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## FIRM BROCHURE (Form ADV Part 2A)

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This brochure provides information about the qualifications and business practices of North American Management Corporation (“NAM”). If you have any questions about the contents of this brochure, please contact us at 617-695-2100. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about NAM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

NAM is an SEC Registered Investment Adviser. Our registration as an investment adviser does not imply any level of skill or training. The oral and written communications that we provide to you, including this brochure, should be used to evaluate us (and other advisers) in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## ITEM 2 – MATERIAL CHANGES

### **Material Changes since NAM's previous update**

1. In this filing, dated 03.29.17, NAM will discuss any material changes since our last annual update on 03.29.16:

**NAM does not have any material changes to disclose.**

2. This section of the brochure addresses only those material changes incorporated since our last delivery or posting of this document on the SEC's public disclosure website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).
3. We can, at any time, amend this brochure with material changes and either send you a copy or offer to send you a copy either by electronic means (email) or in hard copy form.
4. If you would like another copy of this brochure, please download it from the SEC website referenced above.

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## ITEM 4 - ADVISORY BUSINESS

### Firm Description

NAM is an independent, SEC Registered Investment Adviser that has provided wealth management services (investment supervisory services) since 1928. We offer a professional and progressive investing approach to individuals, families, trusts, estates, charitable organizations and corporations nationwide. NAM has been registered with the SEC since 1969.

NAM is privately held by its employees and directors. The principal owners of NAM are Robert G. Scott, Chairman and Chief Executive Officer; David H.M. Baker, Managing Principal; and Blake E. Stuart, Managing Principal and Chief Operating Officer. Mr. Scott is the beneficial owner of his shares through the Anthony G. Scott GST Trust FBO Robert G. Scott.

### Types of Advisory Services

NAM offers the following types of wealth management services:

- A. Investment Management and Financial Planning Services - Working with individuals, families and institutions, NAM discusses and evaluates each client's financial circumstances. In most cases, NAM conducts a financial analysis, which can include a review of any net worth statement, estate documents, retirement funding requirements, insurance coverage, educational saving needs, and a review of tax returns. Based upon the information provided, we consider and agree on a specific investment policy with our client. Once this policy framework is established, we will recommend investment strategies and asset allocations to help each client try to achieve their specified goals and objectives. In structuring investment portfolios, we keep in mind important factors, including but not limited to, taxes, legacy holdings, estate planning, liquidity needs and income requirements. The vast majority of NAM's clients receive discretionary investment services, which means that they have given us written authorization to make investment decisions on their behalf.
- B. Asset Monitoring Services - As part of this service, NAM provides recommendations for non-managed assets like annuities, 401ks, and profit sharing plans based upon a client's investment goal. In addition, NAM can also track and report these non-managed securities and related market values so that clients can view all of their accounts in a consolidated manner.
- C. Trustee Services - NAM provides trustee services to select clients with whom there is typically an existing wealth management relationship. These fees are in addition to NAM's customary tiered fee schedule and, in certain cases, can be negotiated.

## Tailored Services

- A. NAM develops and manages investment strategies into which client accounts can be placed. Each strategy is designed for a particular investment goal that NAM and the client have determined is appropriate for the client's circumstances, as reflected in the agreed investment policy statement. In order to accommodate a range of account market values, NAM has created several different size-based portfolio options for most of its offered strategies.
- B. Once a strategy is selected, the portfolio will be managed in accordance with the agreed strategy profile, with the exception of any client-directed restrictions placed on the account, as noted below.
- C. At any time, clients have the opportunity to place reasonable restrictions on the types of investments held in the portfolio and/or to change strategies if the client's circumstances change. Examples include:
- i. A client requests to hold a higher cash balance than currently recommended for other clients with similar risk profiles and investment objectives.
  - ii. A client who is in a conservative strategy asks to move into a more aggressive strategy, such as our global growth or global income strategy.
  - iii. Clients can specify, when an account is opened, if there are certain types of securities that should not be bought in their accounts.
  - iv. Clients with low cost basis positions can request to restrict the securities from being sold.
- D. If circumstances permit, clients can also request a customized portfolio that is invested in more than one strategy style and/or outside manager at a time, but remains consistent with the client's risk/return profile.
- E. NAM recognizes that it can be beneficial at times to distribute select research materials to clients and, on limited occasions, non-client entities (or persons) in order to help them better understand NAM's investment decisions and outlook. These materials can include, but are not limited to, conference notes, industry reports, macroeconomic reports, and specific securities analyses. In these instances:
- i. Information available for general distribution is typically limited to investment positions held in a client's portfolio, macroeconomic research, and/or industry research. However, NAM occasionally provides research on new security names held outside of a client's portfolio if the information has been specifically requested by the client, or there are standing instructions for NAM to provide research on new names, including those for which NAM has not formulated any recommendation.

- ii. Clients who are interested in receiving research materials must submit a request in writing to NAM. In regards to all such requests, NAM is under no obligation to share any research materials and will only distribute such information as deemed appropriate. Furthermore, clients with similar profiles can receive different amounts and types of research as determined by NAM and/or requested by such clients.

