



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

**June 22, 2022**

# **HANCOCK WHITNEY INVESTMENT SERVICES, INC.**

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This Brochure provides information about the qualifications and business practices of Hancock Whitney Investment Services, Inc. If you have any questions about the contents of this brochure, please contact our Compliance Office at (504-586-7290). You may also reach us at [brokeragecompliance@hancockwhitney.com](mailto:brokeragecompliance@hancockwhitney.com). 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.

We are a Registered Investment Adviser with the United States Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. Additional information about Hancock Whitney Investment Services, Inc. (HWIS) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select "investment adviser firm" and type in our firm name). The results will provide you with both Parts 1 and 2A of our Form ADV.

THE ACCOUNTS AND INVESTMENTS DESCRIBED IN THIS BROCHURE ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"); ARE NOT A DEPOSIT OR OTHER OBLIGATION OF, OR GUARANTEED BY, HANCOCK WHITNEY BANK, HWIS, OR ANY OF ITS AFFILIATES; AND ARE SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

## Item 2 Summary of Material Changes

This is a new Form ADV Part 2A Brochure that we have filed in connection with our new Managed Account Program (discussed in detail below). We also have a Form ADV Part 2A Appendix I Wrap Fee Brochure that addresses our retail wrap fee business.

- On 6/17/2022, the Trust and Asset Management team of Hancock Whitney Bank (“HWAM”) transferred its advisory business related to separately managed account programs (“SMA Programs”) and Fund Strategist Programs (“FSP Programs”) (collectively, the “Managed Account Programs”) to HWIS. HWIS will continue its traditional retail advisory business until mid-August 2022, when that business will be transitioned to Cetera Investment Services LLC and Cetera Investment Advisers LLC, a registered investment adviser (collectively, “Cetera”). As a result of the transfer of the Managed Account Programs to HWIS, HWIS has prepared this new Form ADV Part 2A Brochure.
- For information on HWIS’s traditional retail investment advisory programs, please request a copy of our Part 2A Appendix 1 of Form ADV Wrap Fee Program Brochure. A copy is available, upon request, from your financial advisor or you may visit our public website, <https://www.hancockwhitney.com/investment-services-disclosures>.

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## Item 4 Advisory Business

Hancock Whitney Investment Services, Inc. (“HWIS” or “we”) is a corporation organized on October 12, 1995, under the laws of the State of Mississippi. HWIS is a wholly-owned subsidiary of Hancock Whitney Corporation, a publicly traded corporation, headquartered in Gulfport, Mississippi. Hancock Whitney Bank (“Hancock Whitney Bank”) is also a wholly-owned subsidiary of Hancock Whitney Corporation. HWIS and Hancock Whitney Bank are affiliates.

HWIS is registered as an investment adviser with the United States Securities and Exchange Commission (“SEC”). HWIS is also a broker-dealer registered with the SEC and each state in which it conducts business, and is a member of the Financial Industry Regulatory Authority (“FINRA”).

The principal investment advisory services we offer are in connection with certain “wrap fee” programs that are offered by broker-dealers, banks, and investment advisers (“Program Sponsors”) through wrap fee or advisory program accounts. This ADV Part 2A Brochure addresses these investment advisory services. As of June 3, 2022, HWIS’s total assets under management were approximately \$1,049,235,903, all of which are on a discretionary basis.

We also currently provide retail discretionary investment advisory services to 3,700 client accounts with assets under management of approximately \$1,049,235,903 as of 6/3/2022. The retail advisory services provided currently by HWIS will transition over to Cetera Investment Advisers LLC, which is a SEC registered investment adviser. We anticipate this transition to occur in or around mid-August 2022. If you are a retail investor, we have a separate Form ADV Part 2A Appendix 1 that we can provide to you.

Below is a description of the investment advisory services we offer in the Managed Account Program, including, but not limited to, our fee schedules, a description of how fees are charged, whether fees are negotiable, when compensation is payable, refund policies and other applicable information. For more detail on any product or service, please call our compliance office at (504-586-7290).

In the event of any discrepancy or conflict between the information contained in this brochure and the agreement between the Program Sponsor and the Participant, the agreement shall control.

