



Wrap Firm Brochure

(Part 2A of Form ADV)

October 23, 2018

SlateStone Wealth, LLC

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This wrap fee program brochure provides information about the qualifications and business practices of SlateStone Wealth, LLC. If you have any questions about the contents of this brochure, please contact Sharon Daniels, Chief Executive Officer or Milagros Kleiner, Chief Compliance Officer, at 561-244-2504 or [Compliance@SlateStone.com](mailto:Compliance@SlateStone.com).

## Item 1 – Cover Page

SlateStone Wealth, LLC is a registered investment adviser with the United States Securities & Exchange Commission “SEC”. References within this Brochure to SlateStone Wealth, LLC as a “registered investment adviser” or any reference to “registered” does not imply a certain level of skill or training. Likewise, the information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about SlateStone Wealth, LLC is also available on the SEC’s Website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for SlateStone is #286669. You will be able to view Parts 1 and 2 of our Form ADV.

## Item 2 – Summary of Material Changes

This updating amendment to our firm brochure (previously dated March 28, 2018) and brochure supplements, discloses the acquisition of Daniel Devine & Company and the addition of the firm’s executive staff as Senior Portfolio Managers. Other material changes include the designation of Chief Operating Officer to David Costigan, with 25 years of experience in the financial services industry including leadership positions in independent advisory and banking institutions.

Further, to accommodate the addition of new staff, SlateStone Wealth officially moved its corporate headquarters to 4495 Military Trail, Suite 207, Jupiter, FL 33458 on September 1, 2018.

Effective September 1, 2018 SlateStone Wealth, LLC acquired the assets of Daniel Devine & Company, a Parkland, FL based investment adviser. As of June 30, 2018 Daniel Devine & Company had approximately 26 client relationships with assets under management of approximately \$250 million. Daniel Devine & Company was co-founded by Daniel Devine and Kimberly Pierce in 2004 as a registered investment adviser catering to a limited number of high net worth families. Mr. Devine began his career in 1974, earned his Chartered Financial Analyst® (CFA) designation in 1981 and also his law degree. He and Ms. Pierce, also a Chartered Financial Analyst® have partnered over the past three decades specializing in custom asset management for a limited number of high net worth international families.

A summary of any material changes to our brochure will be made annually by March 31 of each year as required by the United States Securities and Exchange Commission. We may also provide updated disclosure information about material changes on a more frequent basis. Any summary of changes will include the date of the last update of our brochure.

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# Item 4 - Services, Fees and Compensation

## Description of Firm

SlateStone Wealth, LLC (SlateStone), is a limited liability company formed pursuant to Florida law. The firm's corporate headquarters are located in Jupiter, Florida and regional offices are located in Boca Raton, Florida, Southlake, Texas and Manhasset, New York. As of September 1, 2018, the firm had \$566.5 million in assets under management of which \$565.8 million was managed on a discretionary basis and \$684,000 was managed on a non-discretionary basis.

SlateStone's principal partners/owners are Jeta Grove Partners, LLC and GNJ LLC. Jeta Grove Partners, LLC is owned by Patrick E. Tylander, Sharon A. "Sherri" Daniels, and David J. Costigan. GNJ LLC is owned by Eyal "Alan" Galinsky.

SlateStone is employee-owned and our partners are investment industry veterans with decades of investment management experience upholding a fiduciary standard and providing transparency into the wealth management process. We cater to clients seeking high-touch services across a spectrum of financial needs that may be encountered over generations. SlateStone offers a comprehensive suite of specialized services delivered through a defined and robust discovery approach with each client. When working with SlateStone and our team, you can expect personal service and a long-term commitment. Our mission is to create deeply-rooted relationships and to deliver superior long-term results by integrating your financial plan with a disciplined investment process that instills a greater sense of confidence that goals are achievable.

## Our Services

This disclosure brochure deals only with our wrap fee programs. Descriptions and fees for our other non-wrap services, including Customized Advisory and Wealth Management and Custom Financial Planning can be found in a separate brochure, (ADV Brochure) which is always available to you on request.

SlateStone offers two wrap fee programs, Strategic Portfolio Management and Separately Managed Accounts.

A wrap-fee program bundles our investment services together and charges an all-inclusive fee, named a "wrap fee" because it wraps the costs of these services rather than charging a separate fee for each. If you participate in one of our strategies, we charge you a single specified fee to cover the cost connected with trading securities transactions in your account, our investment management services, including custody and related

services. By giving a client this benefit, SlateStone seeks to mitigate the impact of transaction costs upon a client's portfolio investment results.

*Strategic Portfolio Management* service is a comprehensive investment management solution which includes investment portfolio design and implementation, tax efficient management and reporting plus ongoing and continuous oversight of client accounts.

When advising on and constructing client portfolios, the firm will typically utilize equity and bond related ETFs and mutual funds to build a diversified portfolio. Within this framework, we may advise a client utilize a mutual fund asset allocation strategy, model portfolios, or the use of an external third-party manager. Depending on the client's objectives, the firm allocates primarily for results over time however, we will also employ short term, tactical moves to protect from downside market conditions when deemed appropriate. Tactical moves may include the use of specialized funds or ETFs over the shorter term or increasing cash levels as deemed appropriate based on the specific client risk tolerance and short and long term objectives. Where appropriate, and in our *Customized Advisory Services* which are tailored for clients who have special circumstances or restrictions, we may employ other strategies.

