

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

March 9, 2023

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This brochure provides information about the qualifications and business practices of Titleist Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 210-826-2424 or via email to [compliance@tamgmt.com](mailto:compliance@tamgmt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Titleist Asset Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## Item 4: Advisory Business

### A. Ownership/Advisory History

Titleist Asset Management, LLC (referred hereinafter to as "TAM" or the "firm") was incorporated in the State of Texas in 2022, but the firm's principals and investment professionals have been providing investment management services through one or more TAM affiliates since 2003. TAM is registered with the SEC as a Registered Investment Advisor ("RIA"). Mr. Byron L. Fields and Mr. Joe-Ben O'Banion control TAM.

As of 02/06/2023, all assets being serviced by TAM including both the RIA (TAM) and BD (Titleist Capital, Inc.) total \$1,072,638,807. At the present time, the investment advisory assets under management are \$960,498,129. The brokerage assets being serviced total \$112,140,678. This amount is comprised of securities such as mutual funds, annuities, and alternative investments.

### B. Advisory Services Offered

#### Investment Management Services

Investment Management Services begin by TAM assisting each new client in determining the client's investment objectives. TAM will analyze each client's current investments, investment objectives, goals, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance to implement a portfolio consistent with such investment objectives, goals, risk tolerance and related financial circumstances. In addition, TAM may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

Once a portfolio is established, the Investment Advisor Representative ("IAR"), in a fiduciary capacity, manages each client's investments in a manner consistent with the client's objectives and risk tolerance. When discretionary authority is granted by a client, TAM is free to select the securities to buy and sell, the amount to buy and sell, and when to buy and sell. TAM will be restricted to having limited trading authorization.

TAM offers a customized and individualized investment program for clients. A specific asset allocation strategy is crafted to focus on the specific client's goals and objectives. TAM offers the following allocation strategies ("Allocation Strategies"), which are described in detail in Item 8 of this brochure:

- Income Portfolio
- Conservative Portfolio
- Balanced Portfolio
- Growth Portfolio
- Capital Appreciation Portfolio

The Allocation Strategies are monitored and overseen by the firm's investment committee. The investment committee comprises Byron Fields, Austin Graff, and Joe-Ben O'Banion.

Clients have the right to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and should promptly notify the firm in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. TAM will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. TAM will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

### **Financial Planning Services**

TAM provides financial planning services to meet clients' goals consistent with their financial status, investment objectives, and tax status. These services include, but are not limited to:

- Financial planning for retirement, education, major purchases, debt management, savings needs and goals, insurance needs, long-term care needs, business planning, and legacy, succession, and estate planning.
- Budget considerations for immediate and future needs
- Reviewing employer-provided benefits / planning benefits for self-employed
- Analyzing financial impact of potential life changes or options to help the client make decisions

TAM will obtain and analyze the necessary financial data from the client to provide the above-mentioned services. The client will receive a written plan and recommendations based on their current financial position and information obtained in meetings with the client.

The client will be required to complete an overall assessment or questionnaire to assist TAM in formulating the client's financial planning objectives. The client's active participation in the formulation and implementation of the financial planning objectives is required for TAM's preparation of the client's financial plan. Certain documents such as financial statements, tax returns, etc., may be requested by TAM to perform a more complete and thorough evaluation of client's financial position.

After completing the initial financial planning process, the client may choose to continue using TAM to help implement the recommendations and strategies in the financial plan. We are available to assist in a variety of ways. If you specifically request, TAM, acting in a sales capacity, will recommend specific insurance and products through which your financial plan can be implemented. Purchasing insurance products may result in additional fees or commissions. We will work with other professionals that the client specifically requests in order to help facilitate the implementation of the plan; such request must be made in writing.

TAM does not provide tax or legal advice, and recommends clients consult with their tax and/or legal professional for such guidance. TAM is not qualified to prepare accounting or legal documents for the implementation of client's financial plans which includes but is not limited to legal advice, opinions, determinations, documents, or tax returns and accounting documents.

## **Retirement Plan Investment Advisory Consulting Services**

TAM provides investment advisory consulting services to qualified 3(21) and 3(38) plans.

### **3(21) Retirement Plans**

TAM provides non-discretionary ERISA Section 3(21) services to its Plan clients that may involve one or more of the following:

- TAM will select a diverse portfolio of securities and inform the Plan of the securities selected.
- The Plan will select, monitor, and change the securities included in the portfolios offered to Plan Participants from time-to-time as determined by the Plan in its sole discretion.
- TAM will serve as a non-discretionary investment manager of the Plan as defined in Section 3(21) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), when it is providing the services described above and acknowledges that it is a co-fiduciary to the Plan in providing such services.
- TAM will act as a non-discretionary, co-fiduciary only with respect to this investment management function, and not in regard to the administration of the Plan. The Plan Administrator, as defined in ERISA and as appointed under the Plan document, or its delegate, is responsible for the Plan's administration, and any fiduciary services not specifically delegated to TAM under the agreement.
- The Plan's record-keeper will provide quarterly performance reports to the Plan representatives regarding the performance of the products in the Plan.

### **3(38) Retirement Plans**

TAM may provide ERISA Section 3(38) discretionary services to 3(38) Plans involve the following:

- TAM will select a diverse suite of investment options and inform the Plan of the securities selected.
- TAM will select, monitor, and change the securities included in the portfolios offered to Plan participants from time-to-time as determined by TAM in its sole discretion. Portfolios generally will include multiple asset classes of mutual funds and exchange-traded funds sponsored by established fund families. The Plan representatives acknowledge that the selection of available investments is subject to change from time-to-time, and funds may be merged or closed at any time without notice to TAM. In such an event, TAM will make changes and replace closed funds when deemed necessary or desirable by TAM.
- In those instances in which the Plan representatives do not have an established relationship with a qualified record-keeper, TAM will assist the Plan representatives in establishing a relationship with an independent, qualified record-keeper on behalf of the Plan. In such instances, TAM, from time to time, in its sole discretion, will direct the record-keeper to rebalance account balances of Plan participants to the extent necessary to comply with the current allocation of the TAM's portfolios.