F. For our accredited clients, NAM can also offer alternative investment services, such as hedge funds and private equity, to complement their equity and fixed income holdings.

## Wrap Fee Programs

NAM does not participate in wrap fee programs.

## Assets under Management

As of 12.31.16, NAM manages the following:

Discretionary Assets: \$1,198,426,649

Non-Discretionary Assets: \$178,855,384

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule

A. The standard tiered wealth management services fees are as follows (per annum):

- 1.25% on first \$1 million
- 1.00% on next \$2 million
- 0.80% on next \$2 million
- 0.60% on next \$5 million
- 0.60% on assets over \$10 million

B. NAM reserves the right to negotiate wealth management fee arrangements with prospective and existing clients. All fees for clients with managed assets over \$10 million are typically negotiated.

C. Management fees are payable in advance on a calendar quarter basis and are calculated based on the market value of account assets on the last business day of the previous quarter. To take advantage of fees at a lower fee tier, in certain situations, NAM allows clients to group related accounts together. Typically, these accounts are grouped for a spouse and/or dependent children at the same

address; however, exceptions can be made where clients are not living at the same address. Exclusion of designated holdings in the calculation of management fees is acceptable if agreed to by both NAM and the client. Management fees are deducted directly from a client's investment account(s) held at his/her custodian, with the exception of a few existing clients who pay fees by check. Clients can direct NAM to deduct management fees for multiple accounts from a single account.

D. Please note that some existing NAM clients have a different fee schedule and/or customized family grouping. In addition, NAM employees and directors are offered a discount on the standard NAM fee schedule.

E. NAM provides trustee services primarily to select clients with whom there is also an existing wealth management relationship (see Item 10 for additional information). These fees are in addition to NAM's customary tiered fee schedule and, in certain cases, can be negotiated. The fee schedule for trustee services is based on the type of trust and the services provided, as follows (per annum):

Insurance trust trustee	\$500 Flat Fee
Revocable trust trustee	\$500 Flat Fee or 0.15% Asset-based Fee
Irrevocable trust trustee	0.15% Asset-based Fee
Trust protector	0.10% Asset-based Fee
Agent for trustee	0.15% Asset-based Fee
Successor trustee	No fee

F. Fees for trustee services are payable in advance on a calendar quarter basis. For example, when NAM serves as an insurance trust trustee, clients are charged \$125 each quarter. For those services that do not charge a flat fee, as noted above, fees are calculated based on the market value of the trust account(s) on the last business day of the previous quarter. Trustee fees are deducted directly by NAM from a client's trust account(s) unless otherwise agreed.

G. All contracts can be terminated upon written notice by either party with the unearned balance of the fee, if any, refunded based on the terms of the contract, or the earned, but unpaid balance of the fee, if any, payable based on the terms of the contract. Unless the contract states otherwise, refunds are calculated as of 30 days from the date of written notification by either party, or other agreed upon date.

## Other Fees or Expenses

A. NAM invests in mutual funds, exchange traded funds and other outside investment managers. These assets are included in determining the value of the account when calculating NAM's management fees. These same assets are also subject to additional advisory and other fees and expenses charged by the funds, as set forth in the prospectuses of those funds. Thus clients pay fees to both NAM and the fund/outside manager.



- B. Regarding clients invested in hedge funds, in addition to the management fees paid to NAM, they will pay management and performance based fees directly to the hedge fund managers.
- C. When NAM uses separate account managers to provide clients specialized asset allocation strategies, the separate account manager will deduct the fees directly from the clients' accounts or, in some cases, NAM will pay this manager directly as part of a negotiated fee arrangement.
- D. For clients that have alternative assets at outside managers or hedge funds, NAM calculates its fees on market values provided by the manager. NAM monitors these values but does not and cannot reconcile the underlying asset values.
- E. For clients who require extensive financial and estate planning, NAM has the option of charging additional fees based on an hourly or retainer basis, depending on the scope of work required.
- F. Clients will also incur brokerage and other transaction costs, e.g., commissions. Please refer to item 12 for further information.
- G. NAM does not accept compensation for the sale of securities or other investment products.

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

NAM does not charge advisory fees on a share of the capital gains on, or capital appreciation of, the funds or securities in a client account (so called performance based fees). Its advisory fee compensation is charged only as disclosed above in Item 5.

## ITEM 7 - TYPES OF CLIENTS

The types of clients that NAM provides services for include individuals, families, trusts, estates, charitable organizations, limited liability partnerships, pensions and profit sharing plans and corporations.

In order to open and to maintain an account at NAM, clients are required to have a minimum of \$1 million in investable assets. Please note that NAM, in its sole discretion, occasionally accepts clients with smaller portfolios based on certain criteria such as future earning potential, anticipated additional assets, a relationship with an existing client, related accounts, and pro bono activities. In addition, NAM

waives the minimum for NAM employees and directors. We also reserve the right to decline any account, even those meeting the minimum investable asset requirement.

