

**Item 1 – Cover Page**

**Form ADV Part 2A Brochure**



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March 23, 2023

This Brochure provides information about the qualifications and business practices of Shelton Wealth Management, LLC. You should review this brochure to understand your relationship with our firm and help you determine to hire or retain us as your investment adviser. If you have any questions about the contents of this brochure, please contact us at the phone number indicated above. The information in this Brochure has not been approved or verified by the United States of America Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Shelton Wealth Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by our firm name or by using a unique identifying number, known as a CRD number. The CRD number for Shelton Wealth Management is 312686.

Shelton Wealth Management, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

## **Item 2 – Material Changes**

This section of the brochure discusses specific material changes that have been made to the brochure since the firm's last annual update. The last annual update of our Brochure was March 23, 2023.

We do not have material changes for our current Brochure, however, please note we have updated the Assets Under Management information in Item 4 in accordance with the filing of our Annual Updating Amendment on March 23, 2023.

We will provide you with a summary of material changes made to this brochure annually at no cost. You may receive an updated copy of this brochure at any time by contacting us at (817) 415-2877.

(Brochure Date: 03/23/2023)

(Date of Most Recent Annual Updating Amendment: 03/23/2023)

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## **Item 4 – Advisory Business**

### **About Our Firm**

Shelton Wealth Management, LLC. (“SWM”) is a registered investment adviser owned by Brian Keith Shelton and Samuel Shelton and has been a registered investment adviser since 2021. As of December 31, 2022, SWM had \$153,509,028 discretionary assets under management and \$84,686,894 non-discretionary regulatory assets under management to report, for a total of \$238,195,922 in regulatory assets under management.

SWM manages investment portfolios for individuals, high-net-worth individuals, trusts, businesses and institutions. We will work with a client to determine the client's investment objectives and investor risk profile and will design a written investment policy statement. SWM will utilize the financial information provided by the client to analyze, model and develop strategies and solutions to help the client meet its goal. SWM evaluates the client's existing investments with respect to the client's investment policy statement. We work with new clients to develop a plan to transition from the client's existing portfolio to the portfolio recommended by SWM. We will then continuously monitor the client's portfolio holdings and the overall asset allocation strategy and will review with the client periodically regarding the account as necessary.

### **Types of Advisory Services We Offer**

SWM offers a variety of advisory services to individuals, high net worth individuals, trusts, businesses, and corporations. These services include:

- Investment and wealth management
- Selection of Independent Managers
- Financial planning and consulting

Prior to SWM rendering any of the foregoing services, clients are required to enter into one or more written advisory agreements with SWM setting forth the relevant terms and conditions of the advisory relationship.

### **Investment and Wealth Management Services**

SWM manages our clients' portfolios on a discretionary and, in limited circumstances, non-discretionary basis. Our investment and wealth management services are tailored to the needs of our clients and are based on a comprehensive understanding of each client's current situation, past experiences, and future goals. With this acquired knowledge we create, analyze, strategize, and implement goal-oriented investment solutions. These solutions become our clients' investment policy. This policy and our matched strategies are designed to be risk appropriate, cost effective and tax efficient.

Our wealth management services generally include a broad range of comprehensive financial planning and/or consulting services, as well as discretionary or, in limited circumstances, non-discretionary management of investment portfolios.

Client assets are primarily allocated among individual equity and debt securities, exchange-traded funds ("ETFs") and mutual funds in accordance with the client's stated investment objective and risk/volatility parameters. We may also recommend clients allocate a certain portion of their assets to independent investment managers ("Independent Managers"). Where appropriate, SWM may also provide advice about many types of legacy positions or other investments held in client portfolios. Clients may also engage SWM to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts (to the extent permissible without an insurance license) and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, SWM will direct or make recommendations on a non-discretionary basis for the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or custodian for the plan trustee or administrator and clients retain responsibility for effecting trades in these accounts.

SWM consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. You should promptly notify us if there are changes in your financial situation or if you wish to place any limitations on the management of your account. You may impose reasonable restrictions or mandates on the management of your account if SWM determines, in our sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the firm's management efforts.