### A Hancock Whitney Investment Services Managed Account Programs

HWIS offers separately managed account programs (“SMA Programs”) and Fund Strategy Portfolios managed account programs (“FSP Programs”) through investment advisers, broker-dealers, and other financial service firms (“Program Sponsors”). HWIS’s SMA Programs and FSP Programs are collectively referred to as the “Managed Account Programs.” We refer to the clients of Program Sponsors as “Participants.”

Separately Managed Accounts (SMAs) are investment accounts that are structured so that the Participant maintains direct ownership of the portfolio’s investments, but the account is managed by an investment adviser in accordance with a set investment strategy (model). In an SMA program, each investor’s account is managed in exactly the same way (based on the SMA model portfolio/strategy) but each investor’s account is held separately. An FSP account a separately managed account consisting of a portfolio of asset-allocated investments comprising some combination of mutual funds, exchange-traded funds (ETFs) and individual securities. FSP Programs incorporate various approaches to portfolio construction and asset allocation. Some employ a long-term, strategic asset allocation approach, while others take a dynamic or tactical approach and actively shift allocations in order to take advantage of short-term market movements.

HWIS provides its investment advice through the provision of model target positions for each of the SMA and FSP products to the “Platform Manager,” who manages and directs the trades and handles the reporting. The Platform Manager interprets the model position and routes the trade instructions to the Participants’ custodians. HWIS has sole discretion for determining the appropriateness, diversification or suitability of securities selected for purchase or sale in the Managed Account Programs models. In addition, HWIS monitors and updates the SMA Program and FSP Program models on an ongoing basis and transmits these updates to the Program Manager as necessary.

HWIS does not act as a “sponsor” or a “manager,” as those terms are defined in Investment Company Act Rule 3a-4 with respect to the services it provides to Managed Account Programs. Depending on the Managed Account

Program services provided by the Program Sponsor to the Participants typically include manager selection, custodial services, periodic monitoring of investment managers, performance reporting and trade execution (often without a transaction-specific commission or charge), and investment advisory services, provided by one or more investment managers such as HWIS, all generally for a bundled (or “wrap”) fee paid to the Program Sponsor.

Generally, Program Sponsors are primarily responsible for contact with Participants. Program Sponsors are also responsible for reviewing their Participants’ financial circumstances and investment objectives, and determining the suitability of HWIS’s strategy and the Managed Account Program for their Participants, as well as any investment restrictions applicable to a Participant’s account, based on information provided by the Participant. The Participant may select HWIS from among the investment advisers that the Program Sponsor presents to the Participant.

The Program Sponsors or the Platform Manager will provide Participants the services described in the Program Sponsor’s or Platform Sponsor’s agreement with such Participants, including selection of the investment strategies based on information provided by the Participant. HWIS does not provide customized investment advice or recommendations to HWIS Managed Account Participants. No model portfolio is customized or in any way tailored by HWIS to reflect the personal financial circumstances or investment objectives of any Participant. HWIS does not have brokerage discretion in the Managed Account Programs and has no authority to place orders for the execution of transactions.

Details of each Managed Account Program are set forth in the Program Sponsor’s documents relating to the particular Managed Account Program. Depending upon the level of the wrap fee charged by a Program Sponsor, the amount of portfolio activity in a Participant’s account, the value of the custodial and other services that are provided under a wrap fee program and other factors, a Participant should consider that the cost for a Managed Account Program may be more or less than if a Participant were to purchase the investment advisory services and the investment products separately. The Program Sponsor may charge higher commissions, or may provide less advantageous execution of transactions, than if HWIS selected the broker or dealer to execute the transactions or negotiated the commissions. Participants are encouraged to consult their own financial advisors and legal and tax professionals on an initial and continuous basis in connection with selecting and engaging the services of an investment manager for a particular strategy and participating in a Managed Account Program.

In the course of providing services to Managed Account Programs, HWIS generally relies on information or directions communicated by the Program Sponsor or Platform Sponsor acting with apparent authority on behalf of its client. HWIS reserves the right, in its sole discretion, to reject for any reason any assets referred to the Managed Account Program. Not all of HWIS’s strategies are available through Managed Account Programs, and not all Program Sponsors offer all of HWIS’s strategies available through Managed Account Programs. Further, the manner in which HWIS executes a strategy through a Managed Account Program may differ from how a similar strategy is executed by the Hancock Whitney Bank Trust and Asset Management team (“HWAM”).