Our *Strategic Portfolio Management* offering is comprised of five asset allocation strategies each of which is designed to address specific investment objectives and risk tolerances based upon your personal investment objectives and goals.

SlateStone also offers *Separately Managed Accounts* within a wrap-free structure. In certain circumstances and to meet overall client investment objectives, our internally managed solutions may be augmented with an investment strategy from an external, independent manager skilled in specialized management strategies (options, alternatives, real estate, structured notes, etc.).

When recommending independent managers, SlateStone may recommend the addition of a single investment strategy in a client's portfolio and offered by a select group of independent investment advisers or Separate Account Managers that act as managers for a particular strategy in the portfolio. In recommending independent managers to a client, SlateStone will consider factors such as the client's designated investment objective, management style, performance, reputation, financial strength, reporting, and pricing. When utilizing an independent manager, SlateStone will continue to provide investment advisory services to the client relative to ongoing monitoring and review of account performance, overall portfolio asset allocation, and client investment objectives. Importantly, in such circumstances, the independent manager shall have day-to-day responsibility for the active discretionary management of the allocated assets.

Additionally, we have access to the Envestnet platform to provide related research to our investment committee regarding the investment discipline and/or approach used by the approved managers on the Envestnet platform to identify and select a single diversified strategy that best fits your specific investment objectives and risk tolerance. When utilizing an independent manager, SlateStone will continue to provide investment advisory services to the client relative to ongoing monitoring and review of account performance, overall portfolio asset allocation, and client investment objectives. Importantly, in such circumstances, the independent manager shall have day-to-day responsibility for the active discretionary management of the allocated assets. SlateStone will require additional documents to be completed for this service in addition to the firm's standard new client documents.

Our wrap programs provide clients with execution, clearing, and custodial services through TD Ameritrade. The Advisor also 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 and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The Advisor receives some benefits from TD Ameritrade.

SlateStone's investment committee determines the investment advice or recommendations to be given to our clients in coordination with each of our advisor representatives ("advisor") who exercises his or her own professional judgment to provide tailored investment advice, recommendations, and advisory services to you on behalf of our firm.

Prior to participating in our program, you will execute an investment management agreement with us setting forth the terms and conditions of our management of your investments within the program. When you become a client, your advisor will gather information through in-depth personal interviews with you. This may include one or more in-person meetings and/or telephone calls. We may gather information that includes, but is not limited to, your current financial position, future goals, attitudes toward risk, and your investment objectives. We ask you to fill out a client financial profile or similar document that we will carefully review, along with all other documentation you supply. Because we only rely upon the information you provide us and do not independently verify it, you should provide us with accurate information. Based on the information you provide, we will assist you in selecting an appropriate strategy and will develop a personalized portfolio designed to meet your investment goals and objectives through asset allocation, portfolio monitoring, and consolidated reporting.

In personalizing your investment strategy, we may choose various investments including equity securities (stocks), corporate debt securities (bonds and notes), municipal securities, investment company securities (mutual funds, including money market funds), exchange-traded funds, and United States government securities.

We emphasize continuous personal client contact and interaction in providing our investment advisory services under our wrap fee program. Based on your individual investment objectives, financial situation, and risk tolerance, we will recommend an initial portfolio allocation. As your financial situation, goals, objectives, or needs change, we ask that you notify us promptly. In addition, our wealth management services including the *Strategic Portfolio Management* service is provided on a discretionary basis which means, you will have the opportunity to place reasonable restrictions on the types of investments held in your portfolio. On a discretionary basis, we can buy or sell securities on your behalf without your prior permission for each specific transaction. However, the selection of securities or other investments will be in accordance with your client profile, goals, and risk tolerance as described above.

#### Life Guidance Services

##### Financial Planning and Consulting.

In the course of providing comprehensive advice to our clients, we may determine that financial planning and/or consulting services on a standalone and separate fee-basis are necessary. These “additional services” are provided on a non-discretionary basis and include guidance on investment and non-investment related matters, including, but not limited to budgeting, cash flow planning, retirement planning, insurance planning, and estate planning, etc. SlateStone’s financial planning and consulting fees are negotiable depending on the level and scope of services required and upon the professionals who render the service. These services generally are provided on a fee basis ranging from \$2,000 - \$5,000 annually based on complexity. Prior to engaging for more complex financial planning and consulting services, clients will enter into a *Financial Planning and Consulting Agreement* which outlines the terms and conditions of the engagement, the scope of the services, and the portion of the fee that is due from the client prior to SlateStone commencing its services. SlateStone may utilize professionals such as licensed insurance agents or recommend outside specialized resources and professionals as appropriate. If directed by the client, we will work closely with the client’s CPA, Estate Attorney or other advisors to develop tax and wealth management strategies. SlateStone’s financial planning and consulting services are provided on a non-discretionary basis which means the client retains discretion over the implementation decisions and is free to accept or reject recommendations made by SlateStone.