- TAM will serve as a discretionary investment manager of the Plan as defined in Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), when it is providing the services described above and acknowledges that it is a fiduciary to the Plan in providing such services.
- TAM will provide discretionary fiduciary investment management services as an investment manager for the Plan, as such term is defined in Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).
- TAM will act as a discretionary fiduciary only with respect to this investment management function, and not in regard to the administration of the Plan. The Plan Administrator, as defined in ERISA and as appointed under the Plan document, or its delegate, is responsible for the Plan’s administration, and any fiduciary services not specifically delegated to TAM under this Agreement.
- TAM has no responsibility to provide any services and does not serve in any fiduciary capacity with regard to the following types of assets unless such types of assets are included in an investment option selected by the sub-adviser: employer securities, real estate (but excluding real estate funds and publicly traded REITS), non-publicly traded securities or assets, or other illiquid assets (collectively, “Non-Traditional Assets”). TAM has no responsibility to provide any investment advisory services with regard to investment options selected by the Plan representatives or any other advisor or manager on their behalf, including, but not limited to, investments offered through an open architecture brokerage window or an investment or investments chosen by the Plan representatives or a third party.). The Non-Traditional Assets will be included in determining the fees payable to TAM, and the fees will be calculated only on total plan assets.
- The Plan’s record-keeper will provide quarterly performance reports to the Plan representatives regarding the performance of the products in the Plan.

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

Each client’s account will be managed on the basis of the client’s financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

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

TAM is the sponsor and manager for its proprietary wrap fee program, where brokerage commissions and transaction costs are included in the asset-based fee charged to the client. TAM provides clients the option of participating in wrap or non-wrap fee arrangements. Refer to the ADV Part 2, Appendix 1, Wrap Fee Brochure for a full description of wrap program services and fees.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### Investment Management Services Fees

Clients are charged for TAM's investment management services based on a percentage of assets under management or as flat annual fee billed quarterly. All fees may be negotiated but are generally assessed according to the following fee schedule, which represents the maximum fees charged:

<u>Asset Value of Account</u>	<u>Maximum Annual Fee</u>
Up to \$1,000,000	1.50%
\$1,000,001 – \$3,000,000	1.25%
\$3,000,001 or greater	1.00%

TAM does not impose a minimum account balance for the opening of an account. Multiple accounts of immediately related family members, at the same mailing address, may be considered one consolidated account for billing purposes.

TAM may utilize leverage in the management of its clients' accounts and calculates its fees on the gross value of the portfolio. Although we strive to place our clients' interests first, this practice creates an economic incentive for a firm to utilize leverage in order to increase its fee revenue.

Fees are charged quarterly in arrears unless otherwise agreed to by the firm and client in writing. Payments are due and will be assessed within 30 days after the beginning of each calendar quarter, based on the quarter ending balance of the account(s) under management for the preceding quarter. Fees will not be prorated for contributions or withdrawals to a client's portfolio for the quarter in which the change occurs.

TAM may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

#### Allocation Strategy Fees

Clients invested in a TAM model strategy will be charged a model fee of up to 0.50% (annualized) on assets invested in such strategy. This fee is negotiated on a client-by-client basis. This fee is in addition to the advisory fee charged by TAM.

**Example:** A client has assets under management of \$500,000 and invests \$50,000 in the Allocation Strategy in an existing advisory account or new advisory account. The respective advisory agreement between TAM and client indicates a 1%, or \$5,000, annual advisory fee based on total assets under management. The portion of those assets in the Strategy, \$50,000, would incur an additional .5%, or \$250, management fee charged by TAM for the management of the strategy. The total advisory fee in this example would be \$5,250 or 1.05%.



Although we strive to place our clients' interests first, depending upon the amount of assets committed to a particular strategy, the firm will be economically incentivized to recommend the strategy with the highest economic benefit to itself.

### **Financial Planning Fees**

TAM may charge a fixed annual fee for financial planning services. The terms and conditions of the financial planning engagement are set forth in the client agreement. Clients will be billed quarterly in advance. The firm does not take receipt of \$1200 or more in prepaid fees in excess of six months in advance of services rendered.

The financial planning agreement provides for ongoing financial planning services and will automatically renew after the first anniversary date unless written notice is provided by either party. The type of planning to be done and the amount of the fee, if applicable, will be set forth in the agreement and a separate invoice sent to the client. Both parties retain the right not to renew.

### **Retirement Plan Investment Advisory Consulting Fees**

#### **ERISA Plans Tiered Fee Schedule**

Ongoing asset-based fees are calculated based on a percentage of Plan assets under management and billed quarterly in arrears. The quarter-end Plan assets under management are defined as total plan assets on the last trading day of the quarter. Once Plan assets exceed a tiered breakpoint, the annual management fee will be reduced the following quarter and applied to all plan assets.

Fees shall be accrued and paid quarterly billing period by the Plan in arrears. If the agreement becomes effective or terminates before the end of quarter, the fee for the period from the effective date to the end of the billing period or from the beginning of such billing period to the date of termination, as the case may be, shall be prorated for the portion of time that the management agreement was in effect.

<u>Total Assets Under Management</u>	<u>Maximum Annual Fee</u>
Up to \$3,000,000	1.00%
\$3,000,001 - \$5,000,000	0.60%
\$5,000,001 - \$10,000,000	0.45%
\$10,000,001 - \$25,000,000	0.30%
\$25,000,001 - \$50,000,000	0.25%
\$50,000,001 or more	Negotiable

Example: Plan assets close March 31 with a balance of \$3,050,000. Beginning April 1 (second quarter), the new annual management fee will be reduced from 0.50% to 0.45%, applied on quarterly basis of 0.1125% billed in June after the second quarter ends. Any Qualified Plans other than individual retirement accounts (e.g., 401k, 403b plans) invested in Titleist Managed Models are not charged the additional model fee.