Client relationships that predate NAM's current minimum account standards can have market values lower than the \$1 million minimum without satisfying any of the aforementioned exception criteria.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

### **Method of Analysis and Risk of Loss**

Our aim is to allocate among asset classes, individual securities and outside managers to optimize risk and return in our investment portfolios. Our method of analysis combines "top down" and "bottom up" investment approaches.

NAM invests in a number of different types of investments. These can include, but are not limited to, exchange listed securities, securities listed over the counter, foreign issues, warrants, corporate debt securities, commodities, commercial paper, certificates of deposit, municipal securities, variable annuities, exchange-traded funds, mutual funds, United States Government Securities, options contracts on securities, options contracts on commodities, interests in partnerships investing in real estate, interests in partnerships investing in oil and gas, hedge funds, venture capital funds and long-only managers. Investing in each of these securities involves the risk of loss.

- A. NAM develops global economic themes based on its macro/economic and investment analysis. These themes reflect NAM's opinions, considering all of the data and information available to us, of the investment markets over the next one to five years, and in some cases longer. Understandably these views can change/be revised as events unfold, but they form the basis of NAM's search for investment opportunities.
- B. In conjunction with our global themes, NAM considers economic sectors (e.g., financial services, energy) and geographic regions that we feel are of particular interest and where opportunities appear to be the most attractive. We then determine asset allocations for each of our strategies based on their corresponding risk profiles and investment objectives. For example, in most market conditions, our growth strategy will contain a higher percentage of equities than our conservative strategy. Our income strategies will hold a similar percentage of equities as their respective growth counterparts, but will emphasize investments with sustainable and growing income streams. In most cases, cash and/or fixed income levels will be higher in our conservative strategy than in our moderate growth strategy. We regularly monitor all of our strategy asset allocations and

make tactical adjustments as needed to bring them in line with our outlook for the market and asset classes.

- C. Our analysts gather their information from inspections of corporate activities, corporate ratings services, annual reports, prospectuses, filings with the SEC, company press releases, research materials prepared by third parties, as well as financial media. Although NAM believes the information that it uses to be true, we cannot guarantee that it is always reliable. There is always risk associated with the use of information from outside sources, in addition to the risk of an error in judgment by our investment professionals. These risks are mitigated by using multiple sources of information and having all strategy recommendations reviewed by the Investment Committee.
- D. NAM looks for securities that satisfy its investment themes and asset allocation guidelines. Once selected, the securities are analyzed in order to obtain as much information as possible, and to gain the best understanding of how they will perform in most, and different, market conditions. Methods of analysis and due diligence of individual securities and managers include, but are not limited to, evaluating the following metrics:
- i. Company/fund information – company/fund history, management team, management history (consistency of personnel, decision making)
  - ii. Security/fund valuation – current and historic
  - iii. Catalysts for change going forward – potential mergers, acquisitions or notable company events
  - iv. Financial analyses – balance sheets, free cash flow, cash levels, debt (current and future), profits (historical and projected), dividends, dividend growth rate, risk/return ratio
  - v. Profitability measures
  - vi. Risks – what effect on the company/fund will there be from regulatory changes, interest rates, competition, economic cycles, or possible catastrophic events
  - vii. Volatility of the security/fund – presently and during various market cycles
  - viii. Liquidity of the security/fund – volume of shares traded on a daily basis, ease with which we can sell out of a position should views be revised
  - ix. Suitability of the security/fund – characteristics individually and when integrated into a particular strategy, and correlations with other assets
- E. After evaluating the research results, NAM selects the security/fund(s) that we believe will best serve our clients' investment objectives. Consideration is then

given as to which strategies the security/fund should be placed, at what time, and at what price. This analysis is conducted before purchasing any securities/funds. Securities in the strategies are regularly reviewed in light of current news and events, positive and negative.

- F. Generally, NAM is a long-term investor, holding purchases for at least one year. However, we participate on occasion in short term purchases (securities sold within a year), short term trading (securities sold within 30 days), short sales (primarily through our investments in exchange traded funds, mutual funds and/or hedge funds), margin transactions and option writing. Clients should be aware that frequent trading can have a negative impact on investment performance, particularly through increased transaction costs and taxes.
- G. We also spend time monitoring and measuring risk. We regularly evaluate long-term market cycles, short-term economic trends, market sectors, and portfolio and individual security/fund risks. It should be remembered that risk tolerance is considered the ability and willingness of our clients to absorb loss. Investing in securities and outside managers involves risk of loss that all clients should be prepared to bear.

