



**Wellesley Investment  
Advisors**

**Part 2A of Form ADV: Firm Brochure  
for Direct Clients**

**Wellesley Investment Advisors  
A Division of Wellesley Asset Management, Inc.**

Wellesley Asset Management, Inc.  
100 Market Street, Suite 203  
Portsmouth, NH 03801  
781-416-4000  
[www.WellesleyInvestment.com](http://www.WellesleyInvestment.com)

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**This brochure provides information about the qualifications and business practices of Wellesley Asset Management, Inc., which includes its Wellesley Investment Advisors division. All references to Wellesley Investment Advisors refer to this division of Wellesley Asset Management the registered entity. If you have any questions about the contents of this brochure, please contact us at 781-416-4000. The information in this brochure has not been approved of or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Wellesley Asset Management is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Although Wellesley Asset Management is a registered investment advisor, the term “registered” does not imply a certain level of skill or training.

## **ITEM 2: MATERIAL CHANGES**

The following material changes have been made to this brochure since the last annual amendment on March 21, 2023. The WAM brochure for Direct Clients was last filed on October 25, 2023, as an other than annual amendment.

The disciplinary information in Item 9 was updated. Additionally, the Firm's principal office was updated in item 1.F.



### ITEM 3: TABLE OF CONTENTS

ITEM	DESCRIPTION	PAGE
ITEM 1	Cover Page	1
ITEM 2	Material Changes	2
ITEM 3	Table of Contents	3
ITEM 4	Advisory Business	4
ITEM 5	Fees and Compensation	5
ITEM 6	Performance-Based Fees and Side-by-Side Management	7
ITEM 7	Types of Clients	7
ITEM 8	Methods of Analysis, Investment Strategies and Risk of Loss	7
ITEM 9	Disciplinary Information	10
ITEM 10	Other Financial Industry Activities and Affiliations	10
ITEM 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	10
ITEM 12	Brokerage Practices	11
ITEM 13	Review of Client Accounts	12
ITEM 14	Client Referrals and Other Compensation	13
ITEM 15	Custody	14
ITEM 16	Investment Discretion	15
ITEM 17	Voting Client Securities	15
ITEM 18	Financial Information	15



## **ITEM 4: ADVISORY BUSINESS**

Wellesley Investment Advisors, Inc. (“WIA”) was founded in 1991 by Greg Miller, CPA (CEO and Portfolio Manager). Wellesley Investment Advisors, Inc. changed its name to Wellesley Asset Management, Inc. (“WAM”) effective July 1, 2016. On that date, WIA became a division of WAM. Greg Miller and Michael Miller are the majority owners of WAM and no other individual owns 25% or more of WAM.

As of December 31, 2022, the amount of WAM’s regulatory assets under management managed on a discretionary basis was approximately \$2,392,071,459, while the amount of WAM’s regulatory assets under management managed on a non-discretionary basis was approximately \$2,448,071.

### **Separately Managed Account Clients**

WAM provides discretionary investment management services to individuals (including high net worth individuals), institutions, pension, profit-sharing and other retirement plans, trusts, estates, charitable organizations, investment companies, corporations, other advisory firms, and various other entities.

WAM specializes in investing in convertible bonds. In managing client accounts, WAM predominantly uses convertible securities, convertible bond and corporate bond mutual funds, synthetic notes, and structured products (including, but not limited to, index-linked notes, ETNs and ETFs). Although WAM’s advice is principally in the area of convertible securities, WAM may from time to time advise on other types of securities. Clients may impose limited restrictions on investing in certain securities or types of securities.

### **Affiliated Funds**

In addition to the separate account services described above, WAM provides advisory services to mutual funds sponsored by WAM (the “Affiliated Funds”). Information concerning the Affiliated Funds, including a description of the services provided and management fees, is contained in the Affiliated Funds’ prospectus.

WAM also provides advisory services to three private funds, Brenton Partners, L.P., Brenton Partners II, L.P., and Brenton Partners II (Cayman), Ltd. (the “Private Funds”), established by WAM in which WAM and some of its employees have an ownership or management interest. Additional information concerning the Private Funds can be found in their offering documents.