Importantly, within the scope of financial planning and consulting services, SlateStone does not serve as an attorney or accountant, and its services should not be construed as legal or tax advice. Furthermore, SlateStone does not prepare estate planning documents or tax returns. In service to our clients, we may recommend outside professionals for non-investment-related services (accountants, attorney's, insurance agents) or a professional licensed to sell insurance products in their individual capacity. The client is never under any obligation to engage with a recommended professional. Whereby a client uses the services of a recommended professional and a dispute arises thereafter, relative to that engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

### Account Aggregation

In conjunction with the service provided by Black Diamond, SlateStone offers aggregation of outside assets/accounts held by a client and may provide periodic comprehensive reporting services which incorporate all of the client's investment assets including those investment assets that are not part of the assets being managed by SlateStone. SlateStone's service related to outside assets is limited to the reporting service only and do not include discretionary investment management of the outside assets, SlateStone does not have trading authority over the outside assets and as such the client will be exclusively responsible for directing and implementing any recommendations SlateStone may provide in the course of our financial planning or investment management relationship related to those outside assets. Further, SlateStone shall not be responsible for any implementation error (trading, etc.) that make occur related to any outside assets. In the event the client desires that SlateStone provide investment management services on any of the outside assets, the client will do so under the terms and conditions of SlateStone's *Investment Management Agreement*.  
Cash/Liquid Positions

In the course of managing investments for clients, SlateStone may choose to take a defensive position and increase cash positions based upon perceived or anticipated negative market conditions. All cash positions (money markets etc.) are included as part of assets under management for purposes of calculating the firm's advisory fee. Information describing our minimum account sizes and our investment management fees is outlined in Item 5 of this Brochure. SlateStone may grant exceptions to minimum requirements for pre-existing clients, related households, or on a pre-approved basis only.

## Our Fees

In this section, we explain how we are compensated for the various advisory services we provide within our wrap fee program.

We assess fees in the following ways:

- For *Strategic Portfolio Management* services, and Separately Managed Accounts, we charge a percentage-based fee calculated on the market value of the assets in your account.
- For *Financial Planning and Consulting Services*, we charge a flat fee depending on the scope of the planning services required.

Our fee includes such services as investment management, execution of securities, the quarterly reporting and monthly custodial reports, account servicing, and continuous account management. Participation in our programs may cost you more or less than purchasing these services separately. The portfolio size and amount, number of transactions made in your account, as well as the commissions charged for each transaction, will determine the relative cost of our program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Because we absorb all the transaction costs in our wrap fee programs, we have a financial incentive to trade less frequently in our client accounts because frequent trades will increase our net fee. To mitigate this conflict of interest, we carefully monitor the trading frequency as required by our fiduciary responsibility.

### Investment Advisory Fees - Automatic Fee Deduction/Billing

The percentage-based annual management fee is prorated and paid quarterly, in advance, and is based on the total market value of the assets in the account on the last business day of the previous quarter provided by the custodian. Note that SlateStone uses a pricing service to price holdings so market values may differ slightly. If pricing service is significantly off we will use the price provided by your custodian.

All investment management fees are charged to and deducted from the appropriate brokerage account or another custodial account as directed by the client, unless otherwise specifically arranged with the client. Account statements provided by the custodian will show all transactions and positions in the account, including the amount deducted for our fees. It is the responsibility of the client, not the custodian, to verify that the advisory or other fee is applied to a client's correctly.

If a client chooses not to have fees deducted directly from the custodial account or desires to pay fees from another account or by invoice, management has sole discretion to bill fees separately. Regardless of payment method, if the client is ever more than 60 days delinquent on paying any portion of fees due, the client authorizes SlateStone to take such fees directly from the account (even in the case of a retirement account). While SlateStone’s management fees will cover brokerage commissions not all transaction costs or other related expenses are covered as part of your wrap fee (see Additional Fees and Expenses below for possible additional costs you may incur).

The standard management fees for our wrap fee programs, *Strategic Portfolio Management* service and *Separately Managed Accounts*, are provided below.

### Standard Management Fee Schedule

<b>Strategic Portfolio Management Services</b>	<b>Total Assets Under Management</b>	<b>Annual Advisory Fee as % of Total Assets</b>
	\$500,000 to \$750,000	1.25%
	\$750,000 to \$1,000,000	1.10%
	\$1,000,000 to \$2,000,000	1.00%
	\$2,000,000 to \$5,000,000	0.85%
	\$5,000,000 to \$10,000,000	0.60%
	\$10,000,000 and above	Negotiable

Accounts established with less than \$1,000,000 are at the sole discretion of SlateStone. And annual advisory fees typically range from 1.40% – 1.50% depending on total assets and investment service provided.

We also advise on 529 College Savings Plans at a flat rate of 0.50%.

In certain unique relationships, the terms for fees and billing periods may differ from those described herewith, typically for those clients who joined SlateStone as part of a corporate merger or acquisition. When a client joins us as a result of a combination with another firm, we typically do not change the fee arrangement previously established. In its sole discretion, SlateStone may charge a lower investment management fee based upon certain criteria (anticipated future additional assets, dollar amount of assets to be managed, related client relationship, composition of assets to be managed, future earning capacity of client, etc.)

## **Our Cancellation Process, Accrued Fees & Refunds**

A client may terminate an account or the full relationship at any time or may change an account objective upon notification to SlateStone. You shall have five (5) business days from the date of execution of the *Investment Management Agreement* to terminate services for a full refund.

SlateStone requires a written notice of termination of any of its services. Upon such notice, SlateStone will cease making investment decisions under the *Investment Management Agreement* and/or providing financial advice incidental to the *Financial Planning and Consulting Agreement* and will implement any reasonable written instructions that are provided. The investment account(s) can be closed and funds withdrawn only after any open trades have been settled. Upon termination of an investment account, SlateStone will refund any pre-paid management fees, pro-rated to the date of termination. The client refund amount will be either credited to the account or paid by check to the account holder.