To the extent a client decides to invest with an Independent Manager or in a particular fund, those managers and funds will have their own investment practices. Those investment practices are described in each manager's Form ADV or fund's prospectus, or in its offering or other disclosure documents. In addition, selected money managers or funds typically have discretion to determine the type and amount of securities to be purchased or sold for the portion of the assets managed by the money manager or fund.

### **Selection of Independent Managers**

SWM may select certain Independent Managers to actively manage all or a portion of its clients' assets. Pursuant to the terms of the investment advisory agreement, SWM shall have the discretion to appoint and terminate these third-party advisers. The specific terms and conditions under which a client engages an Independent Manager may also be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients will also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets. SWM evaluates a variety of information about Independent Managers, which may include the Independent Managers' public disclosure documents, materials supplied by the Independent

Managers themselves and other third-party analyses it believes are reputable. To the extent possible, SWM seeks to assess the Independent Managers' investment strategies, past performance, and risk results in relation to its clients' individual portfolio allocations and risk exposure. SWM also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing, and research capabilities, among other factors. When utilizing Wells Fargo & Company as the Independent Manager or managers available through a program offered by Wells Fargo Advisors, portfolio services can be provided via a Customized Portfolio Program (separately managed account) program.

SWM continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, SWM monitors the performance of those accounts being managed by Independent Managers. We seek to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

### **Financial Planning and Consulting Services**

SWM offers different levels of financial planning and consulting services to help our clients identify, prioritize and work towards their goals and objectives. Our consulting services give our clients the ability to receive a broad range of financial advice and services, including specific security recommendations, for the duration of the advisory agreement.

Our process starts with an extensive review of a client's family situation, which includes assets and liabilities as well as estate, tax, and insurance needs. We then employ a risk tolerance and risk capacity-focused simulation to get a detailed cash flow analysis and proposed asset allocation. Together, this information is analyzed to develop a proposed financial plan, which is designed to be dynamic in nature, ever-evolving due to life changes, along with changes in cash flow needs, risk tolerance, time horizon, or investment objectives.

SWM's financial planning and consulting services can include any of the following topics:

- Cash Flow Analysis
- Financial Record Organizing
- Estate Planning
- Charitable Giving
- Education Planning
- Business Planning
- Concentrated Stock
- Federal Benefits & Health Care
- Death & Disability
- Divorce Planning
- Liability Management
- Investment Consulting
- Tax Planning
- Insurance Review
- Family Governance
- Retirement Plan Consulting and Employee Benefits Analysis

While each of these services is available on a stand-alone basis, certain services may also be rendered in conjunction with investment portfolio management services as part of a comprehensive wealth management engagement. In performing these services, SWM is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.), and is expressly authorized to rely on such information. We may recommend clients engage the firm for additional related services, or we may recommend other professionals to implement our recommendations. These additional services by SWM or another professional are provided at an additional cost to you, which is based on the nature, extent, complexity, and other characteristics of the services. This creates a conflict of interest because we will have an incentive to recommend additional services based on the compensation to be received, rather than solely based on your needs, and in some cases, based on the prospect of cross-referrals of advisory clients from the other professional or his or her firm.

Implementation of financial planning recommendations is entirely at your discretion. You have complete freedom in selecting a financial adviser to assist you with implementing the recommendations made in your financial plan and are under no obligation to act on the advice of SWM. Financial planning recommendations are of a generic nature and are not limited to any specific product or service offered by a broker dealer or insurance company. Should you choose to implement the recommendations contained in the plan, SWM suggests you work closely with your attorney, accountant and/or insurance agent.

SWM will act solely in our capacity as a registered investment adviser and does not provide any legal, accounting or tax advice. You should seek the counsel of a qualified accountant and/or attorney when necessary. As part of our advisory services, we may assist clients with tax loss harvesting and will work with the client's tax specialist to answer any questions related to the client's portfolio.