## **B. Client Payment of Fees**

### **Investment Management Fees**

Investment management fees will generally be billed and payable quarterly in arrears unless otherwise agreed to by the firm and client in writing.

Quarterly fees billed in arrears at the beginning of each calendar quarter based on the value of assets under management at the end of the previous quarter and is payable within 30 days after the beginning of each calendar quarter. Should the advisory agreement be terminated, the client will be charged a prorated fee in accordance with the number of days that have elapsed from the end of the last billed quarter through the date of termination.

Quarterly fees billed in advance in each following calendar quarter based on the value of assets under management at the end of the previous quarter and is payable within 30 days after the beginning of each following calendar quarter. Should the advisory agreement be terminated, the client will be refunded a prorated fee in accordance with the number of days that have elapsed from the date of termination through the end of the quarter.

TAM requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

TAM will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A client investment advisory agreement may be terminated by either party with a thirty (30) day written notice to the other. Upon termination, any unearned, prepaid fees will be promptly refunded and any earned, unpaid fees will be immediately due and payable.

### **Financial Planning Fees**

The terms and conditions of the financial planning engagement are set forth in the client agreement. Clients will be billed quarterly in advance. The firm does not take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered. Client may pay by personal check, or fees may be deducted directly from the client's custodial account (Third Party Check Request and/or ACH Authorization Agreement required).

The agreement may be terminated with no penalty by any party effective upon receipt of written notice to the other parties. TAM will provide the client with a prorated refund of fees paid in advance. The refund will be based on the number of days service was provided during the quarter. TAM will provide a billing statement summarizing all charges and an explanation of the prorated refund due to client or the prorated charges due from client.

**Retirement Plan Investment Advisory Consulting Fees**

Fees shall be accrued and paid quarterly by the Plan in arrears. If the agreement becomes effective or terminates before the end of quarter, the fee for the period from the effective date to the end of the billing period or from the beginning of such billing period to the date of termination, as the case may be, shall be prorated for the portion of time that the management agreement was in effect. The Plan representatives will be responsible for verifying the accuracy of the fee computation. The Plan's custodian will provide the Plan representatives with regular statements indicating all amounts disbursed from the Plan's account, including the amount of fees paid.

The Plan representatives, on the Plan's behalf, have the option to either pay a fee to TAM or pass along to Plan participant accounts based on each participant's account balance. Custody of Plan assets will be maintained in account(s) with a qualified custodian selected by the Plan representatives. TAM will not take or accept physical custody of any assets in the account. The Plan will be solely responsible for paying all fees or charges of the Plan's custodian and record-keeper. The Plan representatives authorize TAM to instruct the custodian to deduct the fee directly from the Plan or participant's account.

The agreement may be terminated at any time, without penalty, by the Plan representatives or by TAM with 30 days' advance written notice to the other party. Upon termination, the Plan representatives will issue to TAM written instructions regarding the Plan assets held in the account, and the Plan representatives shall be responsible for monitoring the assets in the account. TAM will be under no obligation to the Plan to recommend any action after termination.

**C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using TAM may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## **D. External Compensation for the Sale of Securities to Clients / Conflicts of Interest**

TAM primarily utilizes third-party institutional custodians to establish and maintain advisory accounts. In doing so, TAM can access a variety of investment programs, including some that offer certain compensation and fee structures that create conflicts of interest of which clients should be aware. Firms like TAM that are dually registered as both investment advisors and broker-dealers face certain inherent conflicts when providing services to clients.

A discussion of some of these conflicts follows, but clients are always encouraged to discuss applicable conflicts, fees, and related matters with their TAM Representative. Please also refer to *Item 12. Brokerage Practices* for additional information about these and other conflicts of interest faced by TAM in connection with the services it provides.

### **Transaction Fee and Distribution Payment**

To the extent AXOS Clearing is utilized for advisory accounts, please review the following:

The management fee clients pay TAM does not cover transaction costs incurred as a result of implementing its advice or strategies, such as fees charged by the broker-dealers involved in executing the transactions. AXOS Clearing charges TAM set fees that vary based on the type of security to execute securities transactions on its behalf.

In its capacity as an introducing broker-dealer to AXOS Clearing, TAM is able to control transaction costs passed along to clients and has opted to set a flat fee for all securities transactions, which involves a markup for TAM. For its securities transactions, such as equities, ETFs, and mutual funds, transaction costs charged by AXOS Clearing are lower than the flat fee charged by TAM.

Depending on the particular transaction, the flat transaction fee charged by TAM results in TAM either covering a portion of the transaction costs otherwise borne by clients or receiving a premium over the direct costs charged by AXOS Clearing for the transaction. This structure creates an economic incentive for TAM to recommend certain types of securities over others.

### **Custodian Investment Programs**

Please be advised that certain of the firm's investment advisor representatives are registered with a broker-dealer and/or the firm is a broker-dealer or affiliated with a broker-dealer. Under these arrangements, TAM can access certain investment programs offered through the broker-dealer that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. As such, the investment advisor representative and/or the firm may have an economic incentive to recommend the purchase of 12b-1 or revenue share class mutual funds offered through the broker-dealer platform rather than from the investment advisor platform. Ultimately, it is the client's decision to open an account through the broker-dealer or investment advisor platform. Factors clients should consider are the size of the portfolio, number of portfolio securities and the expected number of transactions to be effected. Clients should discuss with their financial advisor the pros and cons of each platform.

