

## Moloney Securities Asset Management, LLC Client Brochure

*This Brochure provides information about the qualifications and business practices of Moloney Securities Asset Management LLC. If you have any questions about the contents of this Brochure, please contact us at 314-909-0600 and/or [jroseman@msam.net](mailto:jroseman@msam.net). 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.*

*Moloney Securities Asset Management LLC 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 about which you determine to hire or retain an Adviser.*

*Additional information about Moloney Securities Asset Management LLC is also available on the SEC's Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*The firm's CRD number is: 282448*

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**March 1, 2019**

## Item 2: Material Changes

On an annual basis, this item will be used to provide clients with a summary of all material changes made to the Brochure since the last annual update. Moloney Securities Asset Management LLC (“MSAM” or “Firm”) will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of its business’ fiscal year-end.

Further, MSAM will provide clients with a new Brochure as necessary based on changes or new information, at any time, without charge. MSAM has the following material changes to report.

The material changes in this brochure from the last annual updating amendment of Moloney Securities Asset Management LLC on 03/05/2018 are described below. Material changes relate to Moloney Securities Asset Management LLC’s policies, practices or conflicts of interests.

- Moloney Securities Asset Management LLC has updated disciplinary information to disclose a recent FINRA Arbitration and a recent FINRA Mediation Settlement (Item 9).

Currently, MSAM’s Brochure may be requested by contacting Jeff Roseman, CCO, by phone at 314-909-0600 or via email at [jroseman@msam.net](mailto:jroseman@msam.net).

Additional information about MSAM is also available via the SEC’s Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s Web site also provides information about any persons affiliated with MSAM who are registered, or are required to be registered, as investment adviser representatives.

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\* The SEC requires all investment advisers to organize their disclosure documents according to specific categories listed above, some of which may not pertain to MSAM's business. When a required category is not relevant to our business, we list the category and state that it does not apply.

## ITEM 4: ADVISORY BUSINESS

### A. Firm Description

Moloney Securities Asset Management LLC, (“MSAM”) is a federally registered investment adviser with the Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940. MSAM was organized as a limited liability company in 2015, with its principal place of business located in Manchester, MO. MSAM is a successor investment adviser to its affiliate, Moloney Securities Co., Inc., (Moloney Securities). Prior to the effectiveness of MSAM's successor application, MSAM conducted its investment advisory activities as a d/b/a of Moloney Securities, which was dually registered as a broker-dealer and investment adviser from 1995 to the effective date of MSAM's registration as a registered investment adviser. MSAM is owned 100% by Briar Green Holdings, Inc., a privately held company.

MSAM, the registered investment adviser, has relationships with independent Investment Advisors. The firm's clients receive personalized investment advice from these Investment Advisors. These Investment Advisors may do business under their own corporate entity, such as: St. Croix Capital Management, Warren Financial Services, Arlington Financial Services, Heritage Investment Management, LLP, Synergistic Financial, Advanced Financial Solutions, LLC, Artisan Asset Management, LLC, Asset Alliance Financial Wealth Management and Planning, Bridges Financial, Inc., Christianson Financial Advisors, LLC, Corrigan Jones Investment Advisors, Grand Glaize Wealth Management, Investment Center, Investment Center of Estes Park, Inc., JCL Capital Management, LLC, Keckeris Financial Group, Levitt Betzelberger Weinrich, Inc., Littlewood Financial Services, LLC, Minnesota Valley Investments, Royal Route Company, LLC, Salish Wealth Management, Sentinel Wealth Management, St. Louis Asset Management, Sugar Creek Advisory Group, Synergistic Financial Center, Team Duncan, The Pelley Group, Vance Capital Management, LLC, Westport Advisory Group, Planned Investment Co., Inc. and others, but all advisory services are offered through MSAM.

Investment advisory services are provided to clients for a fee under an investment advisory agreement.

MSAM does not act as a custodian of client assets other than those situations that are disclosed in MSAM's Form ADV. When your Financial Advisor manages your investment, in most instances, RBC Correspondent Services will maintain custody of the investment assets in your investment advisory account.

As of December 31, 2018, MSAM manages approximately \$619,915,670 in assets under management of which \$538,500,248 was in discretionary accounts and \$81,415,422 was in non-discretionary accounts.