### **Portfolio Management Services for Wrap Fee Program**

SWM offers portfolio management services through a wrap fee program. A bundled or "wrap fee" program is an advisory fee program under which you pay one bundled fee to compensate SWM for portfolio management and trade execution. A wrap fee program may not be the lowest cost option if you would like to restrict your investments to open-end mutual funds or other long-term investment products. Please refer to our *Wrap Fee Brochure* for additional information.

## **Item 5 – Fees and Compensation**

### **How We Are Compensated for Our Advisory Services**

The specific manner in which fees are charged and calculated are described in your investment advisory agreement. You should carefully review the investment advisory agreement prior to

signing it. Our fees vary among the different types of advisory services we offer and may be negotiated at our sole discretion. Fees for our advisory services may be higher than fees charged by other advisers who offer similar services. You may be charged different fees than similarly situated clients for the same services. We can have varied legacy fee schedules and arrangements that it honors for relationships that pre-date this disclosure brochure. You should carefully review this brochure to understand the fees and other sources of compensation that exist among our services prior to entering into an investment advisory contract with our firm.

## **Investment and Wealth Management Services**

SWM offers investment and wealth management services for an annual fee based on the amount of assets under the firm's management. Fees are generally billed in advance each calendar quarter based on the market value of the assets under management/advisement on the last day of the previous calendar quarter. SWM, in our sole discretion, may waive the minimum annual fee based upon certain criteria, including, but not limited to, anticipated future earning capacity and/or additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention, and pro bono activities. For investment and wealth management services SWM provides to certain clients or for specific client holdings (e.g., held-away assets, 529 plans, etc.), we may negotiate a fee rate that differs from our standard fee schedule.

Annual advisory fees range up to 1.5% per annum and are negotiated based on the complexity of the engagement and the assets under management prior to the start of the engagement. The advisory fee is based on a percentage of the fair market value of the assets in the relevant Account(s) and is calculated and charged on an account by account basis. While in most situations, the advisory fee will be a flat percentage across all accounts (based on the aggregate value of all household Accounts), in some cases we can agree to a reduced advisory fee percentage for one or more particular Accounts. However, certain ERISA rules prevent householding corporate plans with personal assets for fee reductions. You should refer to your advisory agreement for your specific fee rate(s).

## **Programs Offered Through Wells Fargo Advisors**

Fees for advisory programs offered through Wells Fargo Advisors are inclusive of SWM's and Wells Fargo Advisors' advisory fees and are as follows:

<b>Program</b>	<b>Program Type</b>	<b>Maximum Annual Advisory Fee</b>
Private Advisor Network	Separately Managed Account	\$0 - \$500,000: 1.75% Next \$500,000: 1.50% Next \$4,000,000: 1.25% Above \$5,000,000: Negotiable



Wells Fargo Advisors will calculate and directly debit advisory fees from the clients' accounts for assets within their programs. The value of assets held in any Wells Fargo Advisor program are excluded from the amount of total household assets used to determine SWM's advisory fees for other assets of a client that are managed by SWM.

### **Selection of Independent Managers**

Fees for Independent Managers are set forth by the Independent Manager and are in addition to SWM's fees. You should refer to the Independent Manager's investment management agreement and Form ADV Part 2A Brochure for information on their fees and compensation.

### **Financial Planning and Consulting Services**

Investment advisory clients retaining SWM will receive financial planning services as part of the asset-based fee and will not pay additionally for this service. For stand-alone plans or services, fees for financial planning and/or consulting services are billed on an hourly or fixed rate in advance. Hourly fees generally range up to \$400 per hour. There is no minimum fee required for financial planning or consulting services; however financial planning and consulting fees shall generally not exceed \$20,000 annually. A retainer may be requested to start services and the remainder of fees are due and payable as incurred.

Factors we consider when determining our financial planning and consulting fees include, but are not limited to:

- The amount of time we expect to spend completing the financial planning or consulting services and providing related advice;
- The complexity of your goals, issues and/or needs;
- The extensiveness and complexity of the data needed regarding your personal financial information;
- Your net worth or the value of your investment accounts and/or other assets that are the subject of the financial planning or consulting services; and/or
- Special circumstances related to life changes, marital status, health or special income needs, or growth or decline of a personal business.