**Limitation on Mutual Fund Universe for Custodian Investment Programs:**

TAM participates in certain programs offered by AXOS Clearing that limit the universe of mutual funds and mutual fund share classes available to only those for which AXOS Clearing has negotiated the receipt of 12b-1 fees or other revenue-sharing payments, including shareholder servicing fees ("*Distribution Fees*") from the mutual fund issuer or sponsor. Distribution fees are deducted from the net asset value of the fund and are incorporated in the price clients pay for the security. Because of this, if *everything* else is equal, funds that pay Distribution Fees will earn lower rates of return than funds not paying such fees. For many funds available within these programs, AXOS Clearing shares a portion of the Distribution Fees it receives with TAM in its capacity as a FINRA member broker-dealer. Receiving these fees presents a conflict of interest for TAM because it creates an incentive for TAM to recommend that clients open a brokerage account and select funds from the limited universe of options available through these programs as doing so may lead to increased revenue.

**Mutual Fund Servicing Revenue**

Among the programs described immediately above is the no-transaction-fee program. Through this program, TAM is able to offer participating mutual funds ("*NTF Funds*") at no transaction cost to the client. NTF Funds, however, generally pay distribution fees to AXOS Clearing and to TAM in its capacity as a FINRA member broker-dealer. The amount of these fees varies based on the terms of the distribution agreement between AXOS Clearing and the fund's sponsor. TAM, in its capacity as an SEC-registered investment advisor has opted to credit to the client accounts any distribution fees that it receives from participation in this program. However, clients should be aware that AXOS Clearing, as the custodian to TAM's clients' accounts, benefits economically from TAM choosing funds on the NTF platform, which creates a conflict of interest.

The potential to receive distribution fees creates an incentive for TAM to recommend NTF Funds over comparable funds that do not share such fees with TAM. This presents a conflict of interest for TAM because NTF Funds may be more expensive to hold (because of higher internal mutual fund expenses, including the distribution fee) than other available mutual funds—even after incorporating the cost of the transaction fee that would otherwise be avoided. TAM also has an incentive to recommend NTF Funds over other funds offering similar strategies even if the NTF Funds are lower performing because of the receipt of revenue-sharing payments.

**AXOS Clearing – To the Extent Utilized for TAM Advisory Clients**

AXOS Clearing is generally not utilized for TAM's advisory clients; however, if it were to be used, please note that AXOS Clearing offers thousands of mutual funds in which it earns sales and distribution fees and shares with TAM in its capacity as a FINRA member broker-dealer. TAM, however, in its capacity as an SEC-registered investment adviser has opted out of receiving revenue from this program. However, as custodian, AXOS Clearing benefits economically, which impacts the amount of services AXOS Clearing is willing to provide TAM. In other words, TAM has an economic incentive in limiting its recommendations to those available through the AXOS Clearing platform.

### **Retirement Plan Rollovers**

When employees invested in employer-provided retirement plans retire or leave for a new job, they typically have the following four options: (1) leave the money in the former employer's plan (if permitted); (2) roll the assets over to the new employer's plan (if the new employer offers a plan and permits rollovers); (3) roll the assets over to an individual retirement account (IRA); or (4) cash out the account value (which could result in adverse tax consequences, depending upon the former employee's age).

If a TAM Representative makes a recommendation to roll over assets held in a retirement plan to an account to be managed by TAM, before taking action, clients should discuss the current investment options, allocations, and fees applicable to the plan and determine whether remaining in the plan is an option. Making such a recommendation could also be seen as a conflict of interest between TAM and the client as TAM would earn new (or increase current) compensation resulting from the increase in assets under management. *No client is ever under any obligation to roll over retirement plan assets to an account managed by TAM.*

### **Conversion from a Brokerage Relationship**

Titleist Capital, LLC, an affiliate of TAM, is a FINRA and SEC registered broker-dealer. As such, there are conflicts of interest in recommending which platform is appropriate for the client. Due to different compensation structures between a brokerage relationship and an advisory relationship, a client could experience higher fees depending on the platform utilized, the number of portfolio securities and the frequency of trading. Our goal is to recommend the platform that is in the best interest of the client.

### **Additional Disclosure Concerning Wrap Programs**

To the extent that we either sponsor or recommend wrap fee programs, please be advised that certain wrap fee programs may (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively, the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. As a policy matter, the firm does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes

available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

TAM does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.



## **Item 7: Types of Clients**

The types of clients TAM generally provides investment advice to include, but are not limited to, individuals, high net worth individuals, trusts, estates, corporate retirement plans, charitable organizations, LLCs, and corporations or businesses. TAM does not have a minimum account size requirement.

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

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

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. There is no guarantee that any specific investment or strategy will be profitable for a particular client.

#### **Methods of Analysis**

TAM uses a variety of sources of data to conduct its economic, investment and market analysis, which may include economic and market research materials prepared by others, conference calls hosted by individual companies or mutual funds, corporate rating services, annual reports, prospectuses, and company press releases, and financial newspapers and magazines. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

TAM and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, TAM reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. TAM may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **Model Portfolios & Investment Strategies**

TAM provides numerous investment management styles and strategies, including large and small cap equity, international equity, fixed income, and a broad spectrum of mutual funds and exchange traded funds, either individually or in combination. Generally, TAM recommends and

provides clients a diversified investment strategy incorporating domestic and international equities, fixed income, mutual funds, exchange-traded funds, unit investment trusts among other asset classes.

The exact composition of recommended programs and investment strategies will be determined by the client's legal and tax considerations and greatly influenced by the client's liquidity needs and tolerance for risk.