The primary affiliation of MSAM, through a holding company is with Moloney Securities, a registered broker/dealer, member FINRA/SIPC, through various licenses and registrations.

## **B. Types of Advisory Services**

MSAM provides custom investment planning, wealth management services and pension consulting for individuals, companies, retirement assets and investment adviser representatives. MSAM makes these programs available to clients directly and through third party investment adviser firms (Independent Investment Advisers). These Investment Advisors may do business under their own corporate entity, such as: St. Croix Capital Management, Warren Financial Services, Arlington Financial Services, Heritage Investment Management, LLP, Synergistic Financial, Advanced Financial Solutions, LLC, Artisan Asset Management, LLC, Asset Alliance Financial Wealth Management and Planning, Bridges Financial, Inc., Christianson Financial Advisors, LLC, Corrigan Jones Investment Advisors, Grand Glaize Wealth Management, Investment Center, Investment Center of Estes Park, Inc., JCL Capital Management, LLC, Keckeris Financial Group, Levitt Betzelberger Weinrich, Inc., Littlewood Financial Services, LLC, Minnesota Valley Investments, Royal Route Company, LLC, Salish Wealth Management, Sentinel Wealth Management, St. Louis Asset Management, Sugar Creek Advisory Group, Synergistic Financial Center, Team Duncan, The Pelley Group, Vance Capital Management, LLC, Westport Advisory Group, Planned Investment Co., Inc. and others, but all advisory services are offered through MSAM. The following is a description of MSAM's investment advisory services:

MSAM believes in a holistic wealth management approach that means connecting investment strategies to client's desired life goals. MSAM or their partners incorporate a client's unique risk tolerance, asset allocation and investment preferences along with life goals, values and ongoing adjustments.

MSAM combines the internal expertise with external resources to build a set of investment solutions manages client accounts on a discretionary and non-discretionary basis. In this instance, MSAM obtains all the necessary information about the client as to the client's assets and liabilities, investment objectives, financial objectives and other pertinent information.

MSAM investment philosophy focuses on utilizing experienced investment management talent to create custom portfolios. Three core principals comment to MSAM investment managers are quality, consistency and discipline.

In addition, MSAM offers the following strategies/composites:

### **MSAM Growth**

Both top down macro theme identification and bottom up fundamental valuation methods are used to identify investment opportunities. Research is focused on finding growth at a reasonable price in companies that can create return on invested capital for shareholders. Investments can be held across the spectrum of company size but are normally concentrated in mid-sized companies. Portfolio construction methods are used to concentrate investment in companies the team has the highest conviction in.

### **MSAM Opportunistic**

Opportunistic Strategy uses both quantitative and qualitative analysis to determine the central value of the companies in our universe and uses discipline to buy at or below our central valuation. Our universe of companies is focused but not limited to companies with the following characteristic: strong balance sheet, recurring revenue, barriers to entry, better, cheaper, faster, disruptive or new technologies, and/or large research and development spending. Both value and growth investments are held.

### **MSAM Balanced/Conservative Growth**

This composite seeks long term growth, income and capital conservation, in combination. It utilizes both active and passive investment vehicles to create a balanced portfolio profile. Equities, whether individual stocks or index ETF's, purchased primarily for growth, normally make up around 60% of the portfolio and securities purchased for income make up the remainder. Passive index ETF's, in small and mid-cap asset classes, for example, are used to generate growth while minimizing individual company risk. Dividend paying large cap stocks are used to generate growth and income exposure to mature companies. Fixed income securities are generally made up of high yield corporate bonds, whether individual bonds, a bond index ETF, or an equity made up of a basket of bonds.

MSAM also has longstanding relationships with partners like RBC Correspondent Services, a division of RBC Capital Markets, LLC, member NYSE/FINRA/SIPC, to provide additional tools such as international tax planning, professional trust services and alternative investment management services. MSAM does not act as custodian to accounts.

## **C. Client Tailored Services and Client Imposed Restrictions**

The goals and objectives for each client are documented in the client's investment advisory agreement and maintained in the firm's recordkeeping system. Any restrictions placed on the account by the client will necessarily be a part of the client's discretionary and non- discretionary investment advisory agreement.