SWM may request a retainer to initiate financial planning and consulting services; however, we will not request the prepayment of fees more than \$1,200 in advisory fees more than six months in advance.

You may engage SWM for additional investment management services to assist with implementing one or more financial planning recommendations. You will incur additional fees if you retain our firm for such services. You have complete freedom in selecting an investment adviser to assist you in implementing any recommendations by SWM and are under no obligation to act upon the advice we provide.

For consulting services, the agreement between SWM and the client will continue in effect until terminated by either party. For stand-alone financial planning services, the agreement between SWM and the client will terminate upon delivery of the plan or completion of the service.

## **Payment of Fees**

Clients authorize SWM to instruct the account custodian to directly debit fees from the client's account. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Fees for our advisory services generally require you to pay investment advisory fees in advance of receiving services. Upon termination of your advisory agreement with our firm, we will promptly refund any prepaid, unearned fees.

- For investment and wealth management services, refunds are calculated by taking the total advisory fee billed for the calendar quarter, dividing that amount by the number of days in the calendar quarter and multiplying that amount by the number of days services were not provided during the calendar quarter.
- For Independent Managers, the Independent Manager determines the manner in which advisory fees are billed (in advance or arrears). You should refer to the manager's Form ADV Part 2A Brochure for additional information on how fees are paid for their services.
- For financial planning and consulting services, refunds are calculated based on the value of the services that were completed prior to termination of the advisory agreement.

## **Other Types of Fees and Expenses You May Incur**

Clients can incur certain charges imposed by custodians, brokers, third-party investments and other third parties, such as fees charged by Independent Managers, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to SWM's fee. SWM shall not receive any portion of these commissions, fees, and costs, including any distribution or "12b-1" fees paid by the mutual funds in which your account assets are invested.

SWM has contracted with Trade-PMR, Inc. ("Trade-PMR") for brokerage services, including trade processing, collection of management fees, marketing assistance and research. *Item 12 – Brokerage Practices* further describes the factors that SWM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

SWM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or participate in side-by-side management.

## **Item 7 – Types of Clients**

SWM provides portfolio management services to individuals, high net worth individuals and families, trusts, estates, charitable institutions, foundations, corporations, and other business entities.

SWM generally requires a minimum initial investment of \$500,000 for investment management services. The firm, in its sole discretion, may accept clients with smaller portfolios based upon each client's particular circumstances.

Certain Independent Managers may impose more restrictive account requirements and varying billing practices than SWM. In such instances, SWM can alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

## **Item 8 – Methods of Analysis, Investment Strategies**

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

SWM carefully constructs a risk-adjusted, tax-efficient, and cost-effective asset allocation strategy based on a client's unique cash flow needs, stated return and risk profile. Security selection is based on qualitative, quantitative, technical, and relative strength metrics. Portfolio holdings are constantly monitored and adjusted as market conditions and our clients' circumstances dictate. Clients may hold or retain other types of assets as well, and SWM can offer advice regarding those various assets as part of our services. Advice regarding such assets generally will not involve asset management services.

SWM predominantly utilizes a combination of active and passive strategies to allocate client assets primarily among publicly traded securities, such as stocks, bonds, ETFs, mutual funds, and/or separately managed portfolios. Nevertheless, individual client circumstances may dictate the use of other types of securities, actively managed portfolios, or alternative investments. Depending upon the client's financial needs, strategies implemented might include long term purchases (securities held at least a year), short term purchases (securities sold within a year), option writing, including covered options, uncovered options or spreading strategies, and other securities transactions. Under specific and limited circumstances, we can also invest in leveraged or unleveraged inverse ETFs as well as inverse volatility ETFs.

## **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. All investments present the risk of loss of principal – the risk that the value of securities (e.g., stocks, mutual funds, ETFs, bonds, etc.), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment. There is no guarantee that investment recommendations made by SWM will be successful. We cannot assure that your account will increase, preserve capital, or generate income, nor can we assure that your investment objectives will be realized. Although all investments involve risk, our investment advice seeks to limit risk through diversification among various asset classes.