#### **Allocation Strategies**

- *Income Portfolio* – Primary focus is on current income and reduced volatility with a secondary focus on long-term capital appreciation for investors seeking income.
- *Conservative Portfolio* – Primary focus is on reduced volatility with a secondary focus on long-term capital appreciation for investors with a short-term time horizon.
- *Balanced Portfolio* – Primary focus between long-term capital appreciation and managing volatility for investors with an intermediate to long-term time horizon.
- *Growth Portfolio* – Primary focus between long-term capital appreciation and managing volatility for investors with an intermediate to long-term time horizon.
- *Capital Appreciation Portfolio* – Primary focus is on long-term capital appreciation with a secondary focus on managing short-term volatility for investors with an intermediate to longer-term time horizon.

#### **Mutual Funds and Third-Party Separate Account Managers, and Pooled Investment Vehicles**

TAM may recommend "institutional share class" mutual funds, individual securities (including fixed income instruments), and pooled investment vehicles. TAM may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that TAM will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), managers, and pooled investment vehicles is set forth below.

TAM has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

TAM may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, managers and pooled investment vehicles to clients as appropriate under the circumstances.

TAM reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by TAM on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by TAM (both of which are negative factors in implementing an asset allocation structure).

TAM may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. TAM will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

TAM will regularly review the activities of mutual funds and managers utilized for the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest. Similarly, clients qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

### **Material Risks of Investment Instruments**

TAM generally invests in the following types of securities:

- Equity securities
- Mutual fund securities

- Exchange-traded funds
- Exchange-traded notes
- Fixed income securities
- Municipal securities
- Private placements (for advisory clients only)
- Pooled investment vehicles
- Structured products
- Corporate debt obligations
- Fixed equity annuities
- Fixed equity indexed annuities
- Variable annuities
- Real Estate Investment Trusts ("REITs")
- Hedge funds (for advisory clients only)
- Private Equity (for advisory clients only)
- Preferred Securities
- Convertible Securities
- Derivatives

### **Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

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

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index

Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. ETFs have embedded expenses that the client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **Exchange-Traded Notes ("ETN")**

ETNs are structured debt securities. ETN liabilities are unsecured general obligations of the issuer. Most ETNs are designed to track a particular market segment or index. ETNs have expenses associated with their operation. When a fund invests in an ETN, in addition to directly bearing expenses associated with its own operations, it will bear its pro rata portion of the ETN's expenses. The risks of owning an ETN generally reflect the risks of owning the underlying securities the ETN is designed to track, although lack of liquidity in an ETN could result in it being more volatile than the underlying portfolio of securities. In addition, because of ETN expenses, compared to owning the underlying securities directly it may be more costly to own an ETN. The value of an ETN security should also be expected to fluctuate with the credit rating of the issuer.

#### **Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal

level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

### **Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

### **Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, the firm will be unable to monitor or verify the accuracy of such performance information.

### **Structured Products**

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high investment grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

### **Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

### **Fixed Equity Annuities**

A fixed annuity is a contract between an insurance company and a customer, typically called the annuitant. The contract obligates the company to make a series of fixed annuity payments to the annuitant for the duration of the contract. The annuitant surrenders a lump sum of cash in exchange for monthly payments that are guaranteed by the insurance company. Please note the following risks: (i) Spending power risk. Social Security retirement benefits have cost-of-living adjustments. Most fixed annuities do not. Consequently, the spending power provided by the monthly payment may decline significantly over the life of the annuity contract because of inflation, (ii) Death and survivorship risk. In a conventional fixed annuity, once the annuitant has turned over a lump sum premium to the insurance company, it will not be returned. The annuitant could die after receiving only a few monthly payments, but the insurance company may not be obligated to give the annuitant's estate any of the money back. A related risk is based on the financial consequences for a surviving spouse. In a standard single-life annuity contract, a survivor receives nothing after the annuitant dies. That may put a severe dent in a spouse's retirement income. To counteract this risk, consider a joint life annuity. (iii) Company failure risk. Private annuity contracts are not guaranteed by the FDIC, SIPC, or any other federal agency. If the insurance company that issues an annuity contract fails, no one in the federal government is obligated to protect the annuitant from financial loss. Most states have guaranty associations that provide a level of protection to citizens in that state if an insurance company also doing business in that state fails. A typical limit of state protection, if it applies at all, is \$100,000. To control this risk, contact the state insurance commissioner to confirm that your state has a guaranty association and to learn the guarantee limits applicable to a fixed annuity contract. Based on that information, consider dividing fixed annuity contracts among multiple insurance companies to obtain the maximum possible protection. Also check the financial stability and credit ratings of the annuity insurance companies being considered. A.M. Best and Standard & Poor's publish ratings information.



### **Fixed Equity Indexed Annuities**

An equity-indexed annuity is a type of fixed annuity that is distinguished by the interest yield return being partially based on an equities index, typically the S&P 500. The returns (in the form of interest credited to the contract) can consist of a guaranteed minimum interest rate and an interest rate linked to a market index. The guaranteed minimum interest rate usually ranges from 1 to 3 percent on at least 87.5 percent of the premium paid. As long as the company offering the annuity is fiscally sound enough to meet its obligations, you will be guaranteed to receive this return no matter how the market performs. Your index-linked returns will depend on how the index performs but, generally speaking, an investor with an indexed annuity will not see his or her rate of return fully match the positive rate of return of the index to which the annuity is linked — and could be significantly less. One major reason for this is that returns are subject to contractual limitations in the form of caps and participation rates. Participation rates are the percentage of an index's returns that are credited to the annuity. For instance, if your annuity has a participation rate of 75 percent, then your index-linked returns would only amount to 75 percent of the gains associated with the index. Interest caps, meanwhile, essentially mean that during big bull markets, investors won't see their returns go sky-high. For instance, if an index rises 12 percent, but an investor's annuity has a cap of 7 percent, his or her returns will be limited to 7 percent.

Some indexed annuity contracts allow the issuer to change these fees, participation rates and caps from time to time. Investors should also be aware that trying to withdraw the principal amount from a fixed indexed annuity during a certain period — usually within the first 9 or 10 years after the annuity was purchased — can result in fees known as surrender charges, and could also trigger tax penalties. In fact, under some contracts if withdrawals are taken amounts already credited will be forfeited. After paying surrender charges an investor could lose money by surrendering their indexed annuity too soon.