## **D. Wrap Fee Programs**

MSAM acts as portfolio manager for and sponsor of a wrap fee program, which is an investment program where the client pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. However, this brochure describes MSAM's non-wrap fee advisory services; clients utilizing MSAM's wrap fee portfolio management should see the separate Wrap Fee Program Brochure. MSAM manages the investments in the wrap fee program but does not manage those wrap fee accounts any differently than it would manage non-wrap fee accounts. Fees paid under the wrap fee program will be given to MSAM as a management fee. Please also see Item 5 and Item 12 of this brochure.

### **E. Pension Consulting Services**

MSAM offers ongoing consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans) based on the demographics, goals, objectives, time horizon, and/or risk tolerance of the plan's participants.

Pension consulting services may involve the direct investment management of one or more 401(k) participant accounts, provide the selection and monitoring process for the various mutual funds offered to plan participants, develop and maintain an Investment Policy Statement for the plan, and/or provide group and individual employee education on investment options, asset allocation, and retirement planning.

### **F. Amounts of Assets under Management**

As of December 2018, MSAM manages approximately \$619,915,670 in assets under management of which \$538,500,248 was in discretionary accounts and \$81,415,422 was in non-discretionary accounts.

## ITEM 5: FEES, COMPENSATION AND TERMINATION OF SERVICES

### A. Description of Compensation and Basic Fee Schedule

Fees are negotiable. The specific manner in which fees are charged by MSAM is established in the client's written advisory agreement with MSAM. MSAM calculates its fees on a percentage of assets under management. The investment fee covers services to the client by MSAM including management of the account, periodic reviews and quarterly reporting.

Fees are deducted from the account quarterly. The advisory fee will be based on the Net Asset Value of the securities under management in the account. Typically, the advisory fee is based on the net equity value of the client's account at the end of each calendar quarter, per the investment management agreement with the client, calculated to be at or below these maximums:

Under \$1,000,000	2.0%
\$1,000,000 to \$2,000,000	1.75%
\$2,000,000 and over	1.50%

### B. Payment of Fees

Unless otherwise specified in the client's advisory agreement, the advisory fee is automatically deducted from the account quarterly, in arrears. At the sole discretion of MSAM, the client may be allowed to pay the advisory fee from an alternate account. Client may also agree to another specification, such as prepayment of fees as agreed to at MSAM's discretion and set forth in client's advisory agreement. In the event of account either opening or closing during a billing cycle, the client is billed a prorated fee in accordance with the period the account was managed during the quarter.

### C. Other Fees

MSAM will direct all securities purchase and sale orders for the account to a Custodian, who shall execute and perform the clearance of same and provide custodial account services to Client. For mutual fund assets held at certain Custodians, Custodian and MSAM's affiliate, Moloney Securities typically receive Networking & Omnibus revenue paid to and received by Custodian. For MSAM accounts participating in Advisory Programs of certain Custodians, Custodian typically rebates to Moloney Securities a portion of the custody fees collected from such accounts. For Accounts with assets held in certain Custodian's Bank Deposit Program (BDP), Custodian typically credits Moloney Securities a percentage of all assets held in such program. For accounts with assets in certain

Custodian's Money Market Program, Custodian typically credits Moloney Securities a percentage of all assets held in such program. For Accounts with assets held in cash, Custodian typically credits Moloney Securities a percentage of all assets held in such program. The credits paid to Moloney Securities presents a conflict of interest for your adviser, MSAM, and Moloney Securities.

MSAM typically uses the brokerage services of Moloney Securities and/or another broker/dealer. This means that MSAM may not be able to select such broker/dealer based on best execution or to commingle or to "batch" orders for purposes of execution with orders for the same securities for other accounts managed by MSAM (other than for other accounts also cleared through Custodian). By MSAM using Moloney Securities and/or another broker/dealer to execute transactions for the account, certain transactions may result in less favorable net prices on the purchase and sale of securities than might occur if MSAM selected broker/dealers based on best execution.

When directed by the client to hold any assets in the custody of anyone other than a designated clearing operation of MSAM, there may be an additional annual charge.

To the extent permitted by applicable law, MSAM, in transactions involving the client's securities, may act as principal while also representing the client on the other side of the transaction. When MSAM acts as principal in a principal transaction, MSAM may benefit from such transaction by receiving compensation arising out of such transaction in addition to the advisory fee.