We may recommend a variety of security types for your account in an effort to achieve your individual needs and goals. This may include, but is not limited to, stocks, bonds, open-end and closed-end mutual funds, ETFs, hedge funds, private equity funds, venture capital funds, advisory accounts, real estate investment trusts, or other private alternative or other investment funds. An investment in such other funds or managers may present risks specific to the particular investment vehicle, such as long-term illiquidity, redemption notice periods or other restrictions on redemptions, capital calls, or periodic taxable income distribution.

Described below are the material risks associated with investing in the types of securities we generally use in client accounts:

### **Equity Securities**

In general, prices of equity securities (common, convertible preferred stocks and other securities whose values are tied to the price of stocks, such as rights, warrants and convertible debt securities) are more volatile than those of fixed-income securities. The prices of equity securities could decline in value if the issuer's financial condition declines or in response to overall market and economic conditions. Investments in smaller companies and mid-size companies may involve greater risk and price volatility than investments in larger, more mature companies.

### **Fixed-Income Securities**

The return and principal value of bonds fluctuate with changes in market conditions. Fixed-income securities are subject to interest rate risk and credit quality risk. The market value of fixed-income securities generally declines when interest rates rise, and an issuer of fixed-income securities could default on its payment obligations. Changes in interest rates generally have a greater effect on bonds with longer maturities than on those with shorter maturities. If bonds are not held to maturity, they may be worth more or less than their original value. Credit risk refers to the possibility that the issuer of a bond will not be able to make principal and/or interest payments.

High yield bonds, also known as “junk bonds,” carry higher risk of loss of principal and income than higher rated investment grade bonds.

## **Mutual Funds**

Mutual funds may invest in different types of securities, such as value or growth stocks, real estate investment trusts, corporate bonds, or U.S. government bonds. There are risks associated with each asset class.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund. Redemption is at the current net asset value, which may be more or less than the original cost. Aggressive growth funds are most suitable for investors willing to accept price per share volatility since many companies that demonstrate high growth potential can also be high risk. Income from tax-free mutual funds may be subject to local, state and/or the alternative minimum tax.

Because each mutual fund owns different types of investments, performance will be affected by a variety of factors. The value of your investment in a mutual fund will vary from day to day as the values of the underlying investments in a fund vary. Such variations generally reflect changes in interest rates, market conditions and other company and economic news. These risks may become magnified depending on how much a fund invests or uses certain strategies. A fund's principal market segment(s), such as large-cap, mid-cap or small-cap stocks, or growth or value stocks may underperform other market segments or the equity markets as a whole.

You can find additional information regarding these risks in the fund's prospectus.

## **Exchange-Traded Funds (ETFs)**

ETFs are typically investment companies that are legally classified as open-end mutual funds or unit investment trusts. ETFs differ from traditional mutual funds in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and ask price is often referred to as the “spread.” The spread varies over time based on the ETF's trading volume and market liquidity. It is generally lower if the ETF has high trading volume and market liquidity and higher if the ETF has low trading volume and market liquidity. Liquidity risks are higher for ETFs with a large spread. ETFs may be closed and liquidated at the discretion of the issuing company. Risks associated with leveraged or unleveraged inverse ETFs as well as inverse volatility ETFs include compounding risk, derivative securities risk, correlation risk and short sale exposure risk.

## **International Investing**

The risks of investing in foreign securities include loss of value as a result of political or economic instability; nationalization, expropriation or confiscatory taxation; changes in foreign exchange rates and foreign exchange restrictions; settlement delays; and limited government regulation (including less stringent reporting, accounting, and disclosure standards than are required of U.S. companies). These risks may be greater with investments in emerging markets. Certain investments utilized by SWM can also contain international securities.

## **Cash and Cash Equivalents**

A portion of your assets may be invested in cash or cash equivalents to achieve your investment objective, provide ongoing distributions, and/or take a defensive position. Cash holdings may result in a loss of market exposure.

