

# **FIRST HORIZON ADVISORS, INC.**

**PART 2A APPENDIX 1 FORM ADV**

**MANAGED ACCOUNT SOLUTIONS**

**WRAP FEE PROGRAM BROCHURE**

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**March 2020**

**[www.firsthorizon.com](http://www.firsthorizon.com)**



**This Wrap Fee Program Brochure provides information about qualifications and business practices of First Horizon Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 901-818-6065. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. First Horizon Advisors, Inc. is registered with the SEC as a registered investment adviser.**

**Additional information about First Horizon Advisors, Inc. is also available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

References to First Horizon Advisors, Inc. as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.

**(Item 2) MATERIAL CHANGES**

At least annually, we will provide you a summary of the material changes made to our Wrap Fee Brochure or a complete copy of the updated Wrap Fee Brochure. At any time you can request a complete copy of the brochure by contacting us at 901-818-6065.

This section describes material changes made to the Wrap Fee Brochure since the last annual update of this brochure in March 2019.

In October 2019, FTB Advisors, Inc. changes its name to First Horizon Advisors, Inc.

**(Item 4)** Services, Fees and Compensation – Description of Services - Advisor Model Managed Accounts has been updated to provide that this option is also available as a Non-discretionary account which requires a client’s approval prior to investing and re-investing the Account Assets.

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#### **(Item 4) SERVICES, FEES & COMPENSATION**

Description of Services – General. The Managed Accounts Solutions Program (“MAS Program” or the “Program”) offers the following investment management account options:

- Separately Managed Accounts (“SMA”)
- Advisor Directed Unified Managed Accounts (“ADUMA”)
- First Horizon Advisor Model Accounts
- Advisor Model Managed Accounts (“AMMA”), (Discretionary and Non-Discretionary) and
- WealthBuilder Model Accounts (“WealthBuilder Accounts”).

First Horizon Advisors, Inc. (the “Advisor”, “we”, “our” or “us”) is the sponsor of the Program. The Advisor and Envestnet Asset Management, Inc. (“Envestnet”) provide certain investment advisory services and administrative services for assets held in the Accounts. Envestnet is not affiliated with the Advisor. For the SMAs and ADUMAs, the Advisor and Envestnet provide discretionary advisory services. For First Horizon Advisors Model Accounts and AMMAs - Discretionary, the Advisor provides discretionary advisory services and Envestnet provides administrative services, only. For AMMAs – Non-Discretionary, the Advisor provides non-discretionary advisory services and Envestnet provides administrative services only. For WealthBuilder Accounts, investment managers provide their model portfolios to Envestnet under a separate licensing agreement. Envestnet will execute trades for the Account in accordance with the applicable Model Portfolio and changes to the Model Portfolio by the Model Provider, from time to time.

Description of Services – Separately Managed Accounts. Prior to opening an SMA, your Financial Advisor (“FA”) will assist you in completing an investment profile to provide us information concerning your investment objectives, financial goals, and risk tolerance. Based on this information, your FA will provide you a Statement of Investment Selection (“SIS”). The SIS includes a recommended asset allocation and investment recommendations for each asset category. The SIS may refer to “SMA” as the Envestnet “Separate Accounts Program”.

The SIS is prepared by your FA using the Envestnet platform software applications. Among the factors considered in designing the strategy are historical rates of risk and return for various asset classes, correlation across asset classes, and risk premium. Envestnet will recommend independent asset managers (“Sub-Managers”) who will create a separate portfolio of individual managed securities to correspond to proposed asset classes and styles for the Account. For certain asset classes or styles, we may recommend the use of mutual funds or exchange traded funds (“ETFs”) in lieu of Sub-Managers.