A one-time fee of \$1,000 to cover account set-up expenses and advisory services will apply if the client terminates the account within 180 days. This fee can be deducted from any reimbursement owed to the client for pre-paid fees.

## **Fee Schedule Changes**

We retain the right to amend our fee schedule. If we determine a fee change is necessary, we will send you notice in writing at least 30 days prior to the effective date. You may terminate our services if you do not accept the new fee schedule. Otherwise, the new fee schedule will be effective as of the next billing cycle.

## **Fee Changes for Changes in Services**

Your SlateStone advisor may affect a change in your fees in the event of a reduction or increase in the level of services provided to you. Your advisor will discuss this change with you prior to effecting the change. In the event there is a change in the advisory fee to be charged, we will require a new investment management agreement to be signed by you which is then reviewed and approved by our supervisory personnel prior to the fee change.

## **Additional Fees and Expenses**

*Mutual Fund and ETF Management Fees.* Accounts invested in mutual funds and exchange-traded funds generally also pay, indirectly, investment advisory fees to the managers of those funds. As such, client accounts with investments in those types of

securities will be subject to two layers of management fees. An explanation of the fees and expenses paid by each mutual fund is contained in that mutual fund's prospectus.

*Mutual Fund transaction fees.* Depending on the custodian, SlateStone may be able to purchase and sell mutual funds with no transaction fees. Note that clients who do not trade through specific custodians may not be eligible for these waived transaction fees. Fees may be imposed upon early redemption, if the fund was owned prior to our management or if we sell the fund at our discretion. An explanation of fees and expenses charged by each mutual fund is contained in that fund's prospectus.

*Brokerage Fees.* Certain of SlateStone's investment strategies cover brokerage fees, transaction costs and commissions and others do not. Depending on the strategy being managed, SlateStone's fees include brokerage commissions, transaction fees, exchange fees, SEC fees and other related trading costs and expenses. Check with a SlateStone investment adviser to determine if the fee includes the cost of transactions.

*External Account Manager Fees.* If SlateStone engages an external independent investment manager to manage a portion of client's assets, the client may be responsible for paying all fees charged by the external account manager on those assets in addition to SlateStone's *Strategic Portfolio Management or Customized Investment Management Services* fees. SlateStone will obtain written consent from the client for outside manager fees and additional documents will be required.

*SubAdvisory and Dual Contract Clients.* Fee schedules for clients participating in sub-advisory or dual contract programs may be separately negotiated with the relevant client or intermediary. The firm's standard fee schedule is not necessarily applicable to sub-advised or dual contract account clients. SlateStone's management fees for advice to clients in a dual contract, separately managed or sub-advisory account may be less than for the direct management of an account managed internally. The sub-advisor or intermediary generally charges clients quarterly in advance for some form of comprehensive fee based upon the percentage of the value of the client's assets under management in the program. This comprehensive fee may include execution, consulting, custodial and other services performed or arranged by the program sponsor and amount sufficient to cover the investment advisory services of discretionary managers such as SlateStone. In some cases, the discretionary manager's fee is paid directly by the client pursuant to a separate contract executed between the manager and the client. In other programs, the manager's fee is paid directly by the program sponsor. SlateStone may participate in both types of programs and may be paid its investment management fee out of the fees collected by the sponsor or directly by the client.

*Donor Advised Fund Fees.* When a client's assets are allocated toward a donor advised fund, the client will be responsible for paying all fees charged by the fund on those

assets in addition to SlateStone's advisory fees. The fund will impose and arrange for the automatic deduction of its own fees from the account of the client.

The following is a list of additional fees and expenses that may be directly billed or assumed proportionately by you and third parties:

Custodial fees, transfer taxes, odd-lot differentials, margin interest, deferred sales charges (on mutual funds or annuities), wire transfer and electronic fund processing fees, advisory fees and administrative fees charged by mutual funds and exchange traded funds (ETFs). The fees listed above are charged by and paid to a broker-dealer, custodian, mutual fund company, or annuity issuer, as applicable. We do not directly or indirectly share or receive any portion of these fees.

## Item 5 – Account Requirements and Types of Clients

### **Types of Clients**

SlateStone provides investment advisory and wealth management services to a wide variety of clients including: individuals; families; trusts, estates and charitable organizations; corporations or other business entities; not-for-profit entities, including foundations; retirement and profit sharing plans such as IRAs and 401(k), 403(b), and 457 accounts.

### **Account Minimum**

SlateStone typically prefers Accounts with a minimum of \$1,000,000 or more for its Advisory Services. SlateStone may waive minimums for its services at its sole discretion.

## Item 6 - Portfolio Manager Selection and Evaluation

SlateStone evaluates various information and data about the external managers it recommends or selects for client portfolio investment under the programs. The firm generally reviews a variety of different resources, which may include the external manager's public disclosure documents, materials supplied by the external managers themselves, and other third-party analyses it believes are reputable. To the extent possible, the firm seeks to assess the external manager's investment strategies, past performance and risks in relation to its clients' individual portfolio allocations and risk exposures. SlateStone also takes into consideration each external manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other related factors.

SlateStone generally monitors the performance of those accounts being managed by external managers used in its programs by reviewing the account statements and trade confirmations produced by the account custodians, as well as other performance information furnished by the external managers and/or other third-party providers including Lipper Analytics and Envestnet among others. The firm does not verify the accuracy of any such performance information and does not ensure its compliance with presentation standards. Clients are advised that any performance information they receive from the external managers may not be calculated on a uniform and consistent basis. Clients should compare all supplemental materials with the account statements they receive from their respective custodians.