### **Variable Annuities**

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

### **Real Estate Investment Trusts ("REITs")**

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations, which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange

like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers that are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (i) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships that do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor; however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

With respect to publicly traded REITs, publicly traded REITs may be subject to additional risks and price fluctuations in the public market due to investors' expectations of the individual REIT, the real estate market generally, specific sectors, the current yield on such REIT, and the current liquidity available in public market. Although publicly traded REITs offer investors liquidity, there can be constraints based upon current supply and demand. An investor when liquidating may receive less than the intrinsic value of the REIT.

### **Hedge Funds**

A hedge fund is an alternative investment vehicle suitable for sophisticated investors, such as institutions and individuals that typically meet the Qualified Investor standard under the Investment Advisers Act of 1940. Hedge funds may invest in traditional securities, such as stocks, bonds, commodities and real estate, but they typically use sophisticated (and risky) investments, strategies, and techniques. Hedge funds typically use long-short strategies, which invest in some balance of long positions (which means buying stocks) and short positions

(which means selling stocks with borrowed money, then buying them back later when their price has, ideally, fallen).

Additionally, many hedge funds invest in “derivatives,” which are contracts to buy or sell another security at a specified price. Many hedge funds also use leverage, which is essentially investing with borrowed money—a strategy that could significantly increase return potential, but also creates greater risk of loss.

Third, hedge funds are structured as private funds, exempt from registration, have limited liquidity, and complex tax structures. Most hedge funds, in contrast, seek to generate returns over a specific period of time called a “lockup period,” during which investors cannot sell their shares.

Hedge fund managers earn a “management fee,” typically in the range of 1% to 2% of the net asset value of the fund. In addition, the hedge fund manager receives a percentage of the returns they earn for investors (performance-based fee), which typically is 20% of the net profits over some hurdle or minimum return to the fund investors. Performance-based fee structures may lead the hedge fund managers to invest aggressively to achieve higher returns, increasing investor risk. Investors looking to invest in hedge funds and alternative investment vehicles are urged to carefully review the fund’s offering documents, related investor agreements, and disclosures prior to investing.

### **Private Equity**

Private equity is an ownership interest in a company or portion of a company that is not publicly owned, quoted, or traded on a stock exchange. Private equity takes an ownership interest in a company with the goal of enhancing the company's value by bringing about change. Compared to public equity, long-term results of private equity investments are less dependent on overall market performance. Private equity investments are subject to certain risks such as market and investment style risk. Investments are highly illiquid and subject to greater risk. These risks include lack of liquidity, lack of valuation transparency, conflicts of interest, higher management fees, and complex tax structures. Private equity investments may require a longer holding period and are highly speculative and may result in a loss of invested capital. The strategies discussed may only be appropriate for certain qualified investors.

### **Preferred Securities**

Preferred securities typically are considered to be between standard debt and equity in the capital structure, and can have both bond-like and stock-like qualities. They are generally subject to both types of risks, including interest rate, credit, and prepayment or call risk, as well as deferral or omission of distributions, subordination to bonds and more senior debt, and limited voting rights. Because the preferred securities market is comprised primarily of securities issued by companies in the financial services industry, these securities may have greater industry-specific risk and changing tax treatments. Furthermore, certain preferred securities have a fixed-to-floating rate structure, meaning that they pay a fixed coupon rate for a specified period of time and then convert to a floating rate coupon for the duration of the issuance or until the security is called. The dividend rate on fixed-to-floating rate preferred

securities may be more susceptible to decline when interest rates are falling. A secondary risk associated with declining interest rates is the risk that income earned by an account on floating rate securities may decline due to lower coupon payments on the floating-rate securities.

### **Convertible Securities**

Convertible securities are subject to the risks of stocks when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the conversion feature) and debt securities when the underlying stock price is low relative to the conversion price (because the conversion feature is less valuable). A convertible security is not as sensitive to interest rate changes as a similar non-convertible debt security, and generally have less potential for gain or loss than the underlying stock. Interest-rate movements may affect the share price and yield. Bond prices generally move in the opposite direction of interest rates. As such, as the price of bonds adjust to a rise in interest rates, the bonds share price may decline.

### **Derivatives**

Some ETFs use derivatives, such as swaps, options and futures, among others. Derivative instruments may be illiquid, difficult to value and leveraged so that small changes may produce disproportionate losses to a client. Over-the-counter derivatives, such as swaps, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Losses from investments in derivatives can result from a lack of correlation between the value of those derivatives and the value of the underlying asset or index. In addition, there is a risk that the performance of the derivatives to replicate the performance of a particular asset or asset class may not accurately track the performance of that asset or asset class.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **Margin Leverage**

Although TAM, as a general business practice, does not utilize leverage, there may be instances in which the use of leverage may be appropriate for certain clients and situations or requested by the clients for personal use. In this regard, please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **Short-Term Trading**

Although TAM, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **Short Selling**

TAM generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

## **Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

TAM as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading

### **Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

### **Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics

of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

### **C. Concentration Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

The firm's affiliate broker-dealer, Titleist Capital, LLC, FKA Titleist Asset Management, Ltd., was issued a fine of \$5,000 by FINRA for failing to report TRACE transactions in TRACE-eligible bonds within 15 minutes of the time of execution. The findings stated that in addition, the firm reported inaccurate execution times for the transactions. The transactions were reported from one minute to 15 days late. Additional information can be found by accessing [Investor.gov/CRS](https://www.investor.gov/crs) for a free and simple search tool to research our firm and our financial professionals.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.