If the client is investing in mutual funds, a mutual fund investment company typically charges management fees on the client's account in these securities. Clients will pay their proportionate share of the mutual fund's investment management fees, administrative fees and applicable sales charges in accordance with that investment company.

The client will be charged clearing, postage and handling fees, with MSAM acting as agent for the client. Such fee is \$20/transaction. Custodian discloses such fees in Client's trade confirmation notice as handling fees. Moloney Securities and its Custodian are compensated for clearing, postage and handling services by receiving a portion of such fees. Custodian may reduce the execution and clearing fees charged to the Moloney Securities, dependent on the number of transactions executed during the given month (For example, Moloney Securities is assessed these fees by certain Custodians on a sliding scale, wherein the fee is reduced based upon the number of transactions executed during a given month.) In addition, a certain Custodian has agreed to a waiver of execution or clearance charges for the period ending May 2016. As such, these waivers will result in additional compensation to Moloney Securities through May 2016.

In some cases, Moloney Securities may act as a placement agent or underwriter for a securities offering. In the event a Financial Advisor elects to help you participate in an offering or placement in which Moloney Securities is acting as the underwriter or placement agent, the Financial Advisor will provide, in advance and in addition to whatever pertinent

offering or placement documentation is required, a disclosure document for your approval and signature. This document will outline the potential conflict(s), if any, since MSAM is acting on behalf of both you and a securities issuer and any compensation by the issuer. It will additionally document that any items of potential conflict have been addressed.

On occasion, a Financial Advisor may recommend the use of options as a part of the client's trading strategy. Should this strategy be employed, the client will incur higher fees than an account not employing this strategy. (For example, the client will be charged not only the flat fee described above, but additional option transaction execution fees based upon number of contracts bought or sold.)

If you chose to purchase Securities on margin, you will be required to acknowledge a Margin Agreement for the Account. Buying on margin refers to the practice of buying an asset where you pay only a percentage of the asset's value and borrow the rest from a lender. In this instance, your account's Custodian acts as a lender and the funds in your securities account are used as collateral on the loan's balance. Moloney Securities and the Custodian typically receive compensation from such pledge/loan activities. This compensation derives from the interest that is charged on the amount borrowed. The rate charged fluctuates and is based on the amount borrowed. This compensation presents a conflict of interest for your adviser, MSAM, and Moloney Securities. It is important that you fully understand the risks involved in trading securities on margin. Please carefully review all such risks and details regarding interest charged on the amounts borrowed which are set forth in the Margin Agreement for your Account.

This brochure describes MSAM's non-wrap fee advisory services; clients utilizing MSAM's wrap fee portfolio management should see the separate Wrap Fee Program Brochure. Client accounts not participating in the wrap fee program are responsible for the payment of all third-party fees (i.e., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by MSAM. Please see Item 12 of this brochure regarding broker/custodian.

#### **D. Prepayment of Fees**

Unless otherwise specified in the client's advisory agreement, the advisory fee is automatically deducted from the account quarterly, in arrears. At the sole discretion of MSAM, the client may be allowed to pay the advisory fee from an alternate account. Client may also agree to another specification, such as prepayment of fees as agreed to at MSAM's discretion and set forth in client's advisory agreement. In the event of account either opening or closing during a billing cycle, the client is billed a prorated fee in accordance with the period of time the account was managed during the quarter.

#### **E. Comparing Costs and Expenses**

Clients can choose to forgo the advisory services of MSAM and buy and sell securities

through Moloney Securities as a broker-dealer or through other brokers or agents not affiliated with MSAM. If you purchased these investments through Moloney Securities as broker-dealer, you would pay sales charges or commissions, a portion of which would be paid to your Financial Advisor. A Financial Advisor will typically earn more in upfront fees and commissions when you use brokerage services. In the alternative, a Financial Advisor will typically earn more over time if you use MSAM services. This creates a financial incentive and potential conflict of interest to the Financial Advisor when recommending advisory services instead of brokerage services. In addition to the advisory fee described above, clients may incur other fees and expenses, including, but not limited to fees for account services such as account transfer fees, annual account fees, transfer on death fees and account termination fees.