### **Wrap Programs**

WAM acts as sub-advisor to certain wrap program providers (each a “Wrap Provider”). WAM is paid a management fee by the Wrap Provider based on the assets under management, which indirectly can be considered a portion of the wrap program fee.

WAM is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) with respect to investment management services and investment advice provided to ERISA plan clients, including plan participants. WAM is also a fiduciary under section 4975 of the Internal Revenue



Code (the “IRC”) with respect to investment management services and investment advice provided to individual retirement accounts (“IRAs”). As such, WAM is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption (a “PTE”).

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an IRA, or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences and penalties). If WAM recommends that you roll over your retirement plan assets into an account to be managed by WAM, such a recommendation creates a conflict of interest if WAM will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, WAM serves as a fiduciary under ERISA or the IRC, or both. WAM's investment professionals will document and disclose the reasons that a recommendation to roll over assets is in the client's best interest. No client is under any obligation to roll over retirement plan assets to an account managed by us. WAM maintains policies and procedures designed to ensure adherence with the provisions under ERISA, IRC, or both.

## **ITEM 5: FEES AND COMPENSATION**

### **Separately Managed Account Clients**

Compensation to WAM for discretionary investment management services is based on a percentage of assets under management.

#### **Basic Annual Fees for Separately Managed Accounts\***

Under \$1 million	1.24%
\$1,000,000 - \$10,000,000	0.99%
Over \$10,000,000	Negotiable

\*Accounts invested exclusively in shares of one or more Affiliated Funds will not be charged an annual Management Fee, however assets in such accounts will be included in the “Amount of Account” for purposes of the fee tiers above.

WAM's fees are based on a percentage of assets under management and generally range from 0.99% to 1.24% based on a variety of factors related to the account, including account size. Accounts may be eligible for lower fees as account assets grow. Fees are negotiable for new accounts more than \$10,000,000. Non-discretionary accounts will be charged an annual rate of 0.25%. Clients may incur custodial fees and may also incur transaction fees on the purchase and sale of securities.

WAM deducts its fees from client accounts, quarterly, in advance. WAM may choose to waive all or a portion of fees in certain circumstances. For fee calculation purposes, WAM may agree to aggregate the assets of related client accounts and such accounts may receive the benefit of a lower effective fee rate due to such aggregation. Certain long-standing clients are subject to different fee schedules that



were in effect at the time the client entered into an advisory relationship with WAM. Discounts or fee waivers may be offered to WAM's employees, their family members and friends. Therefore, WAM's minimum account size and advisory fees may differ among clients.

To the extent that an account is invested in shares of an Affiliated Fund, clients will generally pay the management, transaction, and administrative fees and expenses borne by investors in those vehicles, in addition to the management fee charged by WAM (except for ERISA and IRA accounts). For certain historical accounts with higher management fees, the management fee will be reduced by the management fee that WAM receives directly from the Affiliated Fund with respect to the account's shares in such Affiliated Fund. Such rebates will be applied to the account's fee in arrears on a quarterly basis.

The more assets there are in a retail investor's advisory account, the more a retail investor will pay in fees, and WAM may therefore have an incentive to encourage a retail investor to increase the assets in his or her account. You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Quarterly fees are based upon the end of quarter valuation of total assets under management. Clients can terminate WAM's services at any time, by written notice. If the advisory relationship is terminated before the end of a calendar quarter, WAM will refund unearned advisory fees to the client, based on the number of days left in the quarter of termination.

WAM may hold assets designated as "unmanaged" per client direction on behalf of clients for no fee. Such unmanaged assets are held for the convenience of the client. Clients should note that for all "unmanaged" assets, the Firm has no discretionary authority and, importantly, will not take responsibility for the suitability of these investments as they relate to the client's investment objectives. Such "unmanaged" assets are held at unaffiliated custodians.

### **Subadvisory Relationships**

Presently, WAM has no subadvisor relationships.

### **Affiliated Funds**

WAM serves as the investment advisor to the Miller Convertible Bond Fund, the Miller Convertible Plus Fund, and the Miller Intermediate Bond Fund, each a series of the Miller Investment Trust, (each an "Affiliated Fund," together the "Affiliated Funds"). As the manager of the Affiliated Funds, WAM is paid a management fee as specified in the Affiliated Funds' prospectus. This provides WAM an incentive to invest in shares of the Affiliated Funds within separately managed accounts. This conflict of interest is mitigated by WAM's Code of Ethics, which requires the firm to always act in the best interest of the client.

