

Item 1 – Cover Page

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This Brochure provides information about the qualifications and business practices of Clifford Swan Investment Counselors. If you have any questions about the contents of this Brochure, please contact us at 626-792-2228 or [info@cliffordswan.com](mailto:info@cliffordswan.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Clifford Swan Investment Counselors is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information you may use to determine whether to hire or retain an Adviser.

Additional information about Clifford Swan Investment Counselors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Clifford Swan Investment Counselors is now offering “Single Stock and Portfolio Risk Management” through Gateway Investment Advisers, LLC (“Gateway”), a sub-adviser for suitable clients. Since our last annual amendment filed on October 27, 2025, Clifford Swan Investment Counselors has made the following material changes to this Brochure:

- We are offering Single Stock and Portfolio Risk Management services for suitable clients through Gateway Investment Advisers, LLC, which serves as a sub-adviser. These services primarily utilize exchange-traded options to manage risk associated with concentrated equity positions. **Relevant disclosures have been added to Items 4, 8, 12, 13, and 16.**
- We updated **Item 4 - Advisory Business** to describe our use of sub-advisers, including Gateway, our due diligence and ongoing oversight responsibilities, and the allocation of discretionary authority.
- We revised **Item 5 - Fees and Compensation** to disclose the additional fee associated with Gateway’s Single Stock and Portfolio Risk Management strategies, including billing practices and how the fee is collected and paid.
- We updated **Item 7 - Types of Clients** to reflect minimum account requirements applicable to clients who engage Gateway’s risk management programs.
- We expanded **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss** to include detailed disclosures regarding private investments, as well as the option-based strategies used by Gateway and the material risks associated with those strategies.
- We revised **Item 12 - Brokerage Practices** to describe brokerage and execution practices when Gateway acts as sub-adviser, including option-related transaction costs and directed brokerage considerations.
- We updated **Item 13 - Review of Accounts** to describe our monitoring and review of Gateway’s sub-advisory strategies.
- We revised **Item 16 - Investment Discretion** to disclose clients’ ability to authorize delegation of limited discretionary authority to Gateway and our ongoing authority to modify or terminate that delegation.

Clients should review this Brochure in its entirety for additional information regarding these changes.

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#### **Item 4 – Advisory Business**

Clifford Swan Investment Counselors provides investment supervisory services and manages investment advisory accounts on behalf of clients within the greater context of our clients' wealth management needs. Clifford Swan Investment Counselors and its predecessor firms have been in business since 1915. The firm is wholly owned by its employees.

Assets Under Management as of 12/31/2025

\$3.93 Billion Discretionary Basis

\$557 Million Non-Discretionary Basis

\$4.48 Billion Total Assets Under Management

Clifford Swan provides both investment supervisory services and the management of investment advisory accounts as continuous investment counseling services. Investment advisory agreements for these services continue indefinitely but are subject to cancellation at any time by either party. Our firm keeps a record of our clients' investment holdings, and places transactions for clients' portfolios.

From time to time, at our discretion, we accept an assignment to be performed on an other than continuous basis. Our services are available on a discrete assignment basis to review investment portfolios and make recommendations thereon as we deem advisable. Our responsibility ends when the results of the review are presented to the client. Although we are available to support and coordinate action by the client on these recommendations, implementation of the appropriate strategies under such an arrangement is performed by the client and is entirely at the client's discretion.

#### **Financial and Wealth Planning**

Our advisory services are provided to clients who require ongoing investment advice. These services include investment counseling related to the construction and ongoing management of client portfolios based on each client's stated investment objectives and individual circumstances. In providing investment counseling, we consider factors such as risk tolerance, return objectives, time horizon, liquidity needs, and applicable tax and legal considerations.

As part of our ongoing investment counseling service, we provide financial and wealth planning services. Financial planning services are tailored to each client's

circumstances, objectives, and constraints and are intended to support the client's overall financial strategy. These services are provided on an ongoing basis as agreed with the client.

Clients may confer with us on financial topics whenever they believe our judgment would be helpful. When we provide recommendations, clients are under no obligation to implement such recommendations through Clifford Swan, and implementation decisions remain solely the client's responsibility. Clients are responsible for providing accurate and current financial information and for notifying their investment counselor of any material changes in their circumstances.

We offer counsel on the following areas:

- Cash Flow Analysis and Budgeting: We review income, spending patterns, and outstanding liabilities as part of evaluating cash flow sufficiency and, where appropriate, identifying strategies for debt reduction.
- Retirement Planning: We assist with long-term projections to estimate retirement income and expenses, assess the sustainability of withdrawals, and evaluate savings strategies.
- Investment Planning: We analyze clients' investment holdings and provide recommendations designed to align asset allocation with stated objectives, risk tolerance, time horizon, and liquidity requirements.
- Tax Strategy and Efficiency: We consider the tax implications of investment strategies and, when requested, coordinate with clients' tax professionals to support tax-efficient decision-making. Clifford Swan does not provide tax advice.
- Estate Planning: We review existing estate documents such as wills, trusts, and beneficiary designations to ensure they reflect clients' intentions, often in consultation with clients' legal counsel. Clifford Swan does not draft legal documents.
- Insurance and Risk Management: We assist in reviewing existing policies (e.g., life, disability, long-term care, and annuities) to help identify potential gaps in coverage. We do not sell insurance products.
- Education Funding: We evaluate strategies for funding education expenses, which may include the use of tax-advantaged accounts such as 529 plans.