Subject to the limitations described in your SIS and other reasonable restrictions you may place on the SMA investments, Envestnet has discretion to hire the selected Sub-Managers for the Account. The Sub-Managers have full authority to supervise and direct investment of assets in the SMAs without your prior approval. This investment authority includes purchases and sales of individual securities, options and alternative investments. You may modify the information in your investment profile by contacting your FA at any time. Changes in your investment profile may result in changes to your SIS. For certain Sub-Managers, Envestnet has entered into a

licensing agreement with the Sub-Manager. In these cases, Envestnet provides administrative and/or trading services in accordance with the instructions of the Sub-Manager.

Envestnet has the authority at any time without your prior approval to hire Sub-Managers to manage the SMA and to terminate Sub-Managers and replace Sub-Managers to manage the SMA assets. We also have the authority to terminate a Sub-Manager and replace that Sub-Manager with another Sub-Manager available under the Program. We have the authority to buy, sell and exchange mutual fund shares and ETFs in the SMA without your prior approval subject to the limitations and objectives in your SIS.

Description of Services – Advisor Directed Unified Managed Accounts. Prior to opening an ADUMA, your Financial Advisor (“FA”) will assist you in completing an investment profile. The investment profile provides information about your investment objectives, financial goals and risk tolerance. Based on this information, your FA provides you a Statement of Investment Selection (“SIS”). The SIS recommends an asset allocation and investments for each asset category. The SIS is prepared by your FA by using the Envestnet platform software application. The factors considered in designing the strategy include the historical rates of risk and return for various asset classes, correlation across asset classes, and certain risk premium measures.

Subject to the limitations described in your SIS, your FA will select individual asset managers and/or individual investments for each asset category. For assets assigned to certain asset managers, Envestnet uses the asset manager’s model portfolio and investment recommendations to manage that portion of the Account assets. Your FA may also select mutual funds, ETFs, and alternative investments. Envestnet provides overlay management services for the ADUMA. You directly own the individual securities in the ADUMA. We have the authority to buy, sell and exchange mutual fund shares and ETFs in the ADUMA without your prior approval subject to the limitations and objectives in your SIS. The minimum account size for an ADUMA is \$150,000. The Advisor may, in its sole discretion, waive the account minimum and accept the account with a lower value.

Description of Services – First Horizon Advisors Model Accounts. Prior to opening a First Horizon Advisors Model Account, your Financial Advisor (“FA”) will assist you in completing an investment profile. The investment profile provides information concerning your investment objectives, financial goals and risk tolerance. Based on this information, your FA will provide a Statement of Investment Selection (“SIS”). The SIS is prepared by your FA using the Envestnet platform software application. Among the factors considered in determining an appropriate strategy are capital market assumptions concerning the rates of risk and return for various asset classes, correlation across asset classes, and risk premium measures. The SIS will recommend using one or more model portfolios (the “First Horizon Advisors Model Portfolios”). Each First Horizon Advisors Model Portfolio has a designated risk based investment strategy. Except as described herein with respect to the First Horizon Advisors Large Cap Core Portfolio and the First Horizon Advisors Dividend Portfolio, the SIS will refer to the “First Horizon Advisors Model Account” option as a “Fund Strategist Portfolio Account” managed by First Horizon Advisors, Inc.

Investments for a First Horizon Advisors Model Portfolio may include no load or load waived mutual funds, ETFs, and alternative investments. The Advisor’s Investment Committee (the “IC”) will review all First Horizon Advisors Model Portfolios at least semi-annually, including a review of performance vs. an appropriate benchmark. In constructing First Horizon

Advisors Model Portfolios, the Advisor evaluates mutual fund and ETF holdings utilizing third-party screening tools. The factors considered in evaluating mutual funds and ETFs include investment performance vs. peers, stated benchmarks, a series of risk and reward measures, style consistency, fees and/or tracking error.