To the extent that a legacy separately managed account client is invested in shares of an Affiliated Fund, such client's separately managed account fee will be reduced by the management fee that WAM receives directly from the applicable Affiliated Fund with respect to the client's shares in such Affiliated Fund applied to the client's separately managed account fee in arrears on a quarterly basis. Affiliated Fund expenses, other than Affiliated Fund management fees, are not reimbursed to SMA clients.



Additional information about each Affiliated Fund, including information about fees, expenses and risk, can be found in the Affiliated Funds' Prospectus and Statement of Additional Information.

Certain supervised persons and sales personnel also act as registered representatives of an unaffiliated broker-dealer and, in that capacity, engage in marketing or selling activities with respect to shares in the Affiliated Funds. Such marketing or selling activities create potential conflicts of interest that give WAM and its supervised persons and related sales personnel an incentive to recommend the Affiliated Funds to potential investors based on higher fees received rather than on an investor's needs. To address this conflict, supervised persons are required to act in the best interest of the client.

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

WAM serves as the investment manager to three private funds (the "Private Funds"). Fees for the Private Funds are charged within the Private Funds themselves and allocated in accordance with the Private Funds' offering documents. Fees are generally comprised of an annual management fee and a performance allocation, as outlined in the offering documents.

Since WAM manages accounts with and without performance-based fees, WAM has a potential conflict of interest and an incentive to favor the Private Funds over accounts that do not pay a performance allocation. WAM takes various steps to address these conflicts. For example, when WAM places trades, its policy is to aggregate separately managed accounts, the Affiliated Funds and the Private Funds where practical and feasible. In that way, separately managed accounts, the Affiliated Funds and the Private Funds get the same execution price. To ensure fairness when a trade is executed for something less than the total desired quantity, WAM allocates the partial trade fill to separately managed accounts, the Affiliated Funds, and the Private Funds primarily on a random basis, but may also do the allocation on a pro rata basis. Notwithstanding the foregoing, the order may be allocated on a different basis if all client accounts receive fair and equitable treatment and the reason for the different allocation is explained in writing and is approved in writing by the Chief Compliance Officer (or the CEO or President if the Chief Compliance Officer is not available) as soon as reasonably possible after the opening of the markets on the trading day following the day the order was executed.

WAM mitigates these potential conflicts through the implementation of its Code of Ethics and other compliance policies and procedures to ensure compliance with its fiduciary obligations, federal securities laws and other applicable laws and regulations. Portfolio managers and traders are required to act solely for the benefit of each client, not favor one client over another client and avoid or mitigate any actual or potential conflicts of interests.

#### **ITEM 7: TYPES OF CLIENTS**

WAM provides discretionary investment management services to individuals (including high net worth individuals), institutions, pensions, profit-sharing and other retirement plans, trusts, estates, charitable organizations, investment companies, corporations, other advisory firms, and various other entities.

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

WAM deploys absolute return strategies and invests predominantly in convertible bonds, synthetic convertible notes, convertible bond and corporate bond mutual funds and other convertible securities. WAM uses fundamental analysis and the following sources of information for its investment decisions:

- Financial newspapers and magazines



- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses and filings with the SEC
- Company press releases and conference calls
- Bond pricing services
- Trade monitoring services

Convertible bonds are hybrid securities that have characteristics of both bonds and common stocks. There is risk of loss as they may fall in value. They are subject to risks associated with both debt securities and equity securities. Risks include:

- **Convertible Bond Risk.** Convertible Bonds are hybrid securities that have characteristics of both bonds and common stocks and are subject to risks associated with both debt securities and equity securities. Convertible bonds that are rated below investment grade are subject to the risks associated with high-yield investments.
- **Interest Rate Risk.** The market value of fixed-income securities such as convertible bonds declines as interest rates increase.
- **Credit / Default Risk.** An issuer of a fixed-income security may not be able to make principal and interest payments as due and may result in a default. All fixed-income securities from the highest quality to the very speculative, have some degree of credit risk. WAM's strategy accepts some credit risk as a recognized means to enhance investors' returns. To the extent our strategy invests in government securities, credit risk will be limited.
- **Prepayment Risk.** Bonds may get called, resulting in lower reinvestment rates.
- **High Yield Bond Risk.** WAM invests in some convertible bonds that are either unrated or rated less than investment grade. These bonds carry greater risks and are more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade bonds. During a period of adverse economic changes or a period of rising interest rates, companies issuing high yield bonds may be unable to make principal and interest payments.
- **Allocation Risk.** Since a portfolio may invest a significant amount of its assets in a particular industry, market or sector, the value of the portfolio may be more susceptible to adverse changes within that market or sector than a portfolio that does not concentrate its investments.
- **Borrowing Risk.** In cases where margin borrowing is utilized, clients risk loss if market values decline, interest rates increase, or margin loans are called.
- **Liquidity Risk.** Convertible bonds are traded over the counter in a bid-ask format. Circumstances can arise in which bonds are not immediately liquid. Because of the absence of an active market for illiquid investments, it will generally take longer to liquidate such positions and could result in substantial loss. Market quotations for illiquid securities may be volatile and/or subject to large spreads between bid and ask prices. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event. To the extent that a significant portion of an issuer's outstanding securities is held, greater liquidity risk will exist than if the issuer's securities were more widely held.



- **Common Stock Risk.** Convertible securities have characteristics similar to common stocks, especially when their conversion value is the same as the value of the bond. The price of equity securities may rise or fall because of economic or political changes. Stock prices in general may decline over short or even extended periods of time affecting the value of a convertible security.
- **Synthetic Convertible Security Risk.** The value of a synthetic convertible security may respond differently to market fluctuations than a convertible security because a synthetic convertible is composed of two or more separate securities, each with its own market value.
- **ETN Risk.** ETNs are linked to the performance of a particular market benchmark or strategy and, upon maturity, the underwriting bank promises to pay the amount reflected in the benchmark index minus fees. ETNs are only linked to the performance of a benchmark; they do not actually own the benchmark index. ETNs also face the risk that the credit rating of the underwriting bank may be reduced or the underwriting bank may go bankrupt, thus reducing the value of the ETN.
- **ETF Risk.** ETFs are subject to the same risks as the underlying securities in which the ETF invests such as market, economic, and business risk.
- **Leverage Risk.** Certain WAM products utilize leverage. The use of leverage through activities such as borrowing or purchasing derivatives can magnify the effects of changes in the value and increase volatility. Because leverage increases the fees payable to the advisor, WAM has an incentive to increase the use of leverage. The use of leverage means that a decline in value of an investment could result in a substantial loss that would be greater than if leverage was not used.
- **Management Style Risk.** WAM's objective judgments about the attractiveness and potential appreciation of particular investments may prove to be incorrect and there is no guarantee that its investment strategy will produce the desired results.
- **Market Risk.** One or more markets in which WAM invests may go down in value, including the possibility that the markets may go down sharply and unpredictably.
- **Regulatory Risk.** The U.S. regulatory landscape is currently undergoing significant changes which will impact the types of transactions that a client may enter into. Some aspects of the new regulatory framework include regulations related to margin requirements, reporting, recordkeeping, clearing, cyber security, and trade execution. These regulatory changes, among others, may require WAM to change a client's trading strategies or cause a client to incur greater costs.
- **Cyber Security Risk.** With the increased use of technologies such as the internet to conduct business, a portfolio is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and are not limited to, gaining unauthorized access to digital systems, misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including denial-of-service attacks on websites. Cyber security failures or breaches by a third-party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.



It is not possible to identify all the risks associated with investing in general or with a given strategy. The description set forth above is general and is not intended to be exhaustive. While WAM seeks to manage accounts with risks appropriate to the strategy, it is not always possible or desirable to eliminate risk. Investing in convertible securities and other asset types involves a risk of loss that clients should be prepared to bear. Clients should carefully read all materials and documents related to their accounts at WAM, including the prospectus and offering memoranda, prior to investing with WAM.