- Charitable and Philanthropic Giving: We support clients in structuring charitable giving or legacy plans consistent with their philanthropic objectives and financial considerations.
- Employee Benefits Review: We review employer-sponsored benefit programs, including equity compensation, retirement plans, and deferred compensation arrangements.
- Business Owner Consulting: For clients who own closely held businesses, we assist in evaluating approaches to succession or business transition planning, often in coordination with outside professionals.

Clifford Swan also provides investment counseling and/or administrative services to charitable institutions and individuals for specialized deferred gifts (e.g., charitable remainder trusts, gift annuity funds, and pooled income funds). These administrative services include affecting periodic benefit distributions, tax reporting, management reporting and other ancillary requirements designed to provide a full-service arrangement.

All our advisory services are offered in the context of the client's unique circumstances, and tailored to address target returns, income needs, tax concerns, risk tolerances, etc., as described above. We generally work with our clients to establish broad policy guidelines for investments, suitable or unsuitable, for their portfolios. Any limitations on discretionary authority are discussed with clients and documented in our client files and/or databases.

Both discretionary and non-discretionary clients can impose restrictions on investing in certain securities or types of securities or indicate that a particular held security is not to be sold. Some of our clients have limited our discretionary authority on purchases by specifying certain companies or industries in which we cannot invest their funds. Other clients have specified a maximum percentage of their total portfolio to be invested in any one company, security type, industry or asset class.

In some cases, it has been the client's expectation that purchases or sales of securities will be discussed with the client prior to placing the trade, even though Clifford Swan has been granted investment discretion and trading authorization. Wherever practical, trades for these clients will be aggregated with fully discretionary trades to obtain more favorable execution. However, it is possible that trades for these clients will be executed separately from trades for other purely discretionary clients, which could result in the trades being completed at a higher or lower price from other accounts.

## Use of Sub-Advisers

As our core offering, Clifford Swan manages client portfolios directly using proprietary security-level research. To complement our internal research, we use sub-advisors when we deem that third-party services would be appropriate for a given client's circumstances and with their best interests in mind.

Prior to selecting a sub-adviser, we evaluate the firm's investment approach, personnel, regulatory history, and operational soundness. We continue to monitor the sub-adviser's performance and adherence to agreed-upon investment guidelines throughout the relationship. While the sub-adviser exercises discretionary authority over the assets allocated to them, we retain overall responsibility for determining the suitability of the strategy and for overseeing the relationship on an ongoing basis.

With the exception of fees charged within mutual funds and ETFs, which have their own disclosure documents, the fees associated with a sub-adviser, if any, will be disclosed to the client before implementation. Such fees are paid directly by the client or included within our advisory fee structure, depending on the specific arrangement. Details will be provided in the applicable client agreement and account documentation.

At any time, we can determine that continued use of a sub-adviser is no longer in the client's best interest and will terminate the relationship and assume direct management of the assets or transition the account to another qualified manager.

## Item 5 – Fees and Compensation

Investment advisory fees for investment counseling relationships ("Investment Counseling Fees") are generally based upon the market value of assets under management. The schedules shown below apply to new clients. Fees may be negotiated, considering factors including: (1) the amount of capital involved; (2) the amount of time required including frequency and location of meetings; (3) the responsibilities we assume; and (4) other relevant circumstances. After careful consideration of these factors, we are then in a position to quote what we consider to be a fair and reasonable fee; and the prospective client is under no obligation unless and until he or she accepts whatever proposal we make. The minimum Investment Counseling Fee is \$10,000 per annum (which could be modified under extenuating circumstances).

## Investment Counseling Fee Schedules

### **Equity and balanced accounts**

<u>Managed Assets</u>	<u>Annual Fee Rate</u>
The first \$2mm	1.00%
The next \$3mm (\$2mm - \$5mm)	0.75%
The next \$10mm (\$5mm - \$15mm)	0.50%
The next \$10mm (\$15mm - \$25mm)	0.40%
Assets above \$25mm	0.30%

**For a fixed-income only** relationship, our fee schedule is negotiable, starting at 0.40% on the first \$2.5 million.

**For deferred giving vehicles** that require investment management and administrative services, the following base schedule applies. Additional services, such as work to reconstruct or review historical records will be quoted at an hourly rate, discussed below, based upon the work required.