## Strategies and Risk of Loss

- A. NAM has developed a number of investment strategies using a broad array of securities that can include, but are not limited to, individual common stocks, exchange-traded funds (“ETFs”), mutual funds, Master Limited Partnerships (“MLPs”), real estate investment trusts (“REITs”), and fixed income securities. As of 03.29.17 the following strategies are managed at NAM:
- i. Global Growth Strategy – NAM seeks to find opportunities in quality companies in industries, sectors and regions that collectively possess growth characteristics. This strategy can include, but is not limited to, large capitalization global equities, actively managed mutual funds, long-only equity managers, together with select ETFs.
  - ii. Global Moderate Growth Strategy – NAM seeks to find similar opportunities to those in the Global Growth Strategy, but with a greater emphasis on capital preservation. It can include, but is not limited to, large capitalization global equities, actively managed mutual funds, long-only equity managers, together with select ETFs.
  - iii. Global Conservative Strategy – NAM seeks to preserve capital, generate income and offer reasonable growth in most market conditions. This strategy can include a number of Global Growth Strategy names, together with multiple asset classes, including REITs, MLPs, and other high yielding equities.

- iv. Global Tactical Income Strategy – NAM seeks to maximize after tax income by focusing on companies with the ability to generate a sustainable and growing dividend stream. This strategy can include a number of Global Growth Strategy names, and multiple asset classes, including high yielding equities, fixed income, REITs, and MLPs.
  - v. Global Moderate Income Strategy – NAM seeks to find similar opportunities to those in the Global Tactical Income Strategy, but with a greater emphasis on capital preservation. This strategy seeks to maximize after tax income by focusing on companies with the ability to generate a sustainable and growing dividend stream. This strategy can include a number of Global Growth Strategy names, and multiple asset classes, including high yielding equities, fixed income, REITs, and MLPs.
  - vi. Aggressive Growth Strategy – NAM seeks to find opportunities in quality companies in industries, sectors and regions that collectively possess growth characteristics. This strategy has a similar portfolio structure to the Global Growth Strategy, but has a higher allocation to equities. This strategy can include, but is not limited to, large capitalization global equities, actively managed mutual funds, long-only equity managers, together with select ETFs.
  - vii. Fixed Income Strategy – NAM seeks to preserve capital in most market conditions. This strategy can include, but is not limited to, US Treasury bonds, investment grade bonds, Municipal bonds, high yield bonds, Sovereign bonds, and securities with fixed income characteristics.
- B. NAM has created several portfolio options, based on client account market values, for Global Growth, Global Moderate Growth, and Global Conservative Strategies. They are as follows:

#### ACCOUNT MARKET VALUE LEVELS

- i. \$0 - \$25,000  
These accounts will contain a limited number of mutual funds, ETFs and/or other securities.
- ii. \$25,000 - \$100,000  
These accounts can include some of the same investments held in level i. above, with the addition of further mutual funds, ETFs and/or other individual securities.
- iii. \$100,000 and above  
These accounts include some of the same investments held in level ii. above, with the addition of selected other mutual funds, ETFs and/or other individual securities.
- iv. Above \$500,000

These accounts can include some of the same investments in the levels described above, typically with a greater focus on individual securities.

- C. For accredited clients, NAM can also create a highly personalized strategy. This strategy can include internally managed investments complemented with selected and monitored alternative investments, separately managed accounts, and commodities, including external hedge fund and private equity managers. With respect to third-party investment vehicles that charge performance-based fees, the managers of these vehicles can be incentivized to make investments that are riskier or more speculative than would be the case in the absence of such fee arrangements.
- D. All investment strategies include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to “lock in” the profit). Markets fluctuate substantially over time. In addition, as past global and domestic economic events have indicated, performance of any investment is not guaranteed. We will do our best in the management of client assets; however, we cannot guarantee any level of performance or protection against a loss of client account assets.

## ITEM 9 - DISCIPLINARY INFORMATION

We are obligated to disclose any disciplinary event that would be material when evaluating us to initiate a Client/Adviser relationship, or to continue a Client/Adviser relationship with us. This statement applies to NAM and every employee.

**We do not have any legal, financial or other disciplinary item to report.**

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

NAM's management persons do not have any relationships or arrangements with any related persons that are material to our advisory business or to our clients. None of our management persons are registered, or have an application pending to register, as a broker/dealer or a registered representative of a broker/dealer. None of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

NAM is the sole member and 100% owner of two limited liability companies, each named North American Fiduciary Services, LLC (“NAFS”). These entities were established to accommodate clients, on a select basis, who are in need of one or more of the following fiduciary services: (1) trust protector; (2) agent for trustee; and (3)

trustee (primarily for Massachusetts trusts). Clients are required to have a minimum of \$1 million in investable assets for a trust seeking these fiduciary services; however, some exceptions apply.