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

### **A. Broker-Dealer or Representative Registration**

TAM is not registered as a broker-dealer, but its affiliate Titleist Capital, LLC, is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and the Financial Regulatory Authority, Inc. ("FINRA"). Certain TAM professionals are registered with Titleist Capital, LLC. As a result, such professionals are subject to the oversight of Titleist Capital, LLC, and the Financial Industry Regulatory Authority, Inc. ("FINRA"). As such, clients of TAM should understand that their personal and account information is available to FINRA and Titleist Capital, LLC, personnel in the fulfillment of their oversight obligations and duties.

TAM professionals who effect transactions for advisory clients may receive transaction or commission compensation from Titleist Capital, LLC. The recommendation of securities transactions for commission creates a conflict of interest in that TAM is economically incented to effect securities transactions for clients. Although TAM strives to put its clients' interests first, such recommendations may be viewed as being in the best interests of TAM rather than in the client's best interest. TAM advisory clients are not compelled to effect securities transactions through Titleist Capital, LLC.

### **B. Futures or Commodity Registration**

Neither TAM nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **Broker-Dealer Activities**

Please see Item 10.A. above.

#### **Insurance Agents**

Some management personnel and representatives at TAM, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by TAM and its management persons or representatives creates a conflict of interest that may impair its objectivity and its representatives when making advisory recommendations. TAM endeavors at

all times to put the interest of its clients first as part of the fiduciary duties inherent in serving as a registered investment advisor.

#### **Opal Capital, LLC and Shorebird Capital, LP**

Austin Graff serves as Chief Investment Officer for Opal Capital, LLC, and Shorebird Capital, LLC, both of which are SEC-registered investment advisers and affiliates of Titleist Asset Management, LLC. As a result of such CIO services Mr. Graff does not devote his full time and attention to Titleist Asset Management's business.

#### **TrueShares Low Volatility Equity Income ETF (DIVZ)**

TAM's affiliate, Opal Capital LLC, has entered into a sub-advisory agreement to serve as sub-adviser to TrueMark Investments, the adviser to TrueShares Low Volatility Equity Income ETF (DIVZ) (the "Fund"). TAM, through its equity interest in Opal Capital, has an economic incentive to utilize DIVZ in its advisory client portfolios. As previously stated in Item 5 of this brochure, ETF embedded fees are in addition to TAM advisory fees. Bear in mind the firm has an economic incentive to use its proprietary products in the management of a client portfolio. Clients are not obligated to utilize proprietary products. Clients are under no obligation to utilize the Fund. Detailed information on the Fund is provided in the Fund's prospectus and statement of additional information ("SAI").

#### **Terra Vineda Investments, LLC**

Terra Vineda Investments, LLC ("Terra Vineda") is co-owned by one of TAM's principals and a TAM advisory client who serves as managing member to Terra Vineda ("Terra Vineda Managing Member"). This entity was created for a specific investment purpose. Please be advised that TAM has an economic incentive to recommend investments in which its affiliate Terra Vineda is an investor. There is a conflict of interest in that TAM may preference Terra Vineda or the Terra Vineda Managing Member with respect to investment allocations, investment opportunities, and allocation of our time. Although the firm has Code of Ethics procedures designed to ensure our recommendations are in our clients' best interests, you should be aware of such conflict of interest.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

TAM does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from the separate account manager or client.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, TAM has adopted policies and procedures designed to detect and prevent insider trading. In addition, TAM has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of TAM's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of TAM. TAM will send clients a copy of its Code of Ethics upon written request.

TAM has policies and procedures in place to ensure that the interests of its clients are given preference over those of TAM, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

TAM may engage in principal trading (i.e., the practice of selling stock to clients from a firm's proprietary account or buying stocks from clients into a firm's proprietary account). In addition, TAM may recommend securities to advisory clients in which it or one of its affiliates has some proprietary or ownership interest.

### **C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

TAM, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which TAM specifically prohibits. TAM has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow TAM's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

TAM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other TAM clients. TAM will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of TAM to place the clients' interests above those of TAM and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### Custodian Recommendations

TAM may recommend that clients establish brokerage accounts with one or more of the qualified custodians listed below to maintain custody of clients' assets and to effect trades for their accounts:

- Charles Schwab & Co, Inc.
- Fidelity Investments®
- T.D. Ameritrade Institutional
- Raymond James Financial Services, Inc.
- SEI Investments Company
- AXOS Clearing, LLC

AXOS Clearing is required to be used for TAM's broker-dealer activities. Advisory accounts may utilize Schwab, Fidelity, T.D. Ameritrade, Raymond James, or SEI. Clients in TAM's wrap fee program are required to establish accounts with T.D. Ameritrade.

Although TAM may recommend that clients establish accounts at a custodian, it is the client's decision to custody assets with the custodian. TAM is independently owned and operated and not affiliated with the custodian. For TAM client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

TAM considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

The final determination to engage a broker-dealer or custodian recommended by TAM will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### How We Select Brokers/Custodians to Recommend

TAM seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)

- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **Soft Dollar Arrangements**

TAM does not utilize soft dollar arrangements. TAM does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **Institutional Trading and Custody Services**

The custodian provides TAM with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **Other Products and Services**

Custodian also makes available to TAM other products and services that benefit TAM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of TAM's accounts, including accounts not maintained at custodian. The custodian may also make available to TAM software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of TAM's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help TAM manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of TAM personnel. In evaluating whether to recommend that clients custody their assets at the custodian, TAM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to TAM. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to TAM.

#### **Additional Compensation Received from Custodians**

TAM may participate in institutional customer programs sponsored by broker-dealers or custodians. TAM may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between TAM's participation in such programs and the investment advice it gives to its clients, although TAM receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving TAM participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to TAM by third-party vendors

The custodian may also pay for business consulting and professional services received by TAM's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for TAM's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit TAM but may not benefit its client accounts. These products or services may assist TAM in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help TAM manage and further develop its business enterprise. The benefits received by TAM or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

TAM also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require TAM to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, TAM will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by TAM's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for TAM's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, TAM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by TAM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence TAM's recommendation of broker-dealers for custody and brokerage services.