#### **ITEM 9: DISCIPLINARY INFORMATION**

On September 25, 2023, WAM and the U.S. Securities and Exchange Commission (“SEC”) agreed to a settlement in which the SEC alleged that WAM violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940, as amended, and Rules 206(4)-1 and 206(4)-7 thereunder. According to the SEC’s order, from February 2015 to March 2022, WAM’s written disclosures for advertisements concerning an index that WAM created to depict the performance of its convertible bond investment strategy from January 2000 forward failed to adequately disclose the methodologies that WAM used to construct the index. WAM, in consultation with internal and external compliance and legal professionals, revised WAM Index disclosures between 2018 and 2022. In March 2022, WAM voluntarily discontinued use of the WAM Index in WAM’s advertisements. WAM also retained outside legal and compliance professionals to conduct a review of its marketing materials and policies and procedures pertaining to, among other areas, performance advertising including the use of hypothetical performance. Without admitting or denying the findings, WAM consented to a cease-and-desist order and censure, and agreed to pay a civil penalty of \$1 million.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

WAM is also the investment manager to the Private Funds (from which it may receive a performance allocation) and the investment advisor to the Affiliated Funds.

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

WAM’s Code of Ethics is based on the principle that all its employees have a fiduciary duty to place the interest of clients ahead of their own and WAM’s.

WAM’s Code of Ethics is further based on the desire to ensure compliance with federal securities laws, and to ensure that employees and access persons always act in an ethical manner. Our policies are premised on fundamental principles of openness, integrity, honesty and trust. WAM places a high value on ethical conduct, and challenges employees to live up not only to the letter of the Code, but to the substance and ideals of ethical behavior.

Officers and employees of WAM will occasionally buy or sell, for their personal trading and investment accounts, certain securities that WAM recommends to its clients. In some cases, the employee or officer making the recommendation owns or may buy or sell the same security as he or she recommends to clients. Because of this potential conflict of interest, WAM has adopted a Code of Ethics and Insider Trading Policy that each employee must comply with. These policies are designed to detect any violation. Key provisions include:

- Policy on Personal Securities Transactions, including:
  - Pre-clearance on private placements



- Pre-clearance on reportable securities when not bundled with client trades
- Procedures for reporting personal securities transactions and holdings
- Code of Conduct
- Annual Acknowledgements by Covered Personnel

Officers and employees of WAM are encouraged to invest in shares of the Affiliated Funds, separately managed accounts, or in interests in the Private Funds, as appropriate. WAM may also recommend to clients the purchase of shares in the Affiliated Funds and interests in the Private Funds, in which WAM or its employees have a financial interest, when consistent with the client's investment objectives. WAM's aggregate fee revenues are increased by purchases by clients or others of shares of the Affiliated Funds and interests in the Private Funds.

From time to time, when it is appropriate for one client to purchase a security and for another client to sell the same security, WAM may, but is not required to simultaneously place cross-trades with one or more broker-dealers or to affect the cross-trade through the applicable custodians in an attempt to seek the best execution for each client by obtaining reduced transaction or execution costs for each client. Since, in such transactions, WAM will represent both client-seller and client-buyer, WAM may have a conflict of interest given the obligation to seek the best price and most favorable execution. This conflict is mitigated by the Code's requirement to act in the best interest of the client. Clients should consider the possible costs or disadvantages of this potential conflict versus the potential benefit of obtaining reduced transaction or execution costs that may be obtained from such cross-trades. WAM will not place cross-trades for client accounts that are subject to ERISA and will only place cross-trades for the Affiliated Funds in accordance with Section 17(a) of the Investment Company Act of 1940. Due to the nature of fixed-income investments, no cross transactions between Affiliated Funds are anticipated.

WAM will provide a copy of its Code of Ethics to any client or prospect who requests one.

## **ITEM 12: BROKERAGE PRACTICES**

For discretionary investment management services, WAM has full investment authority to act on behalf of the client, including the selection of brokers. For non-discretionary investment management services, WAM makes investment recommendations to the client, and the client makes all investment decisions with respect to the investment of their account. WAM is authorized to take such actions, or direct custodians, brokers or dealers to take such actions to implement the client's decisions.

WAM has the discretion to choose brokers for the execution of trades. WAM seeks best execution for client trades.