## **Alternative Investments**

Alternative investments are illiquid investments and do not trade on a national securities exchange. Alternative investments typically include investments in direct participation program securities (partnerships, limited liability companies, business development companies or real estate investment trusts), commodity pools, private equity, private debt, or hedge funds. Alternative investments are subject to various risks, such as illiquidity and property devaluation based on adverse economic and/or real estate market conditions.

Alternative investments are not suitable for all investors. Investors considering an investment strategy utilizing alternative investments should understand that alternative investments are generally considered speculative in nature and may involve a high degree of risk, particularly if concentrating investments in one or few alternative investments. These risks are potentially greater and substantially different than those associated with traditional equity or fixed income investments.

## **Interval Funds**

An interval fund is a type of closed-end fund containing shares that do not trade on the secondary market. Instead, the fund periodically offers to buy back a percentage of outstanding shares at net asset value.

The rules for interval funds, along with the types of assets held, make this investment largely illiquid compared with other funds. The primary reasons for investors to consider investing in interval funds SWM may utilize include, but are not limited to, gaining exposure to certain risk categories that provide diversified sources of expected returns, part of which may be in the form of illiquidity premiums. Access to the intended risk and expected return characteristics may not otherwise be available in more liquid, traditional investment vehicles.

Where appropriate, SWM may utilize certain interval funds structured as non-diversified, closed-end management investment companies, registered under the Investment Company Act of 1940. Investments in an interval fund involve additional risk, including lack of liquidity and restrictions on withdrawals. During any time periods outside of the specified repurchase offer window(s), investors will be unable to sell their shares of the interval fund. There is no assurance that an investor will be able to tender shares when or in the amount desired, and the fund may suspend or postpone purchases. Clients should carefully review the fund's prospectus to more fully understand the interval fund structure and the corresponding liquidity risks. Because these types of investments involve certain additional risk, these funds will only be utilized when consistent with a client's investment objectives, individual situation, suitability, tolerance for risk and liquidity needs. Investment should be avoided where an investor has a short-term investing horizon and/or cannot bear the loss of some or all of the investment.

Additional information regarding these risks can be found in the product's prospectus or offering documents.

## **Item 9 – Disciplinary Information**

As a registered investment adviser, SWM is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our management. SWM has no disciplinary information to report.

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

SWM has no other financial industry activities or affiliations.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Our Code of Ethics**

SWM is committed to providing investment advice with the utmost professionalism and integrity. Our firm strives to identify manage and/or mitigate conflicts of interest and has adopted policies, procedures, and oversight mechanisms to address conflicts of interest. We have adopted a Code of Ethics that emphasizes our fiduciary obligation to put client interests first and is designed to ensure personal securities transactions, activities, and interests of employees will not interfere with the responsibilities to make decisions in the best interest of clients. All supervised persons of our firm must acknowledge and comply with our Code of Ethics.

You may request a copy of our Code of Ethics by contacting us at (817) 415-2877.

## **Participation in Client Transactions**

SWM does not affect principal or agency cross securities transactions for client accounts. SWM also does not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells a security to an advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Employee Personal Trading**

Supervised persons of SWM can purchase or sell the same security that we recommend for investment in client accounts. This creates a conflict of interest as there is a possibility that employees of our firm might benefit from market activity by a client in a security held by the employee. Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SWM will not interfere with making decisions in the best interest of advisory clients and implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of SWM's clients. Our Code of Ethics also places restrictions on our employees' personal trading activities. These restrictions include, but are not limited to, a prohibition on trading based on non-public information and pre-clearance requirements for certain types of transactions. Employee trading is continually monitored under the Code of Ethics in an effort to prevent conflicts of interest between SWM and our clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with SWM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. SWM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.



## **Item 12 – Brokerage Practices**

### **Selection and Recommendation of Broker-Dealers**

Though SWM recommends brokers with which we have negotiated pricing on behalf of our clients, we do not have discretionary authority to select brokers. We endeavor to recommend broker-dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services that will help our firm provide investment management services to clients. SWM can recommend brokers who provide useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance.