### **Charitable Trusts, Gift Annuity Investment Pools, and Pooled Income Funds Annual Fee Rate**

<u>Managed Assets</u>	<u>Annual Fee Rate</u>
The first \$5mm	1.00%
The next \$5mm (\$5mm - \$10mm)	0.85%
The next \$10mm (\$10mm - \$20mm)	0.75%
Assets above \$20mm	0.65%

For new clients, fees are charged quarterly, in advance. Existing clients' fee and billing schedules vary from those listed above. Clients elect to have investment management fees deducted directly from their managed accounts, or to be billed by Clifford Swan.

All agreements for supervisory and advisory services are subject to cancellation at any time by either party, with the fees prorated to the date of termination. There are no cancellation charges. In the event the client has prepaid fees, any unearned, prepaid fees will be refunded upon cancellation.

**Discrete Assignment Fee:** This type of fee is charged for specific assignments we accept from time to time. See Item 4 – Advisory Business for a description of these services. The fees are calculated considering the same four (4) factors as in Investment

Counseling Fees above. Generally, however, fees are calculated based on the scope of services for each assignment, with a minimum fee of \$2,500.

**Gateway Single Stock/Portfolio Risk Management  
Annual Fee Rate**

<u>Managed Assets</u>	<u>0.50% Annual Fee Rate</u>
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For clients utilizing Gateway as a sub-adviser, fees are charged quarterly in advance based upon the market value of the designated account(s) as of the end of the preceding quarter. This fee is in addition to the fees charged by Clifford Swan for investment management. The fee is collected by Clifford Swan and then paid to the sub-adviser, Gateway.

**Other Fees:**

**Transaction & Custody Fees:** Clients will incur brokerage and other transactions costs, which are not paid to Clifford Swan. See Item 12 – Brokerage Practices. In addition, custodians charge clients custody fees and transaction fees, which are not paid to Clifford Swan.

**Fund Fees:** Clients owning mutual fund or Exchange-Traded Fund (ETF) shares monitored by our firm pay Clifford Swan an advisory fee, which is in addition to any fees charged by the fund company. All fees paid to Clifford Swan for investment advisory services are separate and distinct from fees and expenses charged by mutual funds and ETFs directly to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund or ETF directly, without the services of Clifford Swan. In that case, the client would not receive the services provided by our firm that are designed, among other things, to assist the client in determining which mutual funds or ETFs are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by Clifford Swan to fully understand the total amount of fees being paid by the client and thereby evaluate the advisory services being provided.

## Item 6 – Performance-Based Fees and Side-By-Side Management

Clifford Swan does not charge performance-based fees (fees based on a share of capital gains / appreciation of the assets of a client), nor do we engage our sub-adviser, Gateway, under arrangements that include performance-based fees for Single Stock or Portfolio Risk Management. Because neither firm receives a performance-based fee for these services, we do not believe that the use of Gateway in this capacity introduces side-by-side management conflicts.

## Item 7 – Types of Clients

We provide investment supervisory services and manage investment advisory accounts for individuals, high net worth individuals, charitable institutions, foundations, endowments, private corporate pension and profit-sharing plans, and other corporations and businesses.

In general, our minimum annual fee structure drives a minimum client relationship size of \$1 million in liquid, actively managed assets. Where we engage Gateway for Single Stock or Portfolio Risk Management services, clients should be aware that Gateway will impose minimums specific to these programs. Typically, Gateway's Single Stock or Portfolio Risk Management strategies require a \$500,000 account minimum. A client will have higher minimums depending on the client's circumstances and the complexity of the risk-management approach. See Item 5 – Fees and Compensation.

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

Clifford Swan structures each client's portfolio based upon the unique objectives and circumstances of the client. While a client can elect to have an all-equity portfolio or an all-fixed-income portfolio, most of our clients have balanced portfolios, invested in equities, fixed-income securities and private investments when appropriate.

Clifford Swan may introduce opportunities for certain Qualified Clients to purchase privately offered funds and securities, such as those in private equity, debt, real estate and venture capital offerings ("Private Investments"). "Qualified Clients" collectively refer to clients that meet the definitions of "qualified client" under Rule 205-3 of the Advisers Act, "accredited investors" under Rule 501 of the Securities Act of 1933, and "qualified purchasers" under the Investment Company Act of 1940. A "qualified client" is a client who meets specified assets-under-management, net worth, or qualified purchaser criteria at the time of entering into an advisory contract. Unlike publicly traded liquid investments, Private Investments may be subject to a higher degree of

risk, may not be suitable for all investors, and may have limited transparency into and diversification of holdings. By themselves, Private Investments do not constitute a balanced investment portfolio. Clients should carefully review and consider potential risks before investing in Private Investments, including carefully reviewing all disclosure documents, private offering memoranda, prospectuses, or other offering materials provided. Clients may also consider consulting with tax or legal counsel prior to investing in private investments. An investor must be able to bear the complete loss of their principal in any Private Investment.

### **Methods of Analysis – Equity Investing**

We believe fundamental research can identify leading companies with above average and sustainable internal rates of return on invested capital. Managing diversified portfolios invested in such companies should reward the patient investor with superior inflation-adjusted returns over time.