Depending on the strategy, the HWIS model invests in a variety of securities and other investments, and employs different investment techniques. Similar portfolios are managed by HWAM. There may be differences between the recommendations provided by HWIS and recommendations or decisions made by HWAM for its client accounts resulting from, among other things, differences in cash availability, availability of securities, investment restrictions, account sizes, and other factors. Likewise, the performance of the HWAM client accounts and that of Participants pursuing a similar investment strategy will differ for these and other reasons.

## **B HWIS Retail Investor Services**

HWIS also currently provides investment advisory services on a discretionary basis to individuals, corporations, and other entities. HWIS will terminate these services in August 2022, and it is expected that most HWIS clients will consent to moving their account to Cetera Investment Advisers LLC. For information on these services, please request a copy of our Appendix 1 of Part 2A of Form ADV Wrap Fee Program Brochure.

## **Item 5 Fees and Compensation**

### **A Fees for Managed Account Program Clients**

HWIS manages SMA and FSPs through the Platform Sponsor for third-party Program Sponsors. The client pays a single wrap fee calculated as a percentage of assets under management to the Program Sponsor. Fees, investment minimums, and other features of these programs vary, and are described in each Program Sponsor's disclosure brochure.

HWIS receives a portion of this fee from the Platform Manager quarterly, in arrears, as compensation for investment advice it provides to Participants. This fee ranges from 0.10% to 0.25% of the Participant's assets under HWIS management, depending on the SMA or FSP product. The standard fee schedule may be modified from time to time. Fees paid to HWIS are negotiated by Platform Sponsor or the Program Sponsor and are not subject to negotiation by the client. HWIS and FSP products are also subject to a specified minimum account size.

All fees paid to HWIS are separate and distinct from the internal fees and expenses charged by mutual funds, ETF's and SMA's that are within the HWIS Managed Account Program. HWIS endeavors to invest client funds into the least expensive available share class available when constructing portfolios consisting of mutual funds. These fees will include a management fee, other internal expenses, and a possible distribution fee. Clients should also understand that certain mutual funds offered in the Managed Account Programs have the ability to impose short-term trading charges for redemptions made within short periods of time. Accordingly, the client should review both the fees charged by the funds and ETFs and the fees charged by HWIS to fully understand the total amount of fees to be paid by the client and evaluate the advisory services being provided.

Participants may wish to evaluate whether the Managed Account Program fee structure is appropriate for them in light of the additional charges from the trades done away from the Program Sponsor and/or the Program Sponsor's broker-dealer affiliate, and are encouraged to review the Program Sponsor's program brochure regarding possible alternative fee structures in which trading is not included but charged separately on a transaction-by-transaction basis.

### **B Custodial Services**

Generally, the Program Sponsor or the Participant selects the custodian for account assets and the Participant pays all fees charged by the custodian. The Program Sponsor's disclosure brochure will provide the exact details for your account.

### **C Cost to Clients**

The cost of the services which are provided under the Managed Account Programs may or may not exceed the aggregate cost of such services if they were to be purchased separately. While these services may be cheaper if sold separately, the client would not have the benefit of the ongoing management provided by the program, including the asset allocation services, rebalancing and due diligence services that are part of the program.

### **D Changes to Advisory Fee**

HWIS's fees are set by agreement between the Platform Manager and HWIS.

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

HWIS does not charge performance-based fees, *i.e.*, advisory fees on a share of the capital gains or capital appreciation of the funds or securities in a client account and we do not provide side-by-side management.

## **Item 7 Types of Clients**

### **A Types of Clients**

With regard to the Managed Account Programs, HWIS provides investment advisory or sub-advisory services in connection with the Managed Account Programs. As described above, HWIS offers discretionary investment model advice to separately managed account or “wrap fee” programs and platforms through a Platform Manager to the Program Sponsor.

HWIS currently also provides retail investment advisory services on a discretionary basis to individuals, including high net worth individuals, corporations, or other business entities. Over 90 percent of our business is related to individual clients. Also, fees and costs associated with our retail advisory services are detailed in our wrap fee brochure. These advisory services will cease in mid-August 2022 and will be taken over by Cetera Investment Advisers LLC.