We have negotiated competitive pricing and services with Trade-PMR for brokerage back-office and trade execution services and First Clearing for clearing and custodial services. First Clearing is a trade name used by Wells Fargo Clearing Services, LLC., a non-bank affiliate of Wells Fargo & Company. Trade-PMR and First Clearing are members of SIPC and are unaffiliated registered broker-dealers and FINRA members. The brokerage commissions and/or transaction fees charged by Trade-PMR are included in SWM's wrap fee. SWM regularly reviews the reasonableness of the compensation received by the broker-dealers used for executing client transactions in an effort to ensure that our clients receive favorable execution consistent with our fiduciary duty. Factors which SWM considers in recommending Trade-PMR and First Clearing or any other broker-dealer to clients include, but is not limited to, their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by these brokers may be higher or lower than those charged by other broker-dealers.

In addition, Trade-PMR provides SWM with access to its institutional trading and custody services, which are typically not available to retail investors. These brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Other benefits we will receive include receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its participants; access to block trading which provides the ability to aggregate securities transactions and then allocates the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

In limited circumstances, SWM clients may elect to utilize a custodian other than First Clearing.

The commissions paid by SWM's clients are intended to be consistent with our duty to obtain "best execution." However, a client may pay a commission that is higher than what another qualified broker-dealer might charge to affect the same transaction when SWM determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. 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, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while SWM will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

Independent Managers selected by clients to manage clients' assets will generally also request the discretion to select brokers and negotiate commissions on behalf of a client. SWM will not have control over trading execution by such managers. Clients should review the Form ADV disclosure documents of such managers regarding their trading practices.

### **Research and Other Soft Dollar Benefits**

SWM does not participate in soft-dollar relationships.

### **Brokerage for Client Referrals**

When selecting broker-dealers for the execution of client securities transactions, SWM does not consider whether we will receive any client referrals from the broker-dealer or any other third-party.

### **Directed Brokerage**

As SWM will not request the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct SWM as to the broker-dealer to be used. The commissions and transaction fees charged by these broker-dealers could be higher or lower than those charged by other custodians and broker-dealers. When directing the use of a particular broker-dealer, it should be understood that SWM will not have authority to negotiate commissions among various broker-dealers or obtain volume discounts. As such, best execution may not be achieved. Not all investment advisers require clients to direct the use of specific broker-dealers.

### **Aggregation of Orders**

Transactions for each client will generally be effected independently. For certain trades, SWM will block trades where possible and when advantageous to clients. The blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts where transaction costs are shared equally and on a pro-rated basis between all accounts included in the block. Block trading allows us to execute equity or fixed income trades in a timely, equitable manner and to reduce overall commission charges to clients. Clients who do not provide SWM with discretion will not participate in block trades, and their trades in similar securities will be placed with brokers after trades for discretionary accounts. Accounts owned by supervised persons of our firm may participate in block trading with your accounts; however, these individuals will not be given preferential treatment of any kind.

## **Item 13 – Review of Accounts**

Accounts at SWM are reviewed on a periodic basis. This informal review includes assessing client goals and objectives, monitoring the account, and addressing the need to rebalance, as necessary. Individual securities held in client accounts are periodically monitored by the firm, while any selected third-party managers are monitored on a quarterly basis. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes to a client's individual circumstances, market conditions, or the political or economic environment.

SWM can also review tax-planning needs, cash-flow needs, as well as charitable giving, insurance, and estate planning as part of our ongoing client reviews. Reviews are tailored to the services we provide to you, as well as your individual needs and goals. We encourage you to discuss your needs, goals, and objectives with us and keep us informed of any changes. If you engage our firm for ongoing investment advisory services, we will contact you at least annually to determine whether there have been any changes to your financial situation or investment objectives and whether you wish to impose any reasonable restrictions on the management of your account or reasonably modify any existing restrictions. At this time, we will advise you of any account changes we feel are necessary to help you stay on track with meeting your financial goals and consider whether the current services provided by our firm continue to be suitable for your needs.

As a convenience to our clients, in addition to reporting on clients' financial assets, at a client's request we may prepare a global consolidated report that also includes certain non-financial assets (e.g., real assets). In such instances, SWM relies on the client to provide current and accurate price or other valuation information for those assets to be included in the client's consolidated account report. SWM does not independently verify, and expressly disclaims responsibility for, the accuracy of any non-financial asset values clients provided to us to include in their reporting.