We concentrate our research on individual companies with businesses offering the greatest opportunity for real growth in cash flow and consistent earnings that are insulated from the business cycle. We believe astute stock selection can generate real growth in per-share value for our clients. Our Equity Research Team focuses on companies with the following characteristics:

- Superior management
- A strong capital position
- Sustainable inflation-adjusted growth of cash flow, unit sales, earnings and dividends
- Favorable competitive position in a growing industry

Though we've historically focused on large-capitalization companies, our opportunity set also consists of mid- and small-capitalization companies if they meet our quality criteria. We typically invest in U.S.-domiciled companies but selectively invest in non-U.S.-domiciled companies, usually through American Depository Receipts (ADRs), American Depository Shares (ADSs) or Global Depository Receipts (GDRs).

### **Methods of Analysis – Fixed-Income Investing**

Our Fixed Income Research Team analyzes the underlying structure of the issue and credit quality of the issuer to enhance the stability of the accounts and generate income we manage. Our fixed-income investments include U. S. Treasury securities, agency debt, mortgage-backed and asset-backed securities, and municipal and

corporate bonds, depending on the income needs and risk tolerances of our clients. We focus on short- to intermediate-term fixed-income issues to minimize the potential price volatility associated with long-term bonds. We calculate the risk/return trade-off for alternative duration choices to maximize returns for a given level of risk. Duration is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates.

#### **Outside Investments (not directly managed by Clifford Swan Investment Counselors)**

Where we believe asset classes outside our core focus are appropriate for client portfolios, we will consider the purchase of mutual funds, ETFs and private investments. In these cases, we utilize manager publications as well as third-party research tools to analyze these investments. While not exhaustive, some of the considerations we use to evaluate mutual funds and ETFs are:

- A portfolio management team with a repeatable and consistent investment process
- Current strategy assets under management versus maximum capacity
- Upfront placement or sales fees other than traditional commissions
- Deferred sales charges
- Low total expenses
- Little or no 12b-1 fees (in the case of mutual funds)
- Fund inception date at least 5 years
- Performance rank relative to other similar investments

See Item 5 – Fees and Compensation for additional information about the costs of mutual fund, ETF, or private investments.

#### **Methods of Analysis – Private Investments**

Clifford Swan maintains a “Focus List” for selecting external investment managers for both public and private investments. Our external manager diligence process includes the steps outlined below.

- Manager Sourcing: from referrals, industry contacts, manager databases, and directed outreach. We gather basic information from public databases and incorporate data into our internal database of investment manager information.
- Quantitative Analysis: we assess manager performance with an emphasis on long-term consistency, risk-adjusted returns, up and down-market capture and peer group ranks.

- Qualitative Analysis: we typically hold multiple meetings with decision makers on the managers' investment team to review the fund's investment philosophy, portfolio construction process, risk controls, research and back-office resources, ownership and compensation structure, and trading capabilities. We also review the manager's Form ADV Part 2A Brochure and attempt to negotiate fees and account minimums for qualified clients.
- Portfolio Analysis: we review the fund's top portfolio holdings from a bottom-up perspective, assess the manager's investment style (holdings-based analysis), and when possible, conduct on-site visits for operational diligence. The purpose is to assess a manager's investment philosophy, process and team for skill, discipline, and consistency over time.
- Client Suitability: We determine a client's suitability for Private Investments in consultation with the client, considering their investment objectives, time horizon, risk tolerance, and liquidity needs.
- Risk Assessment: Our analysis involves identifying and evaluating the unique risks associated with each Private Investment asset class, including illiquidity, leverage, and valuation.

## Investment Strategies

We apply various screens to focus our selection of equity and fixed-income instruments on those most attractive for clients' portfolios. We purchase securities for the long term and apply established disciplines to determine if and when replacements are necessary. In constructing portfolios, we diversify in terms of individual securities and industry weightings.

A stock is a candidate for sale if we perceive deteriorating company or industry fundamentals or the stock is becoming substantially overvalued. We also strive not to let a single stock that has done well create an imbalance in a portfolio. We will work to reduce the size of a position, taking into consideration tax consequences, and reinvest the proceeds in diversified holdings.

We purchase bonds for income and lower price volatility when compared to equities, purchasing only investment grade fixed-income issues. We take advantage of market inefficiencies through a disciplined selection process. Non-Treasury issues purchased for portfolios must provide a sufficient incremental advantage to justify the increased risk.

A bond is sold when, in our judgment:

- Its yield spread narrows versus alternatives with comparable risk
- The sector's fundamental attractiveness declines
- Downgrade potential increases
- A bond with greater appreciation potential is identified

Bonds which are downgraded or have their ratings withdrawn after purchase are not immediately sold but are reviewed individually and within the context of the portfolios in which they are held. They are sold if the circumstances warrant such action.

An important part of our role is to assist clients in establishing a long-term growth expectation and maintain an appropriate level of investment risk, recognizing that over the long term the expected return will be commensurate with the risk assumed.