### **B Account Requirements**

Program Sponsors generally set the requirements for opening a wrap fee account. The minimum dollar value of HWIS SMA Program accounts is typically \$25,000.

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

### **A Methods of Analysis**

Our methods of analysis include charting, fundamental and technical techniques. Sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases.

### **B Investment Strategies**

HWIS will use fundamental and quantitative analysis to select the investments and to determine which investments will be eligible for the Program. Investments are selected on the basis of any or all of the following criteria: performance history, the investment style in which the fund or security invests; the track record of the manager; the fund’s or account’s investment objectives; the fund’s or account’s management process and philosophy; and the fund’s or account’s management fee structure. HWIS utilizes commercially available software and databases to obtain additional information on securities that it recommends to clients.

Types of securities that are available for investment include common stocks, ETFs, fixed income securities, mutual funds, and real estate. Equity Investment securities used include exchange listed securities, securities traded over the counter, foreign issuers, warrants, option contracts and futures contracts or intangibles. Based on the Managed Account Program, certain investments may be held according to security characteristics such as income, growth, and size of the company; according to industry and specific companies within industries; geographic location of companies of issue, maturities of debt securities, and tax exemption of income.

For our FSP Programs, our manager selection process emphasizes a qualitative evaluation of the philosophy, process and personnel of an investment manager. Managers are initially run through a quantitative screen that incorporates many metrics across multiple time periods including alpha, investment performance, standard deviation, and up/down capture ratios. After performing research on the top scoring managers, we select managers to interview. The interview consists of a Portfolio Manager on each strategy explaining people, philosophy, process, performance, constraints, etc. After interviewing all the top managers, the team will meet to discuss the strengths and weaknesses of each strategy before deciding on a final selection.

There is no guarantee that any strategy will achieve any objective or obtain any positive or excess return.



## C Risk of Loss

Investing in securities is inherently risky. This includes the risk that you could lose the value of your investments. We strive to reduce risk where possible through diversification and asset allocation within the confines of the particular Managed Account Program. We believe it important that Participants appreciate such risk, and they communicate their tolerance for risk and loss to their Program Sponsor.

Fluctuations in the price of investments are a normal characteristic of securities markets. The HWIS Managed Account Programs should be considered long-term investments and thus long-term performance, and performance consistency are the major goals. All investments in securities include a risk of loss of money invested (principal) and any unrealized profits (i.e., profits in the account that have not been realized, sometimes called “paper profits”).

HWIS cannot predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that a Participant’s goals or objectives will be achieved. Further, we cannot promise you that our advisory services will provide a better return than other investment advisers or strategies.

## Item 9 Disciplinary Information

HWIS is required to disclose any legal or disciplinary events that are material to a client’s or prospective client’s evaluation of our advisor business, or the integrity of our management.