**F. Pension Consulting Services Fees**

MSAM offers ongoing consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans).

Total Plan Assets	Annual Fee (% of plan value)
Under \$1,000,000	0.90%
\$1,000,001 - \$2,000,000	0.70%
\$2,000,001 - \$3,000,000	0.60%
\$3,000,001 - \$4,000,000	0.50%
\$4,000,001 - \$5,000,000	0.40%
Over \$5,000,000	Negotiable

These fees are negotiable depending upon the needs of the client and complexity of the situation. Fees are paid quarterly in advance. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate the contract without penalty, for full refund of the adviser’s fees, within five business days of signing the contract. Thereafter, client may terminate the contract with thirty days written notice.

**G. Payment of Pension Consulting Services Fees**

Pension Consulting Fees are withdrawn directly from the client’s accounts with client’s written authorization or may be invoiced and billed directly to the client and clients may select the method in which they are billed.

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

Fees are not based on a share of the capital gains or capital appreciation of managed securities.  
MSAM does not have investment advisory agreements with performance-based fees.

## **ITEM 7: TYPES OF CLIENTS**

MSAM generally provides advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, pension consulting, corporations and/or business entities.

Client relationships vary in scope and length of service.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Methods of Analysis and Investment Strategies**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial media, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases. Further research and due diligence practices are implemented by the Investment Advisor consistent with his or her investment process and implementation of your agreed upon investment strategy.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations and in the written advisory agreement. The client may change these objectives at any time by providing notice of such change to MSAM. Each Investment Advisor utilizes his or her own investment strategy which may or may not be consistent with MSAM's other Investment advisors.

Strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies). Certain clients with applicable investment objectives and risk tolerances may include strategies such as reverse convertible notes, leveraged ETF's, index-linked CDs and other structured products.

### **B. Material Risks**

All investment programs have certain risks borne by the investor. These risks include, among other things; loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings, occurring from market risk, interest rate risk, issuer risk, and general economic risk. Although we manage the assets in a manner consistent with risk tolerances, there can be no guarantee that our efforts will be successful, and the client should be prepared to bear the risks.

### **C. Certain Risk Factors**

It is important that clients understand that investing in securities involves certain risks which clients should understand and be prepared to bear.

All investments carry some amount of risk. The risks applicable to MSAM's investment strategies include, but are not limited to the following investment risks:

**Credit Risks** – The risk that the portfolio could lose money if the issuer or guarantor of a fixed-income security, or the counter-party to a derivative contract, is unable or unwilling to meet its financial obligations.

**Counter-Party Risks** – A portfolio may incur a loss if the other party to an investment contract, such as a derivative, fails to fulfill its contractual obligation.

**Currency Risks** – The risk that foreign currencies will decline in value relative to the US dollar and affect a portfolio's investments in foreign (non-US) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to, foreign (non-US) currencies.

**Debt Securities Risks** – The issuer of a debt security may fail to pay interest or principal when due, and changes in market interest rates may reduce the value of debt securities or reduce the portfolio's returns.

**Derivatives Risks** – The use of derivatives such as futures, options and swap agreements can lead to losses, including those magnified by leverage, particularly when derivatives are used to enhance return rather than offset risk.

**Emerging-Markets Risk** – Foreign investment risks are typically greater for securities in emerging markets, which can be more vulnerable to recessions, currency volatility, inflation and market failure.

**Equity Risks** – The risk that the value of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.

**ETF Risks** – A portfolio will be exposed indirectly to all of the risks of securities held by an ETF.

**Foreign Investment Risk** – Foreign investments face the potential of heightened illiquidity, greater price volatility and adverse effects of political, regulatory, tax, currency, economic or other macroeconomic developments.

High-Yield Securities Risk – High-yield securities have a risk of default or of not returning principal and tend to be more volatile than higher-rated securities of similar maturity.

Interest-Rate Risk – The risk that fixed income securities will decline in value because of an increase in interest rates.

Issuer Risk – The value of a security may decline because of adverse events or circumstances that directly relate to conditions at the issuer or any entity providing it credit or liquidity support.

Issuer Non-Diversification Risk – The risks of focusing investments in a small number of issuers, industries, or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.