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

### Code of Ethics

- A. As required by regulation (SEC rule 204A-1), and because it is good business practice, we have adopted a Code of Ethics (the “Code”) that governs a number of potential conflicts of interest we have when providing our advisory services to you.
- B. The Code sets forth and requires employees to abide by high ethical standards of conduct, including a duty to comply with all applicable federal securities laws.
- C. The Code is designed to ensure we meet our fiduciary obligation to you, our client (or prospective client), and to drive home a culture of compliance within NAM. It requires that each employee place the interests of NAM’s clients ahead of his/her own.
- D. NAM will provide clients and prospective clients with a copy of the Code upon request.
- E. The Code is distributed to each employee at the time of hire, and annually thereafter. We also supplement the Code with annual training and ongoing monitoring of employee activity.
- F. The Code includes the following:
  - i. Requirements related to the confidentiality of our clients and client information.
  - ii. Prohibitions on:
    - a) Insider trading.
    - b) Other unlawful or unethical business conduct.
  - iii. Guidelines for:
    - a) The acceptance of gifts and entertainment.
    - b) Seeking preclearance of employee transactions.

- c) Reporting (on an ongoing and quarterly basis) all personal securities transactions (“reportable securities” as mandated by regulation).
- iv. On an annual basis, we require all employees to:
  - a) Affirm and attest to the Code.
  - b) Identify any family members in the brokerage industry.
  - c) Identify any account(s) that are owned or over which they have control and beneficial interest.
  - d) Identify all reportable securities holdings that they own in these accounts, unless the account qualifies for, and satisfies, a Code exemption.

## Personal Trading

- A. The Code does not prohibit personal trading by our employees.
- B. NAM maintains different personal trading requirements depending on various factors including whether or not the employee’s account is being managed by NAM, and whether or not the employee exerts any direct or indirect influence or control over reportable securities transactions in the account.
- C. The Code specifies that the interests of client accounts will at all times be placed first, that all personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility, and that employees must not take inappropriate advantage of their positions.
- D. Unless the account qualifies for, and satisfies, a specific Code exclusion or exemption, purchases and sales must be approved by a supervisory person designated by the Firm. For any employee accounts held outside of NAM (Outside Accounts), the approved transaction is completed by the close of business on the trading day approval is received, unless the employee places a limit order (i.e. specifies the price at which he/she plans to purchase/sell the security); in that instance, the approved transaction is good for two weeks. For employee or related accounts held at NAM, the approved transaction is completed as part of an aggregated order or at such time as the trading manager processes the trade. In some instances, this takes more than one trading day to complete.
- E. We can purchase or sell the same or similar securities (or securities that are not suitable for any external client) for an employee or related account at NAM at the same time that we place transactions for the accounts of our clients.



- F. NAM maintains a restricted list. The restricted list is a list of securities under consideration by NAM to be purchased or sold for client strategy accounts and is monitored and updated by NAM's research department.
- G. When NAM employee or related accounts participate in strategy trades with client accounts, as noted above in E., they can trade in securities found on NAM's restricted list.
- H. However, unless the account qualifies for, and satisfies, a specific Code exclusion or exemption, employees with Outside Accounts are prohibited from trading in securities found on NAM's restricted list. This limitation is designed to avoid actual or potential conflicts of interest between the trading actions taken by NAM for its clients and those taken by employees in their outside personal trading accounts. It is also meant to prevent front running when NAM employees execute personal securities transactions in their Outside Accounts.
- I. Unless the account qualifies for, and satisfies, a specific Code exclusion or exemption, employees are also prohibited from trading a security in all Outside Accounts on the same day that the same security is traded in a client account (unless the employee had the trade approved, prior to the trade being submitted in the client's account).
- J. Statements and account reports are reviewed under the Code for compliance with NAM's policies regarding personal securities transactions and applicable SEC rules and regulations.
- K. If any violation of NAM's Personal Security Transaction Policy is determined to have occurred, the CCO can impose sanctions and take such other actions as deemed appropriate and set out in the Code.

## ITEM 12 – BROKERAGE PRACTICES

In this item, we describe the factors that are considered when selecting a broker/dealer for client transactions and determining the reasonableness of their compensation.

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

- A. In selecting broker/dealers, NAM's guiding principle is to seek to obtain the best overall execution for each client on each trade. NAM considers a number of factors, including, without limitation, the research services provided, the availability of a soft dollar program, the handling of the order, the ability of the broker to settle the trade promptly and accurately, the financial standing of the broker, the Firm's past experience with similar trades and other factors unique to a particular order.