We counsel clients to establish an appropriate level of risk given the client's profile and then manage that risk level through asset allocation in the portfolio, and through security selection and diversification. Our rigorous screening of securities is intended to avoid speculative equity investments that carry a high risk of permanent loss. When setting risk targets, we consider the special circumstances of each client, including the following factors:

- Preservation of principal in real terms (e.g., adjusted for inflation)
- Level of current income needed
- Tax considerations
- Legal constraints
- Minimum liquidity requirements
- Acceptable level of volatility
- Time horizon
- Other circumstances

With these considerations in mind, an investment counselor constructs and monitors a portfolio tailored to the needs of each client. As a client's circumstances change over time, we adjust the portfolio to meet the new objectives.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Clients' portfolios' performance could be hurt in certain circumstances, and are subject to risk including:

- Issuer risk: Securities held in clients' portfolios decline in value because of changes in the financial condition of, or events affecting, the issuers of these securities.
- Management risk: Our firm's opinion about the intrinsic worth of a company or security may be incorrect resulting in not making timely purchases or sales of securities.
- Equity risk: Equity securities generally have greater price volatility than fixed-income securities.
- Market risk: Stock prices decline over short or extended periods due to general market conditions.
- Liquidity risk: The inability to sell a security in a timely manner or at desired prices.
- Non-U.S. issuer risk: Foreign investments tend to be more volatile than domestic securities and are subject to risks that are not typically associated with domestic securities. For example, such investments can be adversely affected by changes in currency rates and exchange control regulations, unfavorable political and economic developments and the possibility of seizure or nationalization of companies, or the imposition of withholding taxes on income. Foreign markets tend to be more volatile than the U.S. market due to economic and political instability and regulatory conditions in some countries.
- Interest rate risk: Fixed-income security prices generally decline due to rising interest rates. Fixed-income securities with longer maturities tend to have higher yields and are generally subject to potentially greater price volatility than obligations with shorter maturities and lower yields.
- Credit risk: A security's price declines due to deterioration in the issuer's financial condition, or the issuer fails to repay interest and/or principal in a timely manner.
- Call risk: During periods of falling interest rates, issuers of callable bonds may benefit from the lower interest rate by redeeming the security early, before the maturity date. This could cause the portfolio to lose potential price appreciation if it reinvests the proceeds at lower interest rates.
- Mortgage and asset-backed securities risk: Early repayment of principal (e.g., prepayment of principal due to the sale of the underlying property, refinancing, or foreclosure) of mortgage-related securities (or other callable securities) exposes the portfolio to a potential loss on any premium to face value paid and to a lower rate of return upon reinvestment of principal. In addition, changes in the rate of prepayment also affect the price and price volatility of a mortgage-related security. Securities issued by certain U.S. government sponsored entities (GSEs), such as the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), are not issued or guaranteed by the U.S. Treasury. In the event that these GSEs cannot meet their obligations, there can be

no assurance that the U.S. government will continue to provide support, and the portfolio's performance could be adversely impacted.

- Municipal bond risk: U.S. state and local governments issuing municipal securities held by the underlying funds rely on taxes and revenues from private projects financed by municipal securities to pay interest and principal on municipal debt. The payment of principal and interest on these obligations is adversely affected by a variety of factors at the state or local level, including poor statewide or local economic results, changing political sentiments, legislation, policy changes or voter-based initiatives, erosion of the tax base or revenues of the state or one or more local governments, natural disasters, or other economic or credit problems.

### **Risk of Loss – Private Investments**

Private Investments including private equity, private credit, hedge funds, real estate, and real assets—carry significant risks. These include, but are not limited to:

- Liquidity Risk: Investments are often long-term and cannot be easily sold or redeemed. Investors may be locked in for several years.
- Speculative Nature: Private Investments are generally speculative and involve a high degree of uncertainty regarding future performance.
- Market Risk: Broader economic and market conditions can negatively impact investment values, even for private or non-traded assets.
- Credit Risk: For private credit and debt-related strategies, borrowers may default on interest or principal payments, resulting in losses and/or reductions in distributions.
- Lack of Transparency: Private Investments often provide limited information on underlying holdings, strategies, and valuations.
- Concentration Risk: Private portfolios may be concentrated in specific sectors, geographies, or strategies, increasing exposure to localized risks.
- Leverage Risk: Use of borrowed funds can magnify gains and losses and may lead to margin calls or forced liquidations.
- Regulatory Risk: Changes in laws, tax regulations, or compliance requirements can adversely affect investment performance or liquidity.
- High Fees and Expenses: Private Investments typically involve higher management fees, performance-based compensation, and operational costs, which reduce net returns.
- Pricing and Valuation Challenges: Private valuations may be based on internal models and assumptions, or third-party assessments that occur on a lag, rather than observable market prices. This may create higher uncertainty.

- Volatile Nature of Performance: Returns may fluctuate significantly due to strategy complexity, leverage, and market conditions.
- Risk of Complete Loss: Investors may lose all or a substantial portion of their investment, particularly in private companies or highly leveraged strategies.
- Reliance on Manager Disclosures: We attempt to conduct a thorough assessment of each fund manager and fund strategy we recommend to clients. No investment is without risk. For example, changes in investment strategy, unanticipated market changes, or misleading representations by external fund managers could result in losses to a client. Clifford Swan cannot guarantee that actual financial performance of any Private Investment will meet expectations.

