

Anderson & Strudwick

Managed Account Programs

This brochure provides clients with information about Anderson & Strudwick, Inc., a registered broker/dealer and registered investment adviser firm, and our investment advisory programs. This information has not been approved or verified by any government authority.



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The Managed Account Programs

Anderson & Strudwick, Inc. (“A&S”) offers a range of discretionary management and non-discretionary services to meet client needs. Under the Anderson & Strudwick Asset Management name we manage five internally managed equity portfolios and our Fundwealth II mutual fund wrap program. Other services include our investment representative advised Navigator and Pilot accounts, and our 3rd party managed Apex program.

A&S may compensate introducing broker-dealers and advisors a referral fee as a result of a client’s participation in the managed programs. Depending, among other things, the value of the account, changes in its value over time, and the ability to negotiate fees or commissions, the amount of this compensation may be more than what the investment advisor would receive if the client participated in other programs of the sponsor or paid separately for investment advice, brokerage, and other services. Therefore, the investment consultant may have an incentive to recommend these programs over other programs or services. In addition, investment consultant compensation for our in-house equity portfolios and Fundwealth II program generally is higher than the Apex program. As such, investment consultants may have an incentive to recommend these programs.

Our Equity Portfolios

Within the Anderson & Strudwick Asset Management group, we manage five separate account portfolios. These are internally managed, proprietary portfolios. An investment questionnaire is available to aid in the analysis of client’s investment objectives and risk tolerances. The stated account minimum for these portfolios is \$75,000, however we reserve the right to accept lower amounts on a case-by-case basis. The five portfolios are discussed below.

Focused Large Cap: Stock selection in this portfolio is driven by a fundamental top-down approach in our analysis of various sectors and industries, overweighting those that have favorable risk/reward potential over the next 2-5 years. We then look for growth-oriented companies in these sectors and industries that are trading at reasonable valuations. Holdings are typically limited to 20 to 35 securities. This portfolio focuses on larger companies with market capitalizations greater than \$5 billion

Focused Small Cap: Stock selection in this portfolio begins with our analysis from a top-down approach, looking at macro-economic trends in various sectors and industries. We then seek to identify companies within these sectors and industries that will benefit from these trends. Holdings are typically limited to 20 to 35 securities. This portfolio focuses on smaller companies with market capitalizations of less than \$5 billion

Income Appreciation: This portfolio invests primarily in dividend-paying common stocks that demonstrate favorable prospects of long-term growth. In addition, we look for companies that have the ability to provide a high rate of dividend growth. Holdings are typically limited to 20 to 35 securities. This portfolio will invest in companies of all sizes.

Mid-Atlantic Community Bank: This portfolio invests in small and mid-size banking institutions, primarily located in the mid-Atlantic region of the U.S. We look for banks that possess strong loan and earnings growth prospects, as well as banks that may have merger potential. Holdings are typically limited to 20 to 30 securities.

Global Finance: This portfolio invests globally in companies that engage in finance related businesses, including banks, mezzanine finance companies, asset managers, investment banks, brokerages, insurance, and consumer lending companies. Holdings are typically limited to 20 to 30 securities. This portfolio will invest in companies of all sizes.

The fee schedule for these portfolios is set forth below; however the fees are negotiable. The accounts are subject to a minimum \$200 quarterly fee.

<u>Account Size</u>	<u>Annual Fee</u>
\$75,000 to \$500,000	2.00%
\$500,000 to \$1 million	1.50%
\$1 million and above	1.25%

The Fundwealth II Program

The Fundwealth II program is a discretionary fee based portfolio of mutual funds managed by the Anderson & Strudwick Asset Management group. The strategy of the Fundwealth II program is to build portfolios utilizing mutual funds driven by our qualitative and quantitative research process. The program offers four portfolios for varying levels of client risk tolerance and objectives. However, individual client customization may be done as well. An investment questionnaire is available to aid in the analysis of client's investment objectives and risk tolerances. The stated account minimum for these portfolios is \$75,000,000 however we reserve the right to accept lower amounts on a case-by-case basis. The Fundwealth II models are discussed below:

Growth: This portfolio is expected to have an initial allocation of approximately 95-100% invested in equity mutual funds, with any remainder invested in money market instruments.

Moderate Growth: This portfolio is expected to have an initial allocation of approximately 80-85% invested in equity mutual funds, 15% in fixed income mutual funds and any remainder in money market instruments.

Moderate: This portfolio is expected to have an initial allocation of approximately 70% invested in equity mutual funds, 30% in fixed income mutual funds, and any remainder in money market instruments.

Conservative Growth: This portfolio is expected to have an initial allocation of approximately 40-50% invested in equity mutual funds, 45%-50% in fixed income mutual funds, and the remainder in money market instruments.

The fee schedule for the Fundwealth II program is set forth below; however, the fees are negotiable.

<u>Account Size</u>	<u>Annual Fee</u>
\$75,000 to \$250,000	1.50%
\$250,000 to \$1 million	1.25%
\$1 million and above	1.00%

All mutual funds purchases are done at net asset value; there are no upfront sales charges or commissions. Mutual funds charge operating expenses at the fund level that are in addition to the

management fee charged by A&S. Clients should review the fund prospectus for a complete description of fees.