- B. In recognition of the value of these factors, when trading stocks and ETFs, NAM's clients will likely pay a brokerage commission that is higher than the lowest commission that otherwise would be available for any given trade. At times clients pay commissions in addition to a markup/markdown on trades completed on a principal basis.
- C. NAM currently maintains soft dollar arrangements with broker/dealers whereby it receives products and/or services from third party service providers that are paid for by the broker/dealers in exchange for the brokerage commissions from transactions in clients' discretionary managed accounts.
- D. When NAM uses client brokerage commissions (or markups and markdowns) to obtain research or other products or services, clients receive the benefits of these products and services; however, NAM receives a benefit because we do not have to produce or pay for the research, products or services obtained. NAM's receipt of such benefits is reviewed to ensure compliance with the safe harbor provision under Securities Exchange Act 28(e) and the SEC's latest guidelines.
- E. Such products and services include access to current corporate earnings estimates, qualitative and quantitative company data, stock flow analysis, stock screening, quotation services, research aggregation/management, financial modeling, outside manager search capabilities, performance analysis, risk analysis, and market data (including quotes, indices, news, market depth, order book). NAM receives both proprietary research created or developed by the broker/dealers, as well as research created or developed by a third party, for example information accessible via Bloomberg and FactSet. In addition to individual stock, bond, and fund research, this proprietary research covers industry analysis and global macro-economic themes. We believe that the cost of obtaining the soft dollar products/services is reasonable and commensurate with the benefits gained. Research and execution related services are utilized for the benefit of all clients.
- F. NAM also utilizes mixed-use products and/or services on a soft dollar basis (for example, FactSet), for which NAM makes a reasonable allocation of the cost between that portion which is eligible as research or brokerage services and that portion which is not so qualified. The portion eligible as research or other brokerage services is paid for with discretionary client commissions and the non-eligible portion, e.g., computer hardware, accounting systems, etc., is paid for with NAM's own funds.
- G. Soft dollar arrangements can produce an incentive to select or recommend a broker/dealer due to our interest in receiving particular research or other products or services, rather than on our clients' interest in receiving most favorable execution.

- H. NAM's soft dollar arrangements will likely cause clients with discretionary managed accounts to pay commissions (or markups or markdowns) higher than those charged by other broker/dealers in return for soft dollar benefits.
- I. Research, products or services received from soft dollar benefits are used to service all of our clients' discretionary and non-discretionary managed accounts. NAM does not allocate soft dollar benefits to client accounts proportionately to any soft dollar credits that the accounts generate. As a result, a client can pay brokerage commissions that are used, in part, to purchase research, products or services that are not used to benefit that specific client.
- J. No additional products and services, other than those listed earlier, have been acquired in the last fiscal year using client commissions.
- K. In the last fiscal year, NAM has directed client transactions to particular broker/dealers in return for soft dollar benefits received. The decision to direct these transactions is based on NAM's periodic review of the soft dollar transactions and the perceived benefits that NAM's clients receive from soft dollar services. NAM has created a Soft Dollar/Best Execution Committee for this purpose. The Committee is charged with the responsibility to review, approve, and monitor all soft dollar arrangements and brokerage allocations for soft dollar benefits. The Committee, along with other senior personnel, determine NAM's policies on commission allocation, any brokerage and research products and services to be obtained, and the amount of commissions appropriate to allocate to the purchase of these products and services.

## **Brokerage for Client Referrals**

NAM does not select or recommend broker/dealers based on whether or not it can receive client referrals from a broker/dealer or third party.

## **Directed Brokerage**

- A. NAM has been granted the authority by the majority of its clients to determine, without specific consent, the securities to be bought or sold, the quantities of securities being bought or sold, and the broker/dealers executing the trades.
- B. NAM has selected a custodian that it recommends to clients. NAM has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates "Fidelity") through which Fidelity provides NAM with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and related services that assist NAM in managing and administering clients' accounts. For example, software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients'

accounts; and (v) assist with back office functions, recordkeeping and client reporting. Fidelity generally does not charge its adviser clients 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 Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

- C. Where the broker/dealer is the custodian, such as Fidelity, NAM can choose whether or not to execute trades with this custodian.
- D. In certain situations, NAM allows clients to direct brokerage and to have the final choice as to the selection of a custodian. However, if clients choose to direct brokerage, NAM will not seek better execution services or prices from other broker/dealers. Likewise, NAM will not be able to aggregate the client's transactions for execution through other broker/dealers with orders for other accounts advised or managed by the Firm. Clients directing brokerage could be unable to achieve the most favorable execution of their transactions, paying materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case. In the event of Firm-wide trades, the orders for directed brokers are typically placed after the orders for non-directed brokers. Overall, the practice of directing brokerage could cost clients more money.
- E. Any limitations which might be placed on NAM are "client specific" and, to the extent that they exist, are detailed at the opening of the client's account.
- F. If a client directs NAM to utilize a particular broker/dealer to execute transactions for the client's account, the client is responsible for negotiating the terms and arrangements for the account with that broker/dealer.

## **Trading Practice**

- A. When possible, orders for the same security can be aggregated to facilitate best execution and to allocate equitably among NAM's clients.
- B. Aggregation avoids differences in prices that might have been obtained had such orders been placed independently.
- C. Employee client accounts (Related Accounts) often participate in aggregated transactions with other advisory clients. However, in no case will these accounts participate if the order only partially fills (i.e. client orders will be filled before related accounts receive allocations).

- D. NAM aggregates the purchase or sale of transactions with each broker to try to ensure that no participating client, including any Related Account, is favored over any other client. Specifically, each client in an aggregated transaction will participate at the average share price for all of the aggregated transactions with that broker in that security on that business day.
- E. Securities purchased or sold in an aggregated transaction are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account.
- F. NAM can, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd lots or small numbers of shares for particular clients.
- G. Additionally, if NAM is unable to fully execute an aggregated transaction and determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, we can allocate such securities in a manner determined in good faith to be a reasonable and fair allocation.
- H. For accounts other than those with directed brokerage, NAM will, under certain circumstances, execute trades at a broker/dealer other than the prime broker, which can cause an account to incur a trade-away fee in addition to the regular commission/transaction fee. NAM will use its best efforts to reimburse its clients, on a quarterly basis, for the equity trade-away fees.