- On September 25, 2020, HWIS entered into a settlement with the SEC arising out of the Firm’s mutual fund share class selection practices. Pursuant to this settlement, the SEC entered an order (the “Order”) instituting administrative and cease-and-desist proceedings against HWIS, and HWIS consented to the entry of the Order without admitting or denying the findings therein. As described in the Order, from January 2014 through May 2017, HWIS did not adequately disclose a conflict of interest created by its share class selection practices, and failed to adopt and implement written policies and procedures reasonably designed to prevent these deficiencies. Specifically, the Order states that HWIS breached its duties to its clients through its receipt of three types of fees from its advisory clients’ investments at various times from January 2014 through May 2017 (the “Relevant Period”): (1) fees received pursuant to Rule 12b-1 under the Investment Company Act of 1940 (“12b-1 fees”) as a result of its advisory clients’ investments in share classes of mutual funds that paid such fees, when lower-cost share classes of the same funds were available to clients that charged no or lower 12b-1 fees; (2) fees received from its clearing broker as a result of advisory clients’ investments in share classes of mutual funds that were eligible for revenue sharing payments by the clearing broker when lower-cost shares of the same mutual funds that were available to the clients for which the clearing broker would have paid no or lower revenue sharing to HWIS; and (3) fees received from its clearing broker as a result of sweeping its advisory clients’ cash into share classes of money market mutual funds managed by an affiliate of the clearing broker when different share classes of the same fund would not pay revenue sharing or pay a different amount of revenue sharing to HWIS. The Order provides that HWIS did not adequately disclose receipt of these three types of fees or the resulting conflict of interest in its Form ADV or otherwise. In addition, the Order found that, during the Relevant Period, because HWIS caused certain advisory clients to invest in more expensive share classes of mutual funds or money market funds that paid 12b-1 fees or resulted in revenue sharing payments from the clearing broker when share classes of the same funds were available to the clients that presented a more favorable value under the particular circumstances in place at the time of the transactions, HWIS breached its duty to seek best execution for those transactions. Finally, during the Relevant Period, HWIS also failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its mutual fund share class selection practices. As described in the Order, however, beginning in January 2017, HWIS initiated the process of converting its clients’ mutual fund share classes from share classes that charged 12b-1 fees or paid revenue sharing to share classes that did not, and in June 2017, HWIS caused its clients to begin to receive credits on 12b-1 fees and revenue sharing back to their accounts for the period from June 2017 forward. As a result of the foregoing, the Order found that HWIS violated Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. Under the terms of the Order, HWIS was censured and ordered to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7. In addition, the Order requires HWIS to pay disgorgement and prejudgment interest to affected investors totaling \$1,937,792.08, a civil money penalty of \$400,000, and to fulfill certain related undertakings.

- On January 16, 2018, HWIS, as a broker/dealer, completed a settlement with the Financial Industry Regulatory Authority (FINRA) related to our email retention system. Beginning in late 2015, HWIS determined that its email retention system did not meet the standards for electronic records under federal securities laws, given the emails were not maintained in a “write once, read many” format. HWIS self-reported this issue to FINRA in early 2016. Despite the fact that no email records were lost or altered, HWIS agreed to settle the matter and consented to a censure and a fine in the amount of \$100,000.

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

HWIS serves as the investment adviser for the Managed Account Programs and for its traditional investment advisory business (through mid-August 2022).

HWIS is also a registered broker-dealer. In our capacity as a broker-dealer, we are a member of FINRA and the Securities Investor Protection Corporation (“SIPC”). HWIS’s broker-dealer business is limited to serving as an underwriter on corporate debt and equity issuances as of mid-August 2022. HWIS does not execute trades for the Managed Account Program and HWIS does not provide brokerage services or act as broker/agent in connection with the Managed Program Accounts. Certain HWIS employees are “registered representatives” of HWIS as a broker-dealer.

The Trust and Asset Management team of Hancock Whitney Bank (“HWAM”), an affiliate of HWIS, also provides investment advisory and management services. All HWIS [associated persons] are also employees of HWAM, and in that capacity provide investment management, compliance, legal, accounting, marketing, and administrative services to client accounts of HWIS as well as of HWAM. As a result, employees of HWAM have access to HWIS’s fixed-income and equity research and associated analytics, and dual employees of HWIS and HWAM have access to each other’s trading and compliance information. In addition to those policies and procedures that are unique to HWAM, and therefore only apply to HWAM, HWAM employees are required to comply with HWIS’s compliance policies and procedures, the effect of which is designed to reasonably assure that the clients of HWIS and HWAM are treated fairly and equitably as to each other. In addition, the portfolio managers dedicated to the strategies represented in the Managed Account Programs manage similar strategies at HWAM, including directing trades for HWAM clients.

### **A Federated/Hermes Funds**

Some FSP Program portfolios contain holdings in Federated/Hermes Funds. The Federated/Hermes Funds acquired Hancock Horizon Funds (formerly, the proprietary Fund family for Hancock Whitney Bank) by reorganizing the Hancock Horizon mutual funds into Federated Hermes mutual funds with comparable investment objectives and strategies on January 27, 2017 and September 24, 2021. HWAM provides portfolios similar to the FSP Program and these will also contain shares of Federated/Hermes Funds. HWAM receives revenue sharing from the Federated/Hermes Funds for FSP portfolios managed by HWAM, but not for FSP Program accounts managed by HWIS. Also, HWIS does not receive revenue sharing from any mutual fund or any other product sponsors involved in the Managed Account Program.

