Approved Product List**

We limit recommendations to products available through an approved product list. Our approved product list does not contain the entire universe of securities or products available in the marketplace. Other broker-dealers and investment advisory firms may have additional securities available to you that we do not offer. Differences in compensation for these securities and products to FCIS and our Advisors creates a conflict of interest.

### **Rollovers**

When you invest with the Firm as a result of a recommendation to rollover or transfer your assets from an employer-sponsored retirement plan, another brokerage firm or investment adviser, FCIS receives compensation. This compensation creates a potential conflict between your interests and the Firm's because our compensation is based, in part, on the assets placed with us. In addition, a conflict exists on rollovers when we also advised on the employer-sponsored plan. In these circumstances, the compensation received by the Firm and the Advisor will generally be greater than that received if you choose to keep your assets in the plan.

### **Distributions**

Compensation and performance incentives cause a conflict between your interests and FCIS's when the Advisor provides recommendations for distributions from any of your IRAs. When you make a distribution from an IRA, certain commissions or sales charges in certain circumstances are generated. Further, if you have both a transaction-based IRA and an advisory program IRA, the Firm may have an incentive to advise you to take a distribution from your transaction-based IRA and not your advisory program IRA because the distribution would generate additional transactional revenue and would not affect the amount of your asset-based fee in your advisory program IRA.

### **Transaction-based IRAs vs. Advisory Programs IRAs**

You may be eligible to invest retirement assets in an asset-based fee advisory program IRA. Instead of paying a commission per transaction, you would pay a fee based on a percentage of the market value of the assets held in your account for the services FCIS provides. Fee-based IRA accounts may offer additional types of investment options, including mutual funds. Depending on your circumstances, including the number of transactions you anticipate making and what services you want, an advisory program can be more or less expensive than a transaction-based IRA. Typically, the Firm would earn more in upfront commissions in a transaction-based IRA. On the other hand, the Firm would typically

earn more over time if you invest in one of FCIS's fee-based advisory programs. These differences in compensation create a conflict between your interests and the Firm's when recommending the type of account most appropriate for you.

### **Non-Cash Third-Party Incentives**

FCIS as a broker-dealer or insurance agency receives Third-Party Payments with respect to investment recommendations, as follows:

Annuities:

- Up-front insurance commissions at the point-of-sale, including gross dealer concessions, trailing commissions or "trails" (or "renewal fees") for ongoing services as long as the annuity remains in force;
- Revenue sharing, marketing fees, administrative fees, and similar fees relating to sales and support services.

The amount of these Third-Party Payments varies among different variable annuities and different annuity issuers.

Fixed Indexed Annuities: Insurers that issue fixed indexed annuity contracts pay FCIS the following types of Third-Party Payments:

- Up-front insurance commissions at the point-of-sale, including gross dealer concessions; Trailing commissions or "trails" (or "renewal fees") for ongoing services as long as the annuity remains in force; and,
- Revenue sharing, marketing fees, administrative fees, and similar fees relating to sales and support services.

The amount of these Third-Party Payments varies between different fixed indexed annuities and different annuity issuers.

Mutual Funds:

- Up-front sales commissions or "loads," at the point-of-sale;
- 12b-1 distribution fees; and,
- Fees for sub-accounting services, sub-transfer agency services, and/or other revenue sharing or similar payments for services to the funds.

The amount of these Third-Party Payments varies among different fund families, different funds, and different share classes. In an effort to reduce client costs, minimize the conflicts of interest presented by mutual fund 12b-1 fees, and conform the treatment of different types of FCIS client accounts, FCIS will credit these fees to advisory clients' accounts.

These credits will be subject to the advisory fee if they remain in a client account at the time of billing. For brokerage accounts, FCIS has a conflict of interest in recommending these funds or share classes, both in making investment decisions in light of the receipt of these fees and in selecting a more expensive 12b-1 fee-paying share class when a lower-cost share class is available for the same fund. The conflict of interest arises from FCIS's financial incentive to recommend or select registered funds or share classes for clients that pay higher 12b-1 fees because such registered funds or share classes generally result in higher compensation for FCIS.