## ITEM 13 – REVIEW OF ACCOUNTS

- A. NAM monitors client investment accounts as part of an ongoing supervisory process. Regular reviews of client accounts and/or financial plans occur at least on an annual basis, generally at client meetings. Accounts are analyzed by our clients' investment management personnel and wealth management team. Investments, transactions and performance are reviewed and discussed in detail. Investment Policy Statements are checked to confirm whether risk tolerance levels and/or current circumstances require a reevaluation of investment objectives.
- B. Furthermore, throughout the year, clients also converse with investment management personnel or the wealth management team via telephone, email, and other forms of communication. These conversations often include a review of accounts.
- C. Additional events that can trigger a review of accounts vary and could include (extraordinary) market conditions, international and domestic political and economic events, corporate and industry developments, as well as other factors affecting an individual account such as a client's age, or a change in immediate or future circumstances.

- D. Clients can reasonably anticipate recurrent attention to their investment objectives and requirements. The number of accounts reviewed by any one person and the sequence of the accounts reviewed are not fixed. Reviews are conducted by the Chief Investment Officer, or his designee, members of the Investment Committee and the Portfolio Management Team, and the respective Wealth Advisor or Relationship Manager. NAM's Chief Compliance Officer, or her designee, performs random account reviews throughout the year. These reviews cover a variety of areas, including, but not limited to, comparing an account's strategy and/or allocation to its stated objectives, reviewing invoices, and confirming the client documentation (trusts, wills, and financial plans) on file.
- E. NAM provides clients with a quarterly investment newsletter detailing our views on market news, conditions and factors that we are considering as we navigate the economic environment. NAM also produces a financial planning note on a quarterly basis, offering useful tips and information to our clients.
- F. Clients receive quarterly written statements from NAM that provide an account overview, an appraisal with cost basis and yield information, purchase and sale details, realized gains and losses, and account performance. Custodial account statements also provide a summary of income, disbursements, capital gains and losses booked from the beginning of the year, together with a summary of withdrawals and changes in investment values. We strongly recommend that clients compare the account statement received from their qualified custodian with those provided by NAM.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

### **Solicitor Arrangements**

NAM compensates persons for the referral of advisory clients to NAM provided appropriate disclosures and regulatory requirements are met. NAM currently has one referral agreement. NAM's Solicitor is an unaffiliated marketing representative. Under this arrangement, dated 3/13/2003, the Solicitor receives compensation equal to 25% of the fees derived from any clients referred by him. Payments continue until the agreement is terminated by either NAM or the Solicitor.

The payment of fees to solicitors for prospective client referrals creates a potential conflict of interest to the extent that the solicitor is motivated, at least in part, by financial gain and the referral is not unbiased. To ensure the Firm's fiduciary obligations are maintained, NAM has implemented the following procedures, among others: (1) referral fees are paid in accordance with Rule 206(4)-3 of the Advisers Act; and (2) at the time of solicitation, the solicitor is required to disclose the nature of his/her relationship with NAM and provide each prospective client with a copy of

NAM's Form ADV Part 2 Brochure together with a copy of the written disclosure statement (the written disclosure statement outlines the terms of the solicitation agreement between NAM and the solicitor, including the compensation to be received by the solicitor from NAM).

## **Economic Benefits Provided by Third Parties**

Fidelity provides other services, beyond those relating to brokerage and custody activities, intended to help NAM manage and further develop its business. These services include consulting, publications, webinars, and conferences regarding practice management and information technology. In addition, Fidelity can make arrangements and/or pay third party vendors for these types of services to be rendered to NAM. Fidelity also offers other benefits such as educational events and occasional business entertainment for NAM employees. The scope of these benefits is determined in part by the overall level of client assets that NAM has on the Fidelity platform. In evaluating whether to recommend that clients place their assets in custody at Fidelity, NAM takes into consideration the availability of some of these ancillary products and services and not solely the cost or quality of custody and brokerage services provided by Fidelity, which can create a potential conflict of interest.

## **ITEM 15 – CUSTODY**

NAM does not maintain physical custody of client assets, but is deemed to have constructive custody of clients' funds for accounts in which: (1) NAM deducts advisory fees directly from client accounts; and/or (2) an employee is a trustee or co-trustee; and/or (3) NAFS is a trustee or trust protector; and/or (4) the client has established standing instructions authorizing NAM to determine the size and date of distributions made to a specific third party. Clients receive quarterly report packages from NAM as well as account statements, at a minimum quarterly, directly from their qualified custodians.

We urge clients to compare the account statement received from their qualified custodian with those provided by NAM. Please note, for tax and other purposes, the custodial statement should be considered the official record of client account(s) and assets.