The terms and conditions under which the client engages the program provider of the external manager in SlateStone's *Separately Managed Accounts* program are set forth in additional documentation provided by the program provider and the external manager. In addition to this brochure, clients also receive the written disclosure brochure of the program provider and the designated external manager engaged to manage their assets.

### **Participation in Wrap Fee Programs**

Our wrap fee and non-wrap fee accounts are managed on a personalized basis according to a client's investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap fee accounts.

## **Item 7. Client Information Provided to Portfolio Managers**

SlateStone's investment committee is responsible for determining the selection of securities appropriate for its *Strategic Portfolio Management* service within the wrap program and for implementing the transactions in client accounts based upon information about the client that is shared internally with the investment team. Changes to client circumstances are the responsibility of the wealth advisor to communicate with the investment team and/or firm's Investment Policy Committee in a collaborative and coordinated manner and in order to follow an internal approval and supervisory review process.

## Item 8. Client Contact with Portfolio Managers

SlateStone's investment team and/or Investment Policy Committee, in close coordination with the client's wealth advisor, are responsible for management of the firm's wrap fee program strategies. You should notify your wealth advisor promptly if your financial situation or investment objectives change and those changes will be communicated to SlateStone's investment team for guidance and action as is warranted.

You are always free to directly contact your SlateStone wealth advisor with any questions or concerns that you may have about your portfolio.

Should you have questions about a separate account manager, SlateStone Wealth will obtain the information necessary to address your request.

### **Outside Assets Advice & Guidance**

SlateStone also provides advice and guidance on client's outside assets such as investment accounts of variable life insurance and annuity contracts, assets held in employer sponsored or individual retirement plans, and qualified tuition plans (i.e., 529 plans), amongst others. In these situations, SlateStone directs or recommends the allocation of client assets among the various investment options available within the product the assets are invested in. Client assets are generally maintained either at the underwriting insurance company or the custodian designated by the product's provider. In these arrangements, typically entry of transactions is solely the client's responsibility.

### **Performance Based Fees and Side-by-Side Management**

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets).

### **Methods of Analysis, Investment Strategies and Risk of Loss**

SlateStone's research department makes available to its professional advisory team certain information which includes recommendations on equities, fixed income securities, mutual funds, ETFs, alternatives and the use of external independent managers. SlateStone's investment research is used by its wealth management professionals to tailor recommendations and design an investment portfolio to a client's specific needs, circumstances and objectives. The firm's research department uses fundamental, quantitative, technical and cyclical analysis in evaluating securities. Fundamental analysis involves looking at economic, financial and other qualitative and quantitative factors in an effort to measure a security's value.

We may use various financial databases and tools such as FactSet, Bloomberg Professional, Morningstar's Direct, NATIXIS and The Value Line, Barron's, Briefing.com, Seeking Alpha, StockCharts.com, TFC-Charts.w2d.com, QuantumOnline.com and the Wall Street Journal. We also use other commercially available technology, including research provided by custodians, financial periodicals and other publications, SEC filings, and financial statements to assist with our analysis. In certain instances, we may use outside research to provide expertise in specific investment areas or for more in-depth analysis.

Equities. SlateStone employs a top-down approach in managing client's investment portfolios. We begin with a detailed study of the macro-economic environment reviewing and analyzing business trends and the economic cycles both domestically and abroad. We look at the direction of interest rates, the influence of political policies and the general strength in business and industries. Based on the results of our study, we determine where to focus our efforts in finding global investment ideas. We then determine which equity industry sectors in which to concentrate and the sub-industries that we believe will benefit from our expectations of economic growth.

SlateStone's methods for identifying new investment ideas focuses on a four tier approach.

1. We begin our process of identifying investment ideas by running a quantitative screening against a universe of tens of thousands of individual companies based all around the globe. We screen for earnings growth rates, revenue growth rates, valuations and debt levels.
2. Companies identified in our Quantitative Screening are then reviewed using Technical Analysis during which we review multiple years of trading charts, compare the current price action to moving averages and trend lines and review relative strength and money flow indicators.
3. Stocks that pass our technical review will be reviewed using valuation analysis which involves measuring the current price earnings ratio, PEG ratio, price to book, price to cash flow, price to sales and enterprise value to sales and EBITA. Stocks identified with favorable valuations are then compared using the same analysis to their closest competitors in our peer to peer analysis.
4. Stocks that pass our Valuation Analysis will be reviewed using fundamental analysis which involves looking at competitive advantages, the uniqueness of a company's products or services, barriers to entry, sustainable growth and potential threats.

Mutual Funds and ETFs. SlateStone evaluates, selects and monitors mutual funds and ETFs across multiple asset classes and investment styles. SlateStone's investment selection process for mutual funds begins by screening potential funds using various

industry sources. The firm uses specific criteria to determine the overall investment merit of a specific fund focusing on the fund's historical performance in both bull and bear markets, current performance, fund purpose and sector, price volatility, standard deviation, the fund's returns over a specific period of time, and overall management stability and integrity. SlateStone's investment process for exchange traded funds (ETFs) is based upon a quantitative methodology to choose ETFs that represent specific industry sectors, baskets of regional and international stocks, fixed-income instruments and commodities. By analyzing ETF data, our portfolio managers seek to identify ETFs that appear to be under accumulation by investors, particularly institutions, early in a trend, and those that appear to be out of favor.