#### *Sub-Adviser Investment Management Strategy: Single Stock and Portfolio Risk Management*

When we allocate a portion of a client's account to Gateway for Single Stock or Portfolio Risk Management, Gateway utilizes exchange-traded options to manage the risk associated with a concentrated equity position. These strategies include:

- Dynamic Call Program: writing covered calls to generate income and help structure an orderly, tax-aware transition out of the position.
- Put Purchase Program: purchasing protective puts to establish downside protection.
- Collar Program: pairing puts and calls to manage risk within a defined range.

#### *Material Risks*

All investments involve risk, including the risk of loss of principal. Option-based risk-management strategies involve specific risks, including:

- Limited upside participation, particularly in collar and call-writing strategies.
- Options pricing risk, which may reduce the effectiveness of protection.
- Liquidity and market-disruption risk, especially during periods of market stress.
- Basis and correlation risk, where the option does not perfectly track the underlying security.
- Potential tax consequences, including recognition of gains when certain options expire or are exercised.
- Counterparty risk, which is mitigated as transactions taking place on the regulated options exchange are guaranteed by the Options Clearing Corporation, a well-capitalized systematically important financial market utility (SIFMU).

Risk-management strategies do not eliminate the possibility of loss.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our firm's management. Clifford Swan has no such events to report. Our firm and its personnel have had no legal or disciplinary events, no criminal or civil actions, and no administrative proceedings before the SEC, any other federal or state regulatory agency, or any foreign financial regulatory authority.

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

Clifford Swan Investment Counselors is an independent firm, solely engaged in the investment advisory services described in Item 4 – Advisory Business. The firm is not affiliated with any other financial firms.

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

Our firm has adopted a Code of Ethics for all supervised persons, describing our high standard of business conduct, and fiduciary duty to our clients. To obtain a copy of our Code of Ethics at any time, please contact Gretchen Lee, Chief Compliance Officer.

### **Code of Ethics**

All principals, officers, directors and employees of Clifford Swan Investment Counselors shall:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession, the interests of clients, and the interests of our firm above their own personal interests.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and our firm.
- Comply with all applicable federal and state securities laws.
- Read and abide by our Personal Trading Policy and Procedures.
- Protect the privacy of our clients.

- Promptly report any violations of our Code of Ethics to the Chief Compliance Officer.

## **Participation or Interest in Client Transactions**

It is Clifford Swan Investment Counselors' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. A principal cross transaction is generally defined as a transaction where an adviser, acting as principal for his or her own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Cross Trading of Fixed-Income Securities**

When bonds are sold from one client account, they are often considered for inclusion in another client account. If the security is deemed suitable for another account to purchase, a cross trade pricing level is obtained from an independent broker, and if the broker provides a bid that is within our minimum bid and maximum asked prices, the transaction is then executed or crossed between the accounts, with transaction fees split equally between both accounts. All fixed-income cross-trades are reviewed quarterly by our firm's Best Execution Committee.

## **Personal Trading**

Employees of Clifford Swan Investment Counselors are required to abide by the firm's written Personal Trading Policy and Personal Trading Procedures. Clifford Swan employees are permitted to and do own the same securities we recommend to clients. To ensure that our clients' interests are placed before our own, and to eliminate any appearance of conflict of interest or self-serving activity that may result from our personal investment efforts, our firm has developed the following procedures:

- No equity transaction in employee-related accounts will be aggregated with clients' transactions for purposes of block trading.
- Whenever both client and employee-related trades for the same security have been approved and are pending at the same time, discretionary clients' trades will be placed first. It is possible that employees could obtain a better price than clients.

- Employees must receive approval before placing trades for individual securities and must refrain from trading any securities that our Equity Research Team is considering buying or selling on a firm-wide basis, so that transactions for clients are completed before they are made for personal accounts. In addition, employees are required to report all personal transactions on a quarterly basis and report all personal securities holdings annually.

Because the Code of Ethics permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Our written procedures regarding employee personal trading are intended to prevent or mitigate any conflicts of interest between Clifford Swan Investment Counselors and its clients.

### **Item 12 – Brokerage Practices**

It is our policy, consistent with investment considerations, to seek a favorable combination of best net price and execution for brokerage orders under the circumstances. Most favorable execution is a combination of commission rates and prompt, reliable, quality execution. In placing trades for discretionary accounts, commissions must be in line with those charged by the industry in general. They need not be the lowest, provided that: (a) the broker gives excellent execution, especially on difficult trades OR (b) the broker renders other important services.

We will recommend one or more broker-dealers to clients, for brokerage and custody services. These broker-dealers are not affiliated with our firm. Our criteria for such recommendations are based upon: (1) the financial strength of the brokerage firm, (2) the quality of services rendered, and (3) commission rates.