Leverage Risk – The risk that certain portfolio transactions may give rise to leverage, causing the portfolio to be more volatile than if it had not been leveraged.

Liquidity Risk – A security may not be able to be sold at the time desired or without adversely affecting the price.

Market Risk – The market price of securities held by a portfolio may rapidly or unpredictably decline due to factors affecting securities markets generally or particular industries.

Mortgage and Asset-Backed Securities Risk – These securities may decline in value when defaults on the underlying mortgage or assets occur and may exhibit additional volatility in periods of changing interest rates. When interest rates decline, the prepayment of mortgages or assets underlying such securities may require the reinvestment of money at lower prevailing interest rates, resulting in reduced returns.

Regulatory Risk – The risk that changes in government regulations may adversely affect the value of a security. An insufficiently regulated industry or market might also permit inappropriate practices that adversely affect an investment.

Short Sale Risk – The risk of entering into short sales includes the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to a portfolio.

Private Securities Risk – Private securities contain the risks of illiquidity and lack of public knowledge of the business.

Real Estate Risk –Due to changes in interest rates, the lending market, economic policy, and supply and demand, in addition to illiquidity, real estate investments contain risk.

## ITEM 9: DISCIPLINARY INFORMATION

MSAM is a registered investment adviser. This section contains information about any legal and regulatory matters that MSAM believes are material to a client's evaluation of its advisory business or the integrity of its management.

On October 1, 2016, Moloney Securities, without admitting or denying the findings, entered into a settlement in public administrative and cease-and-desist proceedings with the SEC regarding certain of the firm's investment advisory activities arising out of SEC exams and deficiency letters to the firm in 2006, 2009 and 2012. Pursuant to the settlement, the SEC alleged that the firm violated sections 206(2), 206(3), 206(4), 207, 206(4) of the Advisers Act, and Rule 204-4(7) promulgated thereunder related to its adoption and implementation of its written compliance policies and procedures for its investment advisory business concerning principal transactions and best execution. The firm was censured and was ordered to cease and desist from violating or causing any current and future violations of the noted statutes and rules. The settlement requires the firm to pay a fine of \$34,000.

No customer complaints were involved, and no restitution was ordered. In determining to accept the offer, the Commission considered various remedial efforts by the firm and cooperation afforded the Commission staff. Specifically, the firm revised its best execution and principal transaction policies and procedures. Further, the firm retained a consultant to assist it in developing and implementing policies and procedures reasonably designed to promote the firm's compliance with the Advisers Act, including its best execution and principal transaction obligations.

A FINRA Arbitration was filed against Moloney Securities Co., Inc., Moloney Securities Asset Management, LLC, and former member firm UBS claiming that a Registered Representative, during the period of 2010 to June of 2017, recommended an overconcentrated strategy in limited partnerships in the energy sector, which exposed the claimant to risk inconsistent with his investment objectives. On October 8, 2018, the FINRA Arbitration Panel issued an award in favor of claimant in the amount of \$300,000 and against Moloney Securities Co., Inc. and Moloney Securities Asset Management, LLC.

On March 4, 2019, Moloney Securities Co., Inc. and MSAM reached a confidential settlement during a FINRA Mediation with respect to a client filed FINRA Arbitration that alleged excessive and unsuitable trading, negligence, fraud, breach of fiduciary duty and failure to supervise during the time period of 2008 to 2017.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

MSAM's management personnel and investment advisory representatives are typically registered or affiliated with Moloney Securities, an affiliated FINRA broker/dealer.

Clients have the option to purchase investment products recommended through other broker/dealers or agents not affiliated with MSAM. In the event the client elects to utilize the brokerage services of Moloney Securities the client may pay commissions that are higher or lower than those available from another broker/dealer for the same products or services.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Adviser**

Neither MSAM nor its representatives are registered as an FCM, CPO or a CTA.

### **C. Registration Relationships Material to This Advisory Business and Conflicts of Interest**

Please refer to section A under this item.

### **D. Selection of Other Advisors of Managers and How This Adviser is Compensated for Those Selections**

MSAM may utilize un-affiliated third-party money managers to assist in the management of client's assets. The compensation paid to these entities, as well as the fees and charges to the client will be outlined in the account documentation specific to the client.