## **ITEM 16 – INVESTMENT DISCRETION**

A. NAM accepts discretionary authority to manage securities accounts on behalf of the vast majority of its clients.

- B. Clients sign an investment advisory agreement with NAM and, in most cases, a custodian account application at the commencement of the relationship confirming that NAM has discretion.
- C. This discretionary authority allows us to determine, without specific consent, the following:
- i. The types of assets/securities bought or sold in an account.
  - ii. The quantities of assets/securities bought or sold in an account.
  - iii. The broker/dealers used to buy or sell assets/securities in an account.
- D. Clients can place limitations on our discretionary authority.
- E. Any limitations are “client specific” and, to the extent that they exist, are detailed when the client’s account is opened (or upon notification by the client thereafter).
- F. Limitations include the following:
- i. Selection of alternative custodian or broker/dealer.
  - ii. Specific asset types that should not be held in an account – e.g., no Master Limited Partnerships.
  - iii. Specific securities that should not be held in an account – e.g., no securities issued by tobacco companies.
  - iv. Cash levels.
- G. Such limitations will be noted for each account. Restrictions are placed that prevent contravening transactions in these accounts, or that direct the trades to selected broker/dealers (without the consent/authority of the client).

## ITEM 17 – VOTING CLIENT SECURITIES

### **Proxy Voting**

- A. The majority of NAM’s clients have requested that NAM receive and vote their proxy ballots on managed accounts. However, clients have the option of electing to vote their own proxies and can exercise this right by instructing NAM, either in the advisory agreement or in writing, to refrain from voting proxies on behalf of their account. When a client elects to vote his/her own proxies, the client will receive the proxies or other solicitations directly from the custodian.



- B. NAM has an agreement with Broadridge Financial Solutions (“Broadridge”), a national proxy service firm, which authorizes Broadridge to vote corporate proxies on behalf of our clients according to the Glass Lewis Investment Manager Guidelines. As part of this agreement, Glass Lewis & Co. (“GLC”) provides us with recommendations based on their research and analysis of corporate proxy issues.
- C. We will vote proxies solicited by, or with respect to, issuers of securities held in clients' accounts. In these cases, we continue to follow the guidance received from GLC on the securities in question.
- D. The client’s custodian and NAM each submit client holdings information to Broadridge; however, Broadridge relies solely upon the custodian’s holdings reports to vote client proxies. NAM’s holdings reports are utilized primarily for reconciliation purposes. Although NAM submits various types of holdings in its reports, NAM does not submit its mutual fund holdings to Broadridge. As a result, NAM does not reconcile the votes for client’s mutual fund holdings.
- E. If NAM has engaged a separate account manager on behalf of a client, then NAM will often delegate authority for voting the related proxies to the sub-adviser. For separately managed accounts held at Fidelity, if the sub-adviser does not accept the authority to vote the related proxies, then the responsibility for voting the related proxies belongs to the client. Fidelity will not allow NAM to vote the related proxies.
- F. If we are informed by Broadridge or become aware of a conflict of interest, NAM’s Proxy Voting Committee (“PVC”), or designee, will make a reasonable effort to vote these shares on behalf of its clients. If we determine that NAM or one of our employees faces a material conflict of interest in voting your proxy (e.g., an employee of NAM personally benefits if the proxy is voted in a particular way), the PVC will assess how the clients’ best interests will be served in voting the proxy and will make a reasonable effort to vote the shares. In the event that the vote is not unanimous, we will engage an independent third party, at our expense, to determine the appropriate vote. Any vote cast by this independent party is binding and cannot be overridden by NAM.
- G. In regards to those proxy votes received in hard copy and voted directly by NAM (not voted by Broadridge), NAM will vote according to GLC recommendations unless the PVC, or designee, determines otherwise for reasons such as, but not limited to, client direction or awareness of a conflict of interest. In addition, if NAM receives notification of proxy votes that have not been received by Broadridge, then the PVC, or designated person, will make a reasonable effort to vote the shares on behalf of clients.
- H. Clients can request a proxy vote record if NAM has proxy voting authority for them. Clients can contact NAM’s Chief Compliance Officer with any questions regarding NAM’s proxy voting.

- I. Clients can receive a copy of our proxy voting policies and procedures upon request.

## **Class Actions**

- A. NAM has an agreement with Chicago Clearing Corporation (CCC) to provide class action monitoring and claim filing for our clients.
- B. CCC will deduct 15% of any monies received from a successful class action settlement.
- C. NAM does not receive any financial benefits from this relationship with CCC.
- D. Clients can opt out of this service at any time.

## **ITEM 18 – FINANCIAL INFORMATION**

NAM is not required to include a financial statement in this Brochure, as the Firm does not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

NAM is aware of no financial conditions that would impair its ability to meet contractual commitments to clients.

## **ITEM 19 – REQUIREMENTS FOR STATE REGISTERED ADVISERS**

This item does not apply to NAM.