### **B Marketing Support Payments**

A potential conflict of interest exists where HWIS has a business relationship with the mutual fund families or sub-advisers that are used to create client portfolios. HWIS receives marketing support from certain vendors that participate in the HWIS Managed Account Program, either as investment providers, or as program providers/vendors, including unaffiliated mutual fund families. The support received from these firms is used to support certain sales and educational meetings put on by HWIS. The money received from these firms/vendors helps with the costs of these meetings, but also provides a forum for these firms to present new products or services to HWIS.

HWIS’s receipt of marketing support creates a potential conflict of interest in the form of additional financial incentives. While HWIS’ recommendations will be guided by its duties as a fiduciary to act in the best interest of the client, these payments create an economic benefit for HWIS and a conflict of interest, which must be considered by the client before investing. We address this conflict of interest by ensuring that all investment products are vetted via the HWIS due diligence committee and the determination to utilize an investment product is not dependent on the existence or nonexistence of any marketing support or revenue sharing arrangements.

The money received from these firms/vendors should be considered by clients before investing in the HWIS Managed Account Program. Despite the economic benefit provided by the firm's participating in this program, HWIS reviews the performance of these firm's/vendors independent of any support received. In addition, the decision to add a product provider or vendor to the HWIS program is not dependent on the firm's willingness to participate in this program.

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

### **A Code of Ethics**

HWIS has adopted a Code of Ethics expressing HWIS's commitment to ethical conduct. A copy of HWIS's Code of Ethics is available to you upon request. HWIS's Code of Ethics describes HWIS's fiduciary duties and responsibilities to clients, and sets forth HWIS's practice of supervising the personal securities transactions of supervised persons with access to client information.

HWIS requires that all individuals must act in accordance with all applicable Federal and State regulations governing investment advisory activities. HWIS (or its principals, officers, affiliates, and employees) can act as investment adviser for others, can manage funds or capital for others, can have, make, and maintain investments in its or their own names, and can serve as an officer, director, consultant, partner, or stockholder of one or more investment partnership, securities firms, or advisory firms. In doing so, HWIS may give advice, take action, and refrain from taking action, any of which can differ from advice given, actions taken or not, or the timing of any action, for any particular client.

### **B Personal Securities Transactions**

It is the expressed policy of HWIS that no person employed by HWIS shall prefer his or her own interest to that of any advisory client or to make personal investment decisions based on the investment decision of advisory clients. Individuals associated with HWIS can buy or sell securities for their personal accounts identical to or different than those recommended to clients. However, no access person can purchase or sell, directly or indirectly, any security on a day during which an order to "buy" or "sell" that same security until that order is executed or withdrawn unless approved by the Chief Compliance Officer or their designee.

To supervise compliance with its Code of Ethics, HWIS receives and reviews monthly account statements on each securities account maintained by HWIS representatives, including outside accounts. HWIS also requires pre-approval on any outside securities account.

## **Item 12 Brokerage Practices**

HWIS does not have brokerage discretion and does not execute trades in its Managed Account Programs. The Platform Manager is responsible for organizing and effecting trades for the model portfolios, typically through the Program Sponsor. In addition, since the Platform Manager is responsible for order placement, HWIS does not have a best execution obligation. Details for brokerage practices are set forth in the Program Sponsor's documents relating to the particular Managed Account Program, including information on commissions, best execution, trading away, referrals, directed brokerage, and trade rotations. Although HWIS does not have brokerage discretion, HWAM does have brokerage discretion.

HWIS and HWAM may determine that the purchase or sale of a security maybe appropriate in more than one model or portfolio. HWIS uses an equitable "trade" rotation process among its HWIS SMA and FSP Accounts and the HWAM FSP and SMA accounts so that no one model or portfolio is impacted disproportionately by trading on the securities or markets to which they trade. Accordingly, to the extent that HWIS or HWAM intends to initiate transactions in different portfolios or models for the same security, HWIS and HWAM will rotate their trade instructions to equitably allocate transactions across the various SMA and FSP models and portfolios.

HWIS does not have brokerage discretion in connection with its Managed Account Programs and accordingly does not use soft dollars. "Soft dollars" refers to the direction of transactions to a broker in exchange for research and research services, the primary use of which must directly assist investment management. However, HWAM pays brokerage commissions in connection with its investment management programs and utilizes "soft dollars."