Client assets may be custodied with any of a number of brokers selected by the client, or recommended by WAM. In addition, WAM utilizes several different brokerage firms for trading. In seeking best execution, the trade is often executed with a broker other than the custodial broker. This allows WAM to shop among brokerage firms to obtain best execution for all clients. WAM has no obligation to execute trades at any particular broker.

WAM does not direct brokerage transactions to brokers who provide research services in return for commissions that exceed those charged by other brokers. WAM does not have any soft dollar arrangements and does not receive any soft dollar benefits.



As discussed in Item 6, WAM aggregates client trades whenever practical to affect best pricing and execution for the client.

In recommending custodians / brokers, WAM takes the following factors into consideration:

- Overall financial condition and stability of the custodial brokerage firm
- Broker's execution capability and specialization in convertible bonds
- Ability to execute convertible bond trades
- Transaction charges, including commissions, if any, charged to clients
- Willingness and ability of a counterparty to make a market in particular securities
- Pricing on trades
- Customer service
- Margin rates charged to clients
- On-line access for WAM to client account information
- Quality of account reporting by the custodial brokerage firm
- Client preference

WAM's policy and practice is to not engage in agency cross transactions.

WAM's policy and practice is to not accept advisory clients' instructions for directing a client's brokerage transactions to a particular broker-dealer.

WAM's policy and practice is to not engage in principal transactions.

WIA, a division of WAM, participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer. TD Ameritrade offers services to independent investment advisors which include custody of securities, trade execution, and clearance and settlement of transactions. WIA receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14 below).

### **ITEM 13: REVIEW OF CLIENT ACCOUNTS**

Greg Miller, CPA (CEO and Portfolio Manager), Michael Miller, (President and CIO), and other employees review client accounts in response to changes in market conditions, changes in the financial situation of clients, at the request of the client, and other factors. Holdings in the Affiliated Funds and the Private Funds are generally reviewed daily on a portfolio-wide basis.

Clients receive quarterly position statements from WAM. Clients also receive monthly statements from their custodians. We urge clients to carefully review these reports and compare the statements that they receive from their independent qualified custodian to the reports that we provide. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.



Since WAM calculates the amount of advisory fees for your assets under management with us, it is important that you carefully review your custodial statements to verify the accuracy of the statements. Clients should contact WAM directly if they believe that there is an error in the calculation of fees.

Investors in the Private Funds receive account statements at least monthly from the Private Funds' fund administrator and audited financial statements annually.

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

Participation in Fidelity Wealth Advisor Solutions®.

WIA participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which WIA receives referrals from Fidelity Personal and Workplace Advisors LLC ("FPWA"), a registered investment adviser and Fidelity Investments company. WIA is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control WIA, and FPWA has no responsibility or oversight for WIA's provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for WIA, and WIA pays referral fees to FPWA for each referral received based on WIA's assets under management attributable to each client referred by FPWA or members of each client's household. Although the WAS Program is no longer referring clients to WIA, WIA pays the WAS Program an on-going fee for previously referred WAS Program clients. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to WIA does not constitute a recommendation or endorsement by FPWA of WIA's particular investment management services or strategies. More specifically, WIA pays the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, WIA has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by WIA and not the client.

To receive referrals from the WAS Program, WIA must meet certain minimum participation criteria, but WIA may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, WAS may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and Advisor may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to WIA as part of the WAS Program. Under an agreement with FPWA, WIA has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV Part 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, WIA has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when WIA's fiduciary duties would so require, and WIA has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA's affiliates to another custodian; therefore, WIA may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit WIA's duty to select brokers on the basis of best execution.

As disclosed under Item 12 above, WIA participates in TD Ameritrade's Institutional Customer Program.



There is no direct link between WIA's participation in the program and the investment advice it gives to its clients, although WIA may receive economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information. Some of the products and services made available by TD Ameritrade through the program may benefit WIA but may not benefit its client accounts. These products or services may assist WIA in managing and administering client accounts, including accounts not maintained at TD Ameritrade. As part of its fiduciary duties to clients, WIA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by WIA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence WIA's choice of TD Ameritrade for custody and brokerage services.