#### **The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. Custodian's services may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

#### **Conflicts of Interest - Transaction Fee & Distribution Fee**

If TAM carries advisory accounts at AXOS Clearing please be advised of the following:

The management fee clients pay to TAM does not include execution charges for its non-wrap program accounts, such as custodian transaction fees. Through the firm's clearing arrangement with AXOS Clearing, advisory clients are charged a ticket charge for each



securities transaction, which includes a premium added by TAM to AXOS Clearing's standard transaction charges. Since the amount of AXOS Clearing's portion of the total ticket charge will vary depending on the type of security and because TAM retains the balance, TAM has economic incentives to recommend securities for which TAM retains a higher portion of the total ticket charge, to increase the number of trades in client accounts, and to recommend that clients utilize TAM as introducing broker and AXOS Clearing as the clearing broker.

Although TAM believes that the transaction fees are reasonable in light of the overall services TAM and AXOS Clearing provide, clients may be able to obtain lower transaction fees through another custodian, such as Schwab, with which TAM maintains an institutional custodian arrangement. In any event, clients will incur brokerage and other transaction costs, which may be higher or lower than those charged by other firms.

As discussed above, TAM may recommend mutual funds to advisory clients that pay continuing 12b-1 fees to TAM or its representatives. To the extent mutual funds with embedded 12b-1 or similar distribution expenses are recommended for advisory accounts, TAM will offset the 12b-1 fees incurred in advisory clients' accounts. TAM endeavors to use institutional share classes where available.

In addition, various other custodial, transaction, and account administration -related fees or charges assessed or received by AXOS Clearing typically will include an amount that is paid to TAM for its role in assisting with the handling of returned checks, shipping and handling expenses, and account administration and shareholder servicing fees paid in connection with the sale of certain NTF Funds. Under arrangements between AXOS Clearing and certain mutual funds or their sponsors, AXOS Clearing will receive 12b-1 fees or revenue sharing payments from NTF funds. AXOS Clearing does not share those payments with TAM in its capacity as a FINRA member broker-dealer. TAM has an economic incentive in limiting its recommendations to those available through the AXOS Clearing platform because AXOS's receipt of such fees may influence the amount of services it provides to TAM.

TAM does utilize other custodial platforms and clients are free to use the alternative custodians. Please be mindful that services may vary by custodian and certain of such services may benefit TAM versus its clients.

### **Brokerage for Client Referrals**

TAM does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **Directed Brokerage**

#### **TAM Recommendations**

TAM typically recommends the custodians listed under "Custodian Recommendations" above as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

Clients should be aware that to the extent that advisory client transactions are executed through AXOS Clearing such advisory clients will pay ticket and confirmation charges on their

transactions that will include an additional fee charged by TAM in its role for servicing these transactions for clients.

#### **Client-Directed Brokerage**

Occasionally, clients may direct TAM to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage TAM derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. TAM loses the ability to aggregate trades with other TAM advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **Best Execution**

TAM, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. TAM recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. TAM will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, TAM seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of TAM's knowledge, these custodians provide high-quality execution, and TAM's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, TAM believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **Security Allocation**

Since TAM may be managing accounts with similar investment objectives, TAM may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by TAM in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

TAM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. TAM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

TAM's advice to certain clients and entities and the action of TAM for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of TAM with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of TAM to or on behalf of other clients.

### **Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if TAM believes that a larger size block trade would lead to best overall price for the security being transacted.

### **Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will

get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

TAM acts in accordance with its duty to seek best price and execution and will not continue any arrangements if TAM determines that such arrangements are no longer in the best interest of its clients.

### **Trade Errors**

From time-to-time TAM may make an error in submitting a trade order on the client's behalf. When this occurs, TAM may place a correcting trade with the broker-dealer. If an investment gain results from the correcting trade, the gain will remain in client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for client to retain the gain, or TAM confers with client and client decides to forego the gain (e.g., due to tax reasons).

If the gain does not remain in client's account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, TAM will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in client's account, they may be "netted."

## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts and Advisory Persons Involved**

Account reviews are provided in connection with advisory accounts. TAM's representatives will contact clients at least annually for the purpose of reviewing their account and to determine if there have been changes in their financial situation or investment objectives. The underlying investments held in client accounts are reviewed on a more frequent basis. Triggering factors for changes to underlying portfolios include the relative valuation changes between asset classes, valuation of the individual security, or economic or political changes that change the perceived risk/reward ratio of a sector or sub-sector of the global or national economy. Portfolios are reviewed on an ongoing basis.

### **B. Review of Client Accounts on Non-Periodic Basis**

TAM may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how TAM formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

TAM reports to the client on a quarterly basis or at some other interval agreed upon with the client, information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).

TAM may provide quarterly newsletters covering general financial and investment topics, explaining current views of the global economies and factors driving investment decisions.

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by TAM.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Please refer to the disclosures in Items 10 and 12 regarding referrals to third-party service providers and benefits the firm receives from its custodian(s). TAM may receive economic benefits for referring clients to third-party service providers. You are under no obligation to utilize any service provider recommended to you by TAM or its affiliates.

### **B. Advisory Firm Payments for Client Referrals**

TAM does not pay for client referrals.

## Item 15: Custody

TAM is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to TAM with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, TAM will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the amount of securities for such transactions, the amount of commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.



## **Item 17: Voting Client Securities**

TAM does not take discretion with respect to voting proxies on behalf of its clients. TAM will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of TAM supervised and/or managed assets. In no event will TAM take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, TAM will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. TAM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. TAM also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, TAM has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where TAM receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

TAM does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

TAM does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.