While HWIS Managed Account Program clients do not pay soft dollars, they do benefit from the research and research services that are received by HWAM, which assist HWIS in its investment decision-making process.

For a description of our brokerage practices for our current retail clients, please see HWIS ADV Pt. 2A Wrap Fee Brochure.

## **Item 13 Review of Accounts**

### **A Generally**

All accounts are monitored by HWIS Principals, and all portfolios are periodically monitored for compliance with the established parameters. Accounts are reconciled by HWIS's Principals and administrative personnel to ensure that the accounts are correctly allocated according to client's selected portfolio.

Equity portfolios: Reviews are completed on two levels: economic sector and individual stocks. Based on the objective of the account, current economic conditions, and relative valuations, sector strategies are reviewed to develop the proper mix to reach an account's objective. Also, the Investment Group reviews individual stocks in an account to determine whether an issue should be held or sold.

Fixed Income portfolios: Reviews are completed on three levels: sector, duration, and individual issue. Based on current sector valuation levels and the Investment Group's expectations going forward, sector weightings are determined to best achieve the objective of the account. The Investment Group's expectations of interest rate shifts will determine whether an account will have duration longer or shorter than its benchmark. Finally, individual issues are reviewed for credit quality and valuation.

Money Market portfolios: Reviews are completed on two levels: sector and days to maturity. Sector weightings and the account's days to maturity are reviewed based on the account's objective and the Investment Group's expectations for short-term interest rates.

Fund Strategy Portfolios: Reviews are conducted on two levels: asset allocation among asset classes and individual investment vehicle used. Based on the stated investment objective and current and expected market and economic conditions, each portfolio strategy is reviewed to develop the proper asset allocation. The Due Diligence Committee reviews and approves each investment vehicle used in the construction of the portfolios.

### **B Factors Triggering a Review**

In addition to periodic reviews, HWIS performs reviews of Managed Program Accounts as it deems appropriate or as otherwise required. Additional reviews may be undertaken for reasons including changes in market conditions, changes in security positions or changes in a client's investment objective or policies.

### **C Client Reports**

HWIS reviews the Managed Account Program data from Envestnet at least quarterly and reconciles that data using HWIS's internal accounting system. This information is, in turn, reported at least quarterly to the Participant by Envestnet directly or through Envestnet and the Program Sponsor. These reports generally include, among other things, a summary of all activity Managed Program model, including all purchases and sales of securities and any debits and credits to the account, a summary of holdings, including a portfolio valuation, and the change in value of the account during the reporting period.

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

HWIS does not have any arrangement under which we, or a related person, directly or indirectly, receive compensation from another for client referrals.

## **Item 15 Custody**

HWIS does not maintain custody of Participants' funds or securities in the Managed Account Program, with the exception of the deduction of HWIS' fees from Participants' accounts that are authorized in the agreement between Participant and Program Sponsor.

## **Item 16 Investment Discretion**

HWIS and Envestnet, and any agreed-upon sub-managers, have authority and discretion under the agreement between the Program Sponsor and Participant to buy, sell, retain, and exchange investments, and exercise such other powers to manage and execute transactions for the account in a manner consistent with the SMA portfolio or model portfolio selected by the Participant.

HWIS and Envestnet, and any agreed-upon sub-managers, have full discretion to adjust or change the asset classes which comprise any model portfolio, the percentage that each asset class represents of each model portfolio, and the securities purchased or available for each asset class. HWIS also has the discretion to invest the client's assets in cash or cash equivalents, and may effect temporary "sweep" transactions of all un-invested cash balances in the Participant's account to a money market mutual fund.

## **Item 17 Voting Client Securities**

HWIS does not accept the authority to, and does not, vote proxies on behalf of advisory clients, nor does HWIS take responsibility in any way to ensure client's securities are voted. Clients retain the responsibility for voting their own proxies.

## **Item 18 Financial Information**

HWIS does not have custody of client's funds or securities. We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to you, nor have we been the subject of a bankruptcy petition at any time during the past ten years.

## **Item 19 Requirements for State-Registered Advisers**

Not applicable.