Clifford Swan receives certain services from broker-dealers with whom we do business. These services are not contingent upon our firm committing any specific amount of business (assets in custody or trading commissions) to the broker-dealer. These services include access to both proprietary research and third-party research, and the use of software that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution and allocation of aggregated trade orders to multiple accounts, provides securities' pricing, and facilitates payment of our investment management fees from clients' accounts.

We have established a system of tracking the commission dollars paid by our clients to each brokerage firm. Our Best Execution Committee regularly reviews such

commissions to make sure that they are consistent with the basis of their value to our clients in terms of execution capability, size of commission, and services rendered.

Orders for accounts over which we have complete discretionary authority are aggregated (block traded) where possible with a view to obtaining lower trading costs. We also seek negotiated commission discounts from brokers we utilize, including those firms that furnish us other services such as research.

Our policy is generally to place trades in the following order: (1) as approved by portfolio manager, (2) by security type, usually placing common stock trades first, using software to electronically send common stock trades to the specific brokerages, and (3) directed brokerage trades, which are usually placed after non-directed trades.

On any given day, if equity trades to be placed through our two largest brokerage relationships are approved at substantially the same time, the trader will look at the firm's trade rotation calendar to see where to place the trades first.

Clients have various directed brokerage options, including utilizing the services of any firm generally recommended by Clifford Swan to provide custody and execution services for clients, or any other broker that the client directs us to use. Clients who direct us to use a broker other than those we generally recommend may incur extra costs or suffer disadvantages, because they pay higher commissions in certain transactions, or they receive less favorable executions of some transactions, or both. In addition, a client that directs brokerage may not be able to participate in aggregated trades. In determining whether to direct us to utilize a particular broker or dealer, clients should compare the costs or disadvantages of such an arrangement with the value of the custodial or other services they receive.

When Gateway acts as the sub-advisor for assets in a designated account, Gateway implements the Single Stock or Portfolio Risk Management strategy. It may place trades with brokers consistent with its execution practices and in accordance with our instructions, unless otherwise restricted.

Option-based strategies may involve higher transaction volumes and option-related exchange fees, which are passed through to the client's account. Gateway may also use market data, analytics, or research tools to support its execution process; however, we do not receive any soft-dollar benefits from Gateway's brokerage relationships.

Clients directing their own brokerage should be aware that directed brokerage may limit Gateway's ability to achieve best execution for option transactions and effectively implement the client-customized risk management program.

### **Item 13 – Review of Accounts**

Review of client accounts is a continuous process. Our Research Team conducts ongoing and systematic reviews of the securities we use to construct our clients' portfolios. See Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for information on the review process.

Investment counselors use the firm's evaluation of securities and apply their judgment as to the appropriate holdings for each client's portfolio. Portfolio reviews with clients take place in face-to-face meetings or phone calls, scheduled on either a regular basis or as-requested basis, during which the investment counselor assigned to the account reviews the client's portfolio, performance, financial circumstances, investment objectives and general market conditions.

We monitor all sub-advised relationships, including Gateway's Single Stock and Portfolio Risk Management strategies, to ensure consistency with the client's objectives. Reviews typically include:

- Evaluation of whether the strategy is functioning as intended,
- Periodic discussions with Gateway regarding market conditions and implementation; and
- Ongoing review of the client's broader financial plan to determine whether the strategy remains appropriate.

Clients receive periodic reports summarizing positions, option activity, and the status of any protective structures.

Clients' accounts are reconciled to their custodians' records monthly. We deliver written portfolio appraisals to our clients at least quarterly. Our appraisals show the portfolio holdings, asset allocation, and estimated annual income. Clients also receive our newsletter with articles discussing investment topics on a periodic basis.

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

Clifford Swan is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In

addition, Clifford Swan is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to Clifford Swan by either an unaffiliated or an affiliated solicitor, Clifford Swan may pay that solicitor a referral fee in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940 ("Advisers Act") and any applicable state securities laws. Any such referral fee is paid solely from Clifford Swan's investment management fee and does not result in any additional charge to the client.

If the client is introduced by an unaffiliated solicitor, the solicitor will provide the client, at the time of the solicitation, with (i) a copy of Clifford Swan's Form ADV Part 2A disclosure brochure, which satisfies the requirements of Rule 204-3 of the Advisers Act, and (ii) a separate solicitor disclosure statement describing the terms of the solicitation arrangement, including the compensation to be paid to the solicitor.

If the client is introduced by an affiliated solicitor, the solicitor will disclose the nature of the affiliation with Clifford Swan at the time of the solicitation and will provide the prospective client with a copy of Clifford Swan's Form ADV Part 2A disclosure brochure.

Clifford Swan currently maintains a solicitation arrangement with SmartAsset.

Clifford Swan pays a flat fee of \$5,000 per month to SmartAsset to participate in its online program that seeks to match prospective advisory clients with investment advisers. The program provides information about investment advisory firms to persons who have expressed an interest in such firms. The program also provides the name and contact information of such persons to the advisory firms as potential leads. The fee is payable regardless of whether the prospect becomes our advisory client. Clifford Swan does not increase the fees of advisory clients matched through the SmartAsset program to cover the lead fee. SmartAsset is not a current investment client or investor of Clifford Swan Investment Counselors.