SlateStone Wealth manages risks within our clients' portfolios by maintaining a diversified portfolio, limiting the number of holdings to a manageable total, calculating price targets and risk levels, and supervising the daily client holdings and by rigorously monitoring the market and economic trends affecting the securities we invest in on behalf of our clients.

SlateStone adheres to the philosophy that long-term results can be achieved by adhering to established processes built on goals-oriented objectives, an understanding of the impact emotions have on investor behavior and factoring that knowledge into our portfolio construction when developing a long-term financial and investment plan for our clients. This entire process is augmented and enhanced by applying a disciplined rebalancing process to our portfolio management that's intended to reset allocation targets, maintain appropriate portfolio risk parameters, and reduce overweighting. SlateStone's sell discipline involves the same procedures we employ to identify a potential purchase candidate, simply in reverse. We carefully review the fundamentals affecting the securities purchase for our clients. We are rigorously monitoring peer to peer valuations and the valuations of our holdings. Technical analysis is applied daily towards each of our names and our quantitative screens are monitored and reviewed regularly. Our sell discipline may be triggered by certain variables including earnings deceleration, fundamental changes in a security, company or within the industry or sector.

*Bonds/Fixed Income.* SlateStone Wealth's fixed income securities are selected based on client objectives for income, risk tolerance, time horizon among other factors. Our fixed income security selection includes taxable, tax-free and high-yielding portfolios of investment grade quality.

*External Independent Managers.* SlateStone's discretionary authority includes the ability to select any US registered investment adviser to manage client assets based on specific criteria and such managers may invest client assets in separate accounts or

investment funds managed by other advisers. These external investment managers are authorized to buy, sell and trade in securities in accordance with client investment objectives as communicated by SlateStone. SlateStone is authorized to terminate or change independent managers when, in our sole discretion, we believe such a termination or change is in our clients' best interests. SlateStone's research team conducts a thorough review process to select external manager strategies and runs portfolio analytics and reviews proprietary research along with fundamental and historical pricing and relative pricing. This review includes quantitative and qualitative analyses which may include direct discussion with the manager to assess each manager's likelihood of generating future returns as well as to measure the risks associated with the generation of those returns. The research team monitors external managers for adherence to their stated investment process and regularly assesses whether risks are being responsibly managed. The ongoing screening process is also designed to uncover new external investment strategies that may be utilized for SlateStone's clients.

*Donor Advised Funds.* SlateStone Wealth can facilitate a client's interest in charitable giving by allocating a portion of the client's assets to a donor advised fund. In specific circumstances, a foundation will administer the donor advised funds for clients and SlateStone manages assets in these donor advised funds.

*Derivative Investments.* SlateStone Wealth may utilize derivative investments and options where suitable for its clients to meet specific objectives for growth, risk management, and income. The firm will determine analyze, select and monitor derivative securities for clients qualified to invest in them.

*Structured Notes.* Structured products are a combination of a traditional investments (such as: equities, currencies, bonds, commodities, or funds) and one or more derivatives that are structured into one securitized instrument. As structured note is a financial instrument that combines two elements, a debt security and exposure to the underlying asset. As a note, it carries counter-party risk of the issuer with the return on the note linked to the return of an underlying asset. The most common type of structured product utilized selectively at SlateStone is a buffered return-enhanced note which provides for some downside market protection while leveraging market returns on the upside and is linked to a particular market index (such as the S&P500 Index). Structured products may involve a high degree of risk and may be highly complex but they may also be used as flexible alternatives to traditional investment categories while providing attractive additional features, such as capital protection, yield enhancement, leverage or a combination thereof. On a selective basis, SlateStone may employ the use of structured products within client accounts when suitable to the client's overall asset allocation, investment time horizon and risk profile. Importantly, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the

note is held for more than one year. Further, structured notes may also encounter liquidity issues, when being sold prior to maturity.

### **Investment Strategies**

As part of the firm's *Strategic Portfolio Management* service, SlateStone has developed model asset allocation strategies and processes to manage client portfolios. These model strategies may be combined, as appropriate, for each client's personal financial condition and investment objectives. SlateStone offers six model asset allocation strategies to align with overall client objectives and risk tolerances and which invest primarily in mutual funds and exchange traded funds:

- Fixed Income
- Conservative
- Moderate Income
- Moderate Growth
- Growth
- Aggressive

Based upon market conditions and the firm's investment outlook, the composition of the above portfolios may include, at varying percentage allocations, the following asset classes:

- Equities including domestic, global, international, large, mid-cap and small cap, sector and diversified funds
- Fixed income including short and long term high quality, mortgage back, strategic income, bank loans, high-yield
- Alternatives including long/short, tactical, hedging, cash, real estate

Furthermore, the model portfolios percentage asset allocation ranges (across cash, equities, fixed income and alternatives) may be modified upon approval of the firm's Investment Policy Committee to align closely with our investment thesis in different market environments.

In certain sized portfolios and based upon client objectives and suitability, structured notes may be utilized as well.

Accounts managed in SlateStone's *Strategic Portfolio Management* strategies and portfolios under \$1 million in size are designed to meet the specific needs of a common group of clients.

## **Risk of Loss**

All investments involve the risk of loss of your principal (invested amount) and any profits that have not been realized (the securities have not been sold to “lock in” the profit). Markets can be volatile and prices of stocks, bonds, and other investments can fluctuate substantially over time. Other factors such as economic and political events also can affect the performance of your investments. There is no guarantee that you will not lose money or that you will meet your investment objectives. We encourage you to discuss any questions with us that may arise regarding our investment philosophy and your portfolios throughout the course of our relationship.