In the past, WIA has received client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. Although TD Ameritrade is no longer referring clients to WIA, WIA pays TD Ameritrade an on-going fee for previously referred TD Ameritrade Advisor Direct clients. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to WIA ("Solicitation Fee"). WIA will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by WIA from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired WIA on the recommendation of such referred client. WIA will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. Although WAM received some benefits from the Program in the past, which could have caused a conflict of interest, WAM no longer receives client referrals from this Program. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Additionally, WIA, a division of WAM, has entered into a fee-sharing solicitation agreement with Halbert Wealth Management, Inc., an SEC registered investment advisor firm in Austin, Texas and Premiere Estate Planners, an SEC registered investment advisor firm in Clinton Township, MI. WAM may from time to time pay compensation to these and other third-party solicitors, or to affiliates for client or private fund investor referrals (collectively, "Promoters"). Under these arrangements, WAM generally pays a portion of the referred client's management fee earned by WAM to the referring party. In these circumstances, WAM will ensure that each Promoter complies with the applicable requirements in Rule 206(4)-1 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Such requirements may include, depending on the circumstances, maintenance of a written agreement between WAM and the Promoter, and delivery by the Promoter of certain disclosures to prospective clients or prospective private fund investors setting forth the nature of the relationship between the Promoter and WAM, any fees to be paid to the Promoter, and related conflicts of interest.

#### **ITEM 15: CUSTODY**

WAM does not maintain physical custody of client assets.

#### **Separately Managed Accounts**

WAM's clients generally retain their own custodians and maintain a separate agreement with their



custodian governing the custodial services provided. WAM provides separately managed account clients with quarterly reports based on information obtained from its accounting system. WAM urges clients to compare any WAM account statements with those of their custodian.

Pursuant to the February 2017 SEC no-action letter to the Investment Advisor Association clarifying that standing authority (also known as a standing letter of authorization or “SLOA”) to move money from a client’s SMA account to a third-party account is “custody” within the meaning of Advisers Act Rule 206(4)-4 (the “Custody Rule”), WAM has custody over some accounts with SLOAs to third parties.

However, the SEC also stated that any accounts that meet seven certain conditions or representations will not be subject to the “independent verification” requirement under Advisers Act Rule 206(4)-2(a)(4), also known as the annual surprise accountant’s examination. WAM has procedures to ascertain that the seven conditions have been met, and therefore, WAM is not subject to the surprise accountant’s examination requirement of the Custody Rule.

### **Private Funds**

WAM is deemed to have custody of the Private Funds. The Private Funds maintain unaffiliated qualified custodians and undergo an annual audit by an independent PCAOB-registered accounting firm for which financial statements are provided to investors.

## **ITEM 16: INVESTMENT DISCRETION**

### **Separately Managed Accounts**

WAM accepts discretionary authority, via the Investment Management Agreement or other Power of Attorney, to manage the assets in the client’s account. WAM may at its option under certain circumstances permit clients to place restrictions or additional guidelines on investments. WAM also accepts non-discretionary authority, via the Investment Advisory Agreement, to advise on the assets in the client’s account.

### **Affiliated and Private Funds**

WAM has discretionary authority as investment manager for the Private Funds as well as investment advisor to the Affiliated Funds. Investors are not permitted to place investment restrictions on the investment activity of the Private Funds or the Affiliated Funds.

## **ITEM 17: VOTING CLIENT SECURITIES**

As a matter of firm policy, WAM does not vote proxies on behalf of clients, with the exception of the Affiliated Funds and certain clients as required by agreement or law. Any conflicts of interest between WAM and the clients will be resolved in the clients’ interest. As such, clients are generally responsible for voting their own proxies and will receive voting materials from their custodian. However, WAM may provide clients with consulting assistance regarding proxy issues.

Rule 206(4)-6 of the Advisers Act requires advisers to create and maintain written proxy voting policies and procedures. Clients may obtain a copy of WAM's complete proxy voting policies and procedures and may request, in writing, information on how proxies for his/her shares were voted.



## **ITEM 18: FINANCIAL INFORMATION**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about the advisor's financial condition. WAM is not required to include a balance sheet for its most recent fiscal year. WAM has no financial commitment that is reasonably likely to impair its ability to meet contractual commitments to its clients, and has not been the subject of a bankruptcy proceeding at any time during the past ten years.