Clifford Swan does not receive compensation or other economic benefits from Gateway related to our decision to retain them for Single Stock or Portfolio Risk Management services.

Gateway maintains its own referral agreements for its broader business, but such arrangements are not connected to our retention of Gateway on behalf of our clients.

From time to time, clients require services that are outside the scope of the investment counseling services provided by our firm (e.g., legal counsel, accounting, or insurance advice) and ask us for a referral. We can refer our clients to unaffiliated third parties, including persons or entities that provide professional services directly to our firm. These providers may also refer clients to us when their clients need the types of services we provide. We do not receive or pay fees for such referrals.

Clients have no obligation to engage the services of any such introduced professionals. Although we have experience with these service providers, Clifford Swan has not performed due diligence on these service providers and is not responsible for the services provided by these services providers.

#### **Item 15 – Custody**

Clifford Swan Investment Counselors does not take possession of client funds or securities. Nevertheless, the firm is deemed to have custody of some client assets through the direct debiting of management fees from client custodial accounts, the existence of third-party standing letters of instruction, or service by an employee as trustee for client accounts.

Clients will receive statements directly from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets. Custodians are required to deliver their statements to clients at least quarterly. Clifford Swan urges clients to carefully review their statements and compare such official custodial records to the portfolio appraisals that we provide for them. Our appraisals could vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies.

Clifford Swan provides investment advisory services only and does not provide physical safekeeping of client assets, as provided by a qualified custodian. We have established procedures to avoid being deemed to have custody other than in the limited circumstances mentioned above.

#### **Item 16 – Investment Discretion**

Clifford Swan usually receives discretionary authority from clients at the outset of an advisory relationship. The authority is granted in the investment advisory agreement and allows Clifford Swan Investment Counselors to select the identity and amount of securities to be bought or sold. We exercise such discretion in a manner consistent with the stated investment objectives for the particular client account. Clients assign

Clifford Swan Investment Counselors trading authority by signing the appropriate forms provided by the custodian holding the assets.

Clients with suitable assets can authorize us to delegate discretionary authority to Gateway as a sub-adviser for the limited purpose of implementing a Single Stock or Portfolio Risk Management strategy. Gateway's discretion is restricted to executing transactions necessary to implement the approved risk-management program (e.g., purchasing puts, selling calls).

We retain the authority to modify or terminate Gateway's role, adjust the mandate, or reallocate assets at any time.

See Item 4 – Advisory Business for an explanation of how clients may impose restrictions on investing in certain securities or types of securities.

### **Item 17 – Voting Client Securities**

Our policy is to vote all proxies for our clients, except for those clients who have reserved voting authority for themselves. We have adopted written policies and procedures to guide us in voting proxies for our clients. To obtain a copy of our complete proxy voting policies and procedures at any time, please contact Gretchen Lee, Chief Compliance Officer.

### **Summary of Proxy Voting Policy**

Proxy voting decisions are made considering the anticipated impact of the vote on the desirability of maintaining an investment in a company, from the viewpoint of the client, without regard to any other interests. As a matter of policy, Clifford Swan Investment Counselors will not be influenced by outside sources whose interests conflict with the those of clients.

### **Typical Proposals**

Proposals that regularly appear on proxies usually pertain to the election of directors, appointment of auditors, and approval of non-salary compensation plans.

- **Election of Directors:** We generally vote in favor of proposals that increase the independence of the Board of Directors from management as well as proposals that increase the shareholders' ability to replace the Board, if need be. We generally oppose proposals that would increase Board entrenchment.

- Appointment of Auditors: Proxies involving routine matters such as appointment of auditors will generally be voted in favor of management, unless it is determined that the auditors are not sufficiently independent of management. We generally vote in favor of proposals to separate auditing and consulting services.
- Non-Salary Compensation: Proposals to approve Stock Compensation Plans, Employee Stock Purchase Plans and Long-Term Incentive Plans are frequently offered by management. These plans are often complex and must be evaluated on a case-by-case basis. We generally vote with management unless the plans provide unduly generous compensation for executives and/or directors or could result in serious dilution to other shareholders.

### **Summary of Procedures**

Whenever possible, we vote proxies electronically via Broadridge software, on a secure website. Ballots are prepared based upon each client's holdings which are uploaded directly to Broadridge from each custodian. Any paper ballots are voted through ProxyVote as they are received.

### **Client Direction**

Clients who have authorized us to vote proxies on their behalf are able to provide us with written proxy voting policies or guidelines that cover issues important to them. They can also provide us written instructions on how to vote in a particular solicitation, and we will vote on those issues as directed.

### **Proxy Voting Report**

Clients who have authorized us to vote proxies on their behalf can request a report showing how we voted their shares.

### **Item 18 – Financial Information**

Clifford Swan Investment Counselors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.