MSAM has entered into agreements with various unaffiliated investment advisor representatives or unaffiliated registered investment advisers, whereby these individuals or entities may refer potential investment advisory clients to MSAM. If the clients become clients of MSAM, these individuals or entities will receive a portion of the fee collected by MSAM. These referred clients will not pay higher fees due to the referral arrangement and will receive a disclosure statement outlining the terms and conditions of the arrangement(s).

**ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT  
TRANSACTIONS AND PERSONAL TRADING**

**A. Code of Ethics**

MSAM maintains and administers a Code of Ethics that details a standard of behavior and performance designed to put the clients' personal and financial interests above its own. We investigate the educational and professional backgrounds of prospective advisors. Our advisors and other associated access persons are monitored to mitigate conflicts of interest. Our clients come first.

You may obtain a copy of the Code of Ethics by request to your Financial Advisor or on our website at [www.msam.net/Disclosures.7.htm](http://www.msam.net/Disclosures.7.htm).

**B. Recommendations Involving Material Financial Interests**

MSAM will not recommend transactions or investments for client accounts in which the Financial Advisor, MSAM or a related person has a material financial interest.

**C. Investing in the Same Securities as Clients**

MSAM and its Financial Advisors may buy or sell securities for their own account that MSAM also recommends to the client. However, client orders are always given priority. Financial Advisors may not trade their own securities ahead of client trades.

**D. Trading the Same Securities as Clients' Securities**

MSAM and its Financial Advisors may buy or sell securities for their own account that MSAM also recommends to the client. However, whenever practical, client orders and orders of Financial Advisors will be combined into a "block" trade whereby all participants in the trade receive the same average price on the trade. Client orders are always given priority. Financial Advisors may not trade their own securities ahead of client trades.

## ITEM 12: BROKERAGE PRACTICES

### A. Brokerage Services

MSAM typically uses the brokerage services of Moloney Securities and/or another broker/dealer. This means that MSAM may not be able to select such broker/dealer based on best execution or to commingle or to “batch” orders for purposes of execution with orders for the same securities for other accounts managed by MSAM (other than for other accounts also cleared through Custodian). By MSAM using Moloney Securities and/or another broker/dealer to execute transactions for the account, certain transactions may result in less favorable net prices on the purchase and sale of securities than might occur if MSAM selected broker/dealers based on best execution. In using the brokerage services of Moloney Securities, clients may pay transaction fees that are higher or lower than those available from another broker/dealer for the same products or services and may pay higher or lower transaction fees than those paid by other MSAM clients.

In certain instances, MSAM, in transactions involving the client’s securities, may act as principal while also representing the client on the other side of the transaction. When MSAM acts as principal in a principal transaction, MSAM may benefit from such transaction by receiving compensation arising out of such transaction in addition to the advisory fee. MSAM will not seek to act as principal without (1) obtaining, in each instance, prior authorization and consent of the client, and (2) providing the client with written confirmation and disclosure of such capacity, prior to settlement of the trade.

In certain instances, cross transactions may occur between the accounts of two Clients. The Financial Advisor may not cause one Client account to sell a security to another Client account in a cross transaction if any associate of MSAM received compensation from any source for acting as a broker. No brokerage commission, fee (except for customary transfer fees), or other remuneration shall be paid in connection with any cross transaction. The only fee the client will pay in this situation is the flat transaction fee described above.

Advisers owe a fiduciary duty to the client to seek to execute securities transactions for clients in such a manner that total costs in each transaction are most favorable under the circumstances. Transaction costs, within acceptable transaction cost limits, can vary from client to client and over time. Other factors, in addition to price and commission costs may be considered by MSAM when determining how to direct brokerage.

Clients are not liable for firm trading errors.

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

Certain product providers provide support to MSAM in the form of payments to MSAM and frequent interactions with our Financial Advisors to support MSAM's training, marketing, due diligence, annual compliance meetings and educational support efforts. This practice may present a potential conflict of interest in the form of an incentive to recommend certain investments or advisory services to clients. In certain instances, MSAM may receive support in the form of its research efforts from certain entities and in if so, in exchange for such support, MSAM may do step-out trades with such entities.