Although there can be legitimate reasons that a particular client is invested in a more expensive 12b-1 fee-paying share class, FCIS has taken steps to minimize the conflict of interest through:

- Advisory account credits
- Disclosure in this Brochure
- Internal policies and procedures that require investment advice to be in the best interest of advisory clients
- By ensuring that individual Advisors are not directly compensated for recommendations to purchase share classes of registered funds that pay such fees to FCIS
- By restricting Advisors' recommendations to funds and share classes on FCIS' approved list and
- By systematically evaluating when a lower fee share class of a registered fund on FCIS's approved list is available.

It will not always be possible or in your best interest for FCIS to select SEC-registered mutual fund investments that do not pay these fees. Accordingly, despite our efforts to minimize conflicts of interest, you should not assume that you will be invested in the registered fund or share class with the lowest possible 12b-1 fees.

Third-party providers, including annuity product partners, annuity wholesalers, investment managers, ETF wholesalers, and insurance distributors, may also give advisors gifts up to a total value of \$100 per provider per year, consistent with industry regulations. Third parties may occasionally provide advisors with meals and entertainment of reasonable value. These incentives create a conflict between your interests and those of the Advisor and may cause the Advisor to recommend those products or companies that provide these non-cash incentives.

### **Training and Marketing Incentives**

Third-party providers such as annuity product partners, annuity wholesalers, investment managers, ETF wholesalers, and insurance distributors may reimburse or pay certain expenses on behalf of advisors and the firm, including expenses related to training, marketing, and educational efforts. Training of the Advisor can occur at branch offices, seminars, meetings, or other events. The training focuses on, among other things, the third-party provider's products, suitability, product literature, and product support. These incentives create a conflict between your interests and those of the Advisor and may cause the Advisor to recommend those products of those companies that provide marketing and educational opportunities and to whom the Advisor has greater access.

### **Performance Standards and Incentive Compensation for the Advisor**

The Advisor's performance can be measured in various ways, and performance measurements are positively impacted by the assets under care. These positive impacts on performance measures can lead to increased compensation. This incentive creates a conflict between your interests and those of the Advisor when recommending that you rollover or transfer your assets to FCIS, keep your assets at FCIS, and engage in transactions within your account.

## **Item 12. BROKERAGE PRACTICES**

FCIS requires clients wishing to establish an account under First Citizens Investor Services Wealth Strategies programs to open an account with Pershing, LLC, through First Citizens Investor Services, Inc. broker-dealer. Pershing, LLC offers custody of securities, trade execution, clearance, and settlement of transactions.

### **Handling of trade errors**

FCIS's policy is to correct trade errors in a manner that is fair and equitable to our clients. In cases where a client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the circumstances of the trade error, clients may not be able to receive any gains generated as a result of the error correction. Situations where the client is not the cause of the trade error, the client will be made whole. FCIS or the custodian will absorb losses resulting from the trade error based on fault. If the trade correction results in a gain, the client will not receive the profit.

### **Individual Trading Policy**

FCIS, Third-Party Manager, or other provider's transactions, implemented for client accounts, are generally effected independently. However, the firm can purchase or sell the same securities for several clients at approximately the same time. Consolidation of orders referred to as "aggregating orders" or

"block trading," is used by firms or sub-advisors if believed such actions may prove favorable for the client(s). Under this procedure, transactions will be averaged in price and allocated to the firm's clients in proportion to the purchase or sale orders placed for each client's account on any given day. When FCIS chooses to aggregate client orders, FCIS will do so following the parameters of the SEC No Action Letter, SMC Capital Inc., dated September 5, 1995. FCIS does not receive any additional compensation or remuneration because of aggregating orders.

### **Item 13. REVIEW OF ACCOUNTS**

Through the Investment Committee or its designees, FCIS makes a best effort to review each Program Account on at least an annual basis. Triggers for additional reviews may include events such as deposits or withdrawals, significant changes in the value of the Program account, requests for substitutions of Third Party Managers or investment criteria, and updates in client information. FCIS instructs the Committee, in performing each review, to address any issues of concern. FCIS does not monitor each transaction effected by Third Party Managers for consistency with your investment objectives or conformance with the Third-Party Manager's stated strategies or philosophy.