Apex

A&S offers the ability for clients to invest in outside “third-party” money managers on a separate account basis. Clients will have access to money managers in a variety of specialties, including equities, fixed income and international styles. The minimum account size for this product is set by each manager, but is typically \$100,000, although some have higher minimums. The client’s investment advisor representative will assist Client in determining the suitability of the Program, in selecting an investment style for the Account, and in the selection of one or more portfolio managers to manage Client’s Account from a schedule of portfolio managers made available through the Program.

The fee schedule for the Apex program is set forth below; however, the fees are negotiable.

<u>Account Size</u>	<u>Annual Max Fee</u>
\$100,000 to \$500,000	2.50%
\$500,000 to \$1 million	2.50%
\$1 million and above	2.50%

Navigator Plus & Pilot

Navigator Plus is a discretionary fee-based program in which the investment advisor representative directly manages the client’s account for a quarterly fee. Pilot allows the investment advisor representative to provide investment advisory services on a non-discretionary basis for a quarterly fee.

The fee schedule for Navigator Plus and Pilot is set forth below; however, the fees are negotiable. The accounts are subject to a minimum \$250 quarterly fee.

<u>Account Size</u>	<u>Annual Fee</u>
First \$250,000	2.50%
Next \$250,000	2.25%
Next \$500,000	2.00%
Next \$1 million	1.75%
\$2 million and above	1.50%

Apex Portfolio Manager Selection

Portfolio managers are selected for the program and reviewed on an ongoing basis by A&S. A&S relies upon data about portfolio managers provided by the portfolio managers to a third party or directly to A&S. In determining the suitability of the portfolio manager, A&S utilizes quantitative and qualitative information when reviewing prospective and participating portfolio managers. Quantitative information may include: rate of return, consistency of returns, and risk statistics of portfolios. Qualitative information may include: number of years portfolio manager has been in

business, assets under management, investment philosophy and adherence to investment philosophy. A&S may elect to remove a portfolio manager from the Apex program should it determine that the portfolio manager has failed to meet one or more of our investment criteria. Under this situation, the client will be notified in writing within at least 60 days of the removal of the manager. The client may then discuss alternatives with his/her investment adviser representative.

Fees

Unless, agreed upon otherwise, clients authorize us to deduct quarterly, in advance, from the account(s) of the client, the fee at the rate indicated in the fee schedule for the program. Cash balances in the account may be invested in money market mutual funds. The client pays internal expenses of such funds, including management of the funds. In addition, certain money market mutual funds used may compensate A&S with additional fees, including but not limited to 12b-1 fees. This compensation ranges from 0.25% - 0.35% annually, based on the value of the money market fund assets. Custodial and maintenance fees normally applicable to retirement accounts and qualified retirement plans may also apply. Clients investing in mutual funds are charged operating expenses at the fund level that are in addition to the management fee charged by A&S. A&S may receive additional fees, including 12b-1 fees, from certain mutual funds recommended to clients. Clients should review the fund's prospectus for a complete description of fees.

Performance Reporting

Clients in the programs receive individual account quarterly performance reports. These reports may be prepared by outside third-party firms, or internally from A&S. A&S conducts periodic reviews of client performance, not less than annually. Account performance for the equity portfolios and Fundwealth II portfolios is calculated and reviewed by A&S on an ongoing basis. Portfolio manager performance for Apex managers is reviewed on an ongoing basis from third-party sources believed to be reliable, but not independently verified.

Client Information

When opening up an account with A&S, client provides certain financial information and investment objectives and risk tolerances. This information may be forwarded on to portfolio managers. Clients should provide any changes in their financial circumstances, investment objectives and risk tolerances to A&S, which A&S may forward on to portfolio managers. Clients may communicate such information directly to portfolio managers, although clients are encouraged to direct communications through their individual investment consultants and A&S.

Other Relationships

A&S may compensate employees, individuals affiliated with A&S, or third party consultants for referring prospective advisory clients. Such persons are paid referral fees, which are negotiated on a case-by-case basis with the individual receiving the referral fee. A&S's payment of a referral does not affect the fees paid by any new advisory client; in no situation will the client pay a higher fee because of the referral relationship. Each individual receiving compensation agrees that such referral arrangement will conform to Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, including that such referral arrangement is disclosed to prospective advisory clients and investors.

A&S currently has a solicitation agreement with Mills Value Adviser, Inc., Gardner & Robertson, Inc., and Closed-End Fund Advisors, affiliated Investment Advisers firms. A&S may solicit clients to these firms and may receive referral fees from these firms in conjunction with the solicitation arrangement.

A&S has entered into an agreement with Frantzen Capital Management, Inc. to allow for A&S clients to invest in Frantzen Capital Management advisory portfolios. A&S and Frantzen Capital Management will share in the management fee of these accounts. Prospective clients should refer to Caprin Asset Management's or Frantzen Capital Management's ADV Part II for more information on these services.