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

### **Other Compensation Arrangements**

SWM receives compensation from Trade-PMR, Inc., the broker-dealer used for your account, and your account custodian in the form of access to electronic systems that assist us in the management of client accounts, as well as research, software and other technology that provide access to client account data (such as trade confirmations and account statements), pricing information and other market data, facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), and client reporting capabilities. First Clearing also offers us discounts for products and services offered by vendors and third-party service providers, such as software, technology solutions and business consulting. These economic benefits create a conflict of interest in that it gives our firm an incentive to recommend one broker-dealer or custodian over another that does not provide similar electronic systems, support, or services. We address this conflict of interest by

disclosing to our clients the types of compensation that our firm receives so clients can consider this when evaluating our firm. It is important that you consider the fees, level of service and investment strategies, among other factors, when selecting an investment manager.

### **Principal Compensation**

Employees of SWM receives a regular salary and bonus, which is contingent partly on the profitability of the firm. In addition, the principals have an ownership interest in the firm and would participate in any financial success of the firm. Principals of the firm are also financial professionals who make recommendations. SWM recognizes this incentivizes these financial professionals to maximize profits. SWM also recognizes its fiduciary duty and will strive at all times to provide investment advice that is always in the best interests of our clients.

### **Client Referrals**

SWM does not pay any referral fees to other individuals for referring clients to our firm.

## **Item 15 – Custody**

When you establish a relationship with our firm for investment management services, your assets will be maintained by a bank, broker -dealer, mutual fund transfer agent or other such institution deemed a 'qualified custodian' by the SEC. We rely on the custodian to price and value assets, execute and clear transactions, maintain custody of assets in your account and perform other custodial functions. SWM does not maintain physical possession of any client account assets. Clients' assets must be held by a bank, broker dealer, mutual fund transfer agent or other such institution deemed a qualified custodian. We utilize First Clearing as the qualified custodian for client accounts.

You will receive monthly and/or quarterly account statements directly from the qualified custodian. SWM may also provide you with written quarterly performance reports for your account. We urge you to carefully review your account statements and compare the account balances with the balances reflected on any performance report you may receive from our firm for accuracy. Balances on our reports may vary slightly from custodial statements due to differences in accounting procedures, reporting dates, valuation methodologies of certain securities or other operational factors. You should promptly notify us if you do not receive account statements from your custodian at least quarterly or if you believe the information on your account statements is inaccurate.

## **Item 16 – Investment Discretion**

SWM typically has investment discretion over clients' securities accounts. Investment discretion is the authority to determine the securities or other assets to purchase or sell on behalf of an account.

Investment discretion will also include the authority to select or terminate a third-party asset manager. This authority is exercised in a manner consistent with your stated investment objective for the particular account. You must provide written authorization to our firm before we can assume discretionary authority over your account. Any investment guidelines or restrictions you would like to place on your account must be provided to SWM in writing.

## **Item 17 – Voting Client Securities**

As a general policy, SWM will retain proxy voting authority for clients that have given us the authority to do so. In such cases, we will follow the proxy voting guidelines outlined in our Proxy Voting Policies and Procedures. You may obtain a copy of our Proxy Voting Policies and Procedures and/or a record of ballots voted upon by contacting us at (817) 415-2877. In certain situations, the Independent Manager may be responsible for the voting of client proxies.

Clients may also elect to have us participate in class action lawsuits and related settlements on their behalf. In such cases, we utilize a third-party service provider to assist the firm with the filing process, who receives 20% of any settlement awarded to the client for their services. These class action litigation services do not include Fair Fund recoveries, which must be handled directly by you.

## **Item 18 – Financial Information**

As a registered investment adviser, SWM is required to provide you with certain financial information about our firm. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Additionally, we do not have any financial commitment that is reasonably likely to impair our contractual commitments to our clients, nor has our firm ever been the subject of a bankruptcy proceeding.