### **Listed below are some potential risks with any investment:**

Cash Management Risks. The Firm may invest some of a client’s assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

Equity-Related Securities and Instruments. The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

Fixed Income Securities. Fixed income securities are subject to the risk of the issuer’s or a guarantor’s inability to meet principal and interest payments on its obligations and to price volatility.

Mutual Funds and ETFs. An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund’s underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. Shares of mutual

funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders' fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Market Risk. Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of SlateStone's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that SlateStone will be able to predict these price movements accurately or capitalize on any such assumptions.

Volatility Risks. The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

Interest Rate Risk. An increase in interest rates could depress the prices of bonds and other fixed income securities in a client's portfolio.

Event Risk. An adverse event affecting a specific company or that company's industry could depress the price of a client's investments in that company's stocks or bonds. The issuer could become unable to handle its debt service, or receive a downgraded credit rating by a rating agency.

Liquidity Risk. Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions.

Political Risk. The events that occur in the home country of the foreign company may impact valuations. Events such as revolutions, nationalization, currency collapse or other types of events can have a negative impact on the security.

Inflation Risk. Inflation is a general upward movement of prices reducing your purchasing power, which is a risk for investors receiving a fixed rate of interest. The concern for individuals is that inflation will erode returns.

Derivative Risk. Investing and engaging in derivative instruments or derivative transactions such as options, commodity funds and commodity exchange traded funds (“ETF’s”), may involve different types of risk and possibly greater levels of risk such as those listed below.

Leverage Risk. A derivative instrument or transaction may disproportionately increase an account’s exposure to the market for the assets underlying the derivative position and the sensitivity of an account’s portfolio to changes in market prices for those assets.

Counterparty Credit Risk. An account’s ability to profit from a derivative contract depends on the ability and willingness of the other party to the contract (“counterparty”) to perform its obligations under the contract. If the counterparty to an over-the-counter contract fails to perform its obligations, an account may lose the benefit of the contract and may have difficulty reclaiming any collateral that an account may have deposited with the counterparty.

Lack of Correlation. The market value of a derivative position may correlate imperfectly with the market price of the asset underlying the derivative position. If a derivative position is being used to hedge against changes in the value of assets in an account, a lack of price correlation between the derivative position and the hedged asset may result in an account’s assets being incompletely hedged or not completely offset price changes in the derivative position.

Illiquidity. Over-the-counter derivative contracts are usually subject to restrictions on transfer, and there is generally no liquid market for these contracts. Although it is often possible to negotiate the termination of an over-the-counter contract or enter into an offsetting contract, a counterparty may be unable or unwilling to terminate a contract with an account, especially during times of market instability or disruption. The markets

for many exchange traded futures, options and other instruments are quite liquid during normal market conditions, but this liquidity may disappear during times of market instability or disruption.

Less Accurate Valuation. The absence of a liquid market for over-the-counter derivatives increases the likelihood that SlateStone will be unable to correctly value these interests.

Tax Harvesting Risk. Efficient tax-loss harvesting is an important component of a customized portfolio approach. Tax harvesting is a strategy where an ETF or mutual fund is sold at a taxable loss and replaced with a security whose historical performance and expected future performance are similar, thereby having little impact on the overall strategic allocation, but capturing the tax loss. Because past performance is no indication of future performance, there is potential for the future performance of the replacement position to deviate from that of the initial holding. This type of strategy may also incur an increase in the frequency of trading and amount of transaction costs.

Some of our investment strategies require that you maintain a margin account. Clients who purchase securities may pay for them in full or may borrow part of the purchase price from the broker-dealer that holds his/her account. Clients generally use margin to leverage their investments and increase their purchasing power. At the same time, clients who trade securities on margin incur the potential for higher losses. We will discuss the risks of using margin with clients to determine if it is appropriate.

### **Voting Client Securities**

SlateStone Wealth will not be responsible for voting client proxies. Clients authorize and direct us to instruct the Custodian to forward copies of all proxies and shareholder communications relating to the assets to the client.

SlateStone may, but is not required to, authorize external separate account managers to vote any proxies relating to the externally managed or sub-advised assets in accordance with the external separate account manager's proxy voting policy.

## **Item 9 – Additional Information**

### **Disciplinary Matters**

Neither SlateStone Wealth nor any of its employees have any disciplinary matters to disclose regarding its advisory business or the integrity of its management.

## **Financial Industry Affiliations**

SlateStone Wealth LLC is an independent investment advisory firm and is not affiliated with a securities broker-dealer, futures commission merchant, or investment company. Certain SlateStone employees may serve on corporate boards; however, such board participation requires approval by SlateStone's CEO and does not create any material conflict for SlateStone or the employee/principals involved.

Terri King, a Partner of SlateStone, is a partner/owner of a CPA Firm providing accounting and tax services to businesses, trusts and individuals. There is no conflict of interest with the services she provides and there is no sharing of information by SlateStone to Ms. King's firm.

Some of our advisors hold an insurance license and receive commissions from the respective insurance company for selling insurance fixed annuity products. This commission is generally determined as a percentage of the face amount of the policy or the product type, terms and the insurance company itself. There may be other products available with similar features which may pay a lower commission. A conflict of interest exists whereby these advisors may have an incentive to recommend products based on the receipt of commission and as fiduciaries are obligated to make recommendations in the best interest of their client. Our advisors are also obligated to discuss these conflicts with clients in advance of proceeding with one of these products.