### **2. Brokerage for Client Referrals**

MSAM does not presently accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

### **3. Directed Brokerage**

Please refer to Item A under this section.

## **B. Aggregation of Securities for Multiple Client Accounts**

In general, MSAM will attempt to aggregate multiple orders for the purchase or sale of the same security into block transactions, subject to the overall obligation to achieve best price and execution for client accounts. There is no obligation to include any client account in a grouped order unless MSAM believes it is in the client account's best interest. In making this determination, MSAM may consider a number of factors, including, but not limited to: (a) the client account's investment objectives and policies; (b) investment guidelines; (c) liquidity requirements; (d) legal or regulatory restrictions; (e) tax considerations; and (f) the nature and size of the bunched order.

Where a grouped trade is completely filled, each participating client account will receive the average share/security price for the grouped order on the same day and transaction costs shall be shared among participating client accounts pro rata based on the level of participation in the grouped trade.

## ITEM 13: REVIEW OF ACCOUNTS

### **A. Periodic Reviews**

Account reviews are performed as often as necessary, always keeping in mind the best interests of the client. Accounts are monitored and reviewed no less than quarterly, and as a practical matter more frequently based on applicable market conditions.

### **B. Factors that Will Trigger Non-Periodic Reviews**

New accounts are reviewed within the first quarter of the contracted investment strategy being implemented. Other conditions that may trigger a review are a client's request or applicable changes in market conditions.

### **C. Reports Provided to Clients**

The Custodian where the client assets are held provides account statements directly to clients at their address of record, at least quarterly. In addition, MSAM, or the Individual Investment Adviser may provide separate, supplemental portfolio reports to the client.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Third Party Compensation**

MSAM does not presently accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them by MSAM other than as described elsewhere in this disclosure document.

### **B. Referrals**

MSAM has been fortunate to receive many client referrals over the years. Referrals may come from current clients and Investment Advisors, as well as their friends and other similar sources. Other professionals may refer prospective clients to MSAM. In some of those instances, if the individual becomes a client, the Investment Advisor and referring professional may negotiate an amount of compensation for making the referral. For additional information, please refer to Section 10 D. above.

## ITEM 15: CUSTODY

Other than those accounts that are outlined in MSAM's Form ADV, all assets are held at qualified custodians and not at MSAM. When your financial advisor manages your investment account, in most instances RBC Correspondent Services will maintain custody of the investment assets in your investment advisory account. The Custodian where the client assets are held provides account statements directly to clients at their address of record, at least quarterly. However, as disclosed in MSAM's Form ADV, MSAM may be deemed to have "custody" of an account in which an advisor is acting as a trustee for an account.

## **ITEM 16: INVESTMENT DISCRETION**

MSAM manages client accounts on a discretionary and non-discretionary basis. In non- discretionary relationships, MSAM will consult with the client prior to each trade to obtain approval. The capacity in which MSAM acts will be outlined in the advisory agreement executed by the client.

## ITEM 17: VOTING CLIENT SECURITIES

If the client makes such selection in the specific advisory agreements(s) executed by the client, client will select to authorize MSAM and/or an external money manager if one is engaged, to receive the proxy-related materials, annual reports and other issuer-related materials for securities in that portion of the Account and to delegate to MSAM the proxy voting rights for those securities (and, thereby, authorize MSAM to further delegate those proxy voting rights to, or otherwise use services provided by, a third party proxy voting or advisory service). In instances where a client has authorized MSAM and delegated MSAM proxy voting rights, unless instructed otherwise by a client, MSAM will vote in accordance with the recommendations provided by their third-party proxy research consultant Glass Lewis. In instances where Glass Lewis does not provide a recommendation, MSAM will abstain from voting in those instances. A copy of MSAM's voting record is available to clients upon request.

## ITEM 18: FINANCIAL INFORMATION

### **A. Balance Sheet**

MSAM does not require nor solicit prepayment of investment advisory fees which would result in custody issues. Therefore, the Adviser is not required to include a balance sheet with this brochure.

### **B. Financial Conditions**

Neither the Firm nor its management have any financial impairment or conditions that will preclude the firm from meeting contractual commitments to clients.

### **C. Bankruptcy Petitions**

MSAM has not been the subject of a bankruptcy petition in the last ten years.