### **Item 14. CLIENT REFERRALS AND OTHER COMPENSATION**

Advisors can make product or strategy recommendations in the capacity of a registered investment adviser, registered representative, or an insurance agent when appropriately registered or licensed to do so. Investment Adviser Representatives have a fiduciary duty to their clients. Dually-registered individuals, however, have an inherent conflict of interest.

FCIS does occasionally receive additional compensation from product sponsors; however, such payment may not be conditional on the sale of any products. Compensation may include items such as gifts that are within a reasonable amount and are within FCIS guidelines. An occasional dinner or ticket to an event or reimbursement in connection with an educational meeting with Advisor, client event(s), or advertising initiatives is permitted. Product sponsors may also pay for or reimburse FCIS for the costs associated with education or training events that may be attended by FCIS employees and the Advisors.

FCIS, in certain circumstances, will refer you to third parties who offer products and services that FCIS does not provide to our clients. In cases where a written solicitor's agreement is in place, FCIS will receive compensation from the referral. Such payment is not contingent on you implementing any strategies or recommendations proposed, nor is the compensation tied to the sale of any product or service offered by the third-party. You may incur fees and expenses for such products or services that are separate from any fees or expenses incurred through products or services offered directly through FCIS.

## **Item 15. CUSTODY**

Pershing, LLC (“Pershing”), located at One Pershing Plaza, Jersey City, NJ 07399, serves as the clearing broker-dealer for FCIS and maintains custody of the Program assets in a separate account for each client registration.

FCIS does not take custody or possession of client assets. Account statements are delivered directly from Pershing to each client, or the client’s independent representative, at least quarterly. We urge you to carefully review and compare the statements against any reports received from us. Should you have questions about your account statements, you should immediately contact FCIS or the custodian preparing the statement.

First Citizens Bank, an affiliate of FCIS, does have custody of FCIS client assets in those instances where an FCIS Advisory account is pledged to First Citizens Bank as collateral for a Bank loan. Under such circumstances, and as per a properly executed control agreement, First Citizens Bank would have the ability to direct FCIS to liquidate securities in a pledged advisory account and transfer funds to the Bank, depending on certain triggering events, including loan default. Under SEC rule 206 (4)-2 FCIS also has custody of these pledged assets because FCIS is not operationally independent from First Citizens Bank.

## **Item 16. INVESTMENT DISCRETION**

Investment discretion is granted to FCIS, the Advisor, or Third-Party Manager by entering into a First Citizens Investor Services Wealth Strategies Agreement and designating the Manager(s) on the Statement of Investment Selection. The Agreement must be completed and signed to open a First Citizens Investor Services Wealth Strategies Program Account. The Third-Party Manager(s) must also accept the appointment by the Client.

### **Portfolio Manager Program**

FCIS, as the sponsor, has discretionary authority to retain, modify, or discharge Third-Party Manager(s) and portfolio options to its Portfolio Manager Program without consulting with you in advance. You may request reasonable restrictions. The Third-Party Manager(s), however, retain discretionary authority, to buy, sell, or otherwise modify the portfolio to meet the stated investment objective.

**Item 17. VOTING CLIENT SECURITIES**

FCIS does not vote proxies or corporate actions for you, nor does FCIS advise on proxies or solicitations concerning corporate activities for the securities held within a Program account. FCIS' Custodian, Pershing, LLC ("Pershing") will forward to you the relevant information on proxies and corporate actions, including the information necessary to vote on such matters. You should utilize contact information provided in the proxy or solicitation to inquire further about the merits and methods of voting available to you.

As between you and FCIS, you retain the right and responsibility to vote proxies and to review related materials on securities held in the Account or to delegate that function to another person or entity.

Each Third-Party Manager independently determines whether it will vote proxies. As to investments managed by a Third Party Manager, you should review the relevant Third Party Manager's Firm Brochure to determine the allocation of proxy responsibilities.

**Item 18. FINANCIAL INFORMATION**

This Item is not applicable as FCIS does not require or solicit prepayment of more than \$1200 in fees, per client, six months or more in advance. Additionally, FCIS is not subject to a financial condition reasonably likely to impair its ability to meet contractual commitments; and, FCIS is not currently nor previously has been the subject of a bankruptcy petition.