## **Code Of Ethics and Personal Trading**

Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act") requires all investment advisers to establish, maintain and enforce a Code of Ethics. Accordingly, the Act places a fiduciary standard on the adviser to act in the best interest of each client.

SlateStone has adopted a Code of Ethics designed to identify and mitigate conflicts of interest. All employees are considered "Access Persons" of the Firm. Access Persons are individuals who may have access to nonpublic information, or regarding our investment strategies and advice. All employees are subject to this Code and are expected to comply with applicable laws, exhibit high ethical standards and to place clients' interests first. The fiduciary duty of an adviser and its representatives is a core principle underlying the adviser's Code of Ethics and sets out the responsibility of the adviser to place the interests of clients ahead of its own.

SlateStone employees are required to report all personal securities transactions except for transactions in: U.S. government obligations; Money market funds; Bankers acceptances; Bank CDs; Commercial paper; High quality short-term debt instruments;

shares issued by money market funds, open end mutual funds registered in the US and shares issued by unit investment trusts that are exclusively invested in open-end mutual funds registered in the US. Our Chief Compliance Officer or designee is responsible for reviewing these transactions and holdings.

SlateStone employees may invest in the same securities that SlateStone recommends to its clients. All such transactions are reviewed by SlateStone's compliance department and if such transactions are permitted, it is because SlateStone believes that such transactions do not to present a conflict of interest considering the markets and liquidity for the securities traded. Any employee transaction in securities that would be deemed to create a conflict of interest with clients and/or client accounts would require prior approval.

Our Code of Ethics also provides that our employees may not serve on the board of directors of any public company, including mutual fund boards of trustees without approval. Employees must obtain prior written permission to serve as a trustee on a client account other than the account of a family member or to serve as a trustee or a board member for any charity or not for profit entity. If such service is approved, it is because it does not create any conflict of interest.

You may request a complete copy of our Code of Ethics by contacting us at the address, telephone or email address on the cover page of this Brochure.

Several of our employees are practicing Chartered Financial Analysts (CFA's) and are required to subscribe to the CFA Institute Code of Ethics and Standards of Professional Conduct. The Code and Standards are accepted in writing and adherence affirmed on an annual basis by all employees. A written copy of the CFA Institute Code of Ethics and Standards of Professional Conduct can be provided upon request.

### **Interest in Client Transactions**

SlateStone Wealth does not participate in or hold interests in client transactions.

### **Review of Accounts**

SlateStone strongly believes that ongoing client account reviews are an integral part of a proactive investment advisory process. The firm has developed a process to conduct regular client portfolio reviews and ongoing monitoring of client accounts.

SlateStone's wealth advisers, supported by the portfolio management team, and with oversight by SlateStone's Investment Policy Committee are responsible for clients'

investment plans and positioning of accounts based on market conditions and risk tolerances. In addition to our ongoing monitoring of managed clients, the client advisors will conduct an- in depth review of client portfolios at a minimum annually and more frequently based on a determination with individual clients or the complexity of the strategy. Part of the review process includes a careful review of the client objectives to confirm nothing has changed as well as a review of the asset allocation to determine it is in line with stated objectives and is being managed in accordance with SlateStone's stated strategy objective, policies and procedures.

SlateStone's Client Service Team is responsible for compiling new account paperwork with the wealth advisor and/or business development advisor's involvement. The client service team will review new account paperwork at the beginning of the relationship to ensure that we have obtained all the appropriate documents required to manage the accounts including, objectives, and risk profile.

SlateStone's Chief Executive Officer, Managing Partner of Wealth Guidance or his or her designee will also conduct a review of the services selected and the suitability of those selections based on the information provided as part of the new account documentation. At a minimum, accounts are reviewed by senior management on an annual basis to ensure that current investments remain consistent with stated objectives. Significant changes in the market, as well as any changes in a client's financial circumstances that have been communicated to SlateStone, may also trigger a more frequent review of client portfolios. Furthermore, client accounts are reviewed when a major event or shift in market conditions are expected to impact portfolios or holdings. Importantly, SlateStone's Chief Compliance Officer will also conduct periodic reviews of client portfolios to determine the suitability of the strategy being employed and that it remains in line with client's stated objectives as detailed on the client's respective documents.

Financial planning and consulting services clients are reviewed by our financial planning team on an ongoing advisory basis and in accordance with the terms entered into with the client in our *Financial Planning and Consulting Agreement*. We may provide these clients with summaries of our analyses and related conclusions as well as special reports that we mutually agree are necessary. The frequency of these reviews will be determined with the client and their respective wealth advisor. We encourage our clients to discuss their needs, goals and objectives and keep us informed of any material changes.

### **Client Referrals and Compensation**

SlateStone has a policy that allows us to accept clients referred by unaffiliated solicitors and to pay these solicitors a percentage of our collected investment advisory fees

without any additional charge to the client. This arrangement is not exclusive between SlateStone and the solicitors and we may accept or reject any prospective client. We require each solicitor to disclose its relationship with SlateStone as well as our compensation arrangement in writing to the client and SlateStone complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

### **Financial Information**

This item is currently not applicable to SlateStone Wealth, LLC. We have no financial condition that impairs our ability to meet our contractual and fiduciary commitments to our clients, and we have not been the subject of a bankruptcy proceeding.