Two First Horizon Advisors Model Portfolios are available which utilize individual stocks. These portfolios are the First Horizon Advisors Large Cap Core Portfolio and the First Horizon Advisors Dividend Portfolio. Each of these Portfolios is referred to as a “Separate Account” managed by First Horizon Advisors, Inc. in the SIS. For the First Horizon Advisors Large Cap Portfolio, the minimum Account size is \$175,000. For the First Horizon Advisors Dividend Income Portfolio, the minimum Account size is \$100,000. The minimum Account size for First Horizon Advisor Model Accounts using ETFs is \$20,000. For all other First Horizon Advisors Model Portfolios, the minimum Account size is \$100,000.

From time to time the Advisor may reduce or waive the minimum needed to open an Account utilizing First Horizon Advisors Model Portfolios. The Advisor may place conditions on a waiver or reduction of the initial market value of the Account assets.

Under the First Horizon Advisors Model Accounts option, the Advisor also makes available First Horizon Factor Models. The SIS refers to this First Horizon Advisors Model Account as a “Fund Strategist Portfolio Account” utilizing a “First Horizon Advisors Factor Model”.

See (Item 6) Portfolio Manager Selection and Evaluation, and (Item 9) Additional Information – Other Financial Industry Affiliations below.

Description of Services – Advisor Model Managed Accounts. Prior to opening an AMMA, a Financial Advisor (“FA”) will assist you in completing an investment profile. The investment profile provides information concerning your investment objectives, financial goals and risk tolerance. Based on this information, your FA will provide you a Statement of Investment Selection (“SIS”). The SIS includes a recommended asset allocation and recommended investments as determined by your risk tolerance profile. The SIS is prepared by your FA using the Envestnet platform software. Among the factors considered in designing an appropriate strategy are capital market assumptions concerning the rates of return and risk for various asset classes and correlation across asset classes. Assets held outside of the Program Account may also be considered when developing the strategy for an AMMA.

The SIS usually identifies this Program option as an “Advisor Model.” In some cases, your FA may use another name to identify the AMMA. In that case, the FA will disclose to you the name selected for this Program option.

When opening an AMMA, you may grant the FA the authority to invest, reinvest, and otherwise deal with assets in the AMMA without obtaining your prior approval. In this case, your Account will be designated AMMA – Discretionary. In the event you desire that your FA invest, reinvest, and otherwise deal with assets in your Account only upon your prior approval of such actions, your Account will be designated AMMA – Non-Discretionary. All references to “AMMAs” in this Brochure shall mean collectively, AMMAs – Discretionary and AMMAs – Non-Discretionary.

Investment options the FA may recommend include mutual funds, ETFs, and individual equities. Individual bonds, preferred stocks, real estate investment trusts and structured notes, and alternative investments may also be used. The IC is responsible for approving the AMMA - Discretionary investment programs. The AMMA – Discretionary program option is available from a limited number of FAs who have met minimum requirements set by the IC.

AMMAs are different from First Horizon Advisors Model Accounts in that your FA will select the investments for your AMMA, but a member of the IC will select the investments for First Horizon Advisors Model Accounts. All investments purchased for an AMMA or for a First Horizon Advisors Model Account must be on the working list of investments maintained by the IC. First Horizon Advisor Model Accounts and AMMAs are constructed using the same risk-based models. However, the fees and performance of an AMMA may be different from the fees and performance of a First Horizon Advisors Model Account using the same investment strategy.

Description of Services – WealthBuilder Accounts. Prior to opening a WealthBuilder Account, your Financial Advisor (“FA”) will assist you in completing an investment profile to provide us information concerning your investment objectives, financial goals, and risk tolerance. Based upon this information, your FA will provide you a Statement of Investment Selection (“SIS”). The SIS is prepared by your FA using the Envestnet platform software application. The SIS will recommend using one or more model portfolios constructed by third-party money managers (“Third-Party Model Providers”). Envestnet provides overlay management services for the WealthBuilder Accounts by implementing trade orders and updating and rebalancing the investments in the WealthBuilder Accounts in accordance with changes made to the model portfolios by the Third-Party Model Providers. Depending upon the model portfolio selected, the WealthBuilder Account may utilize ETFs or no load or load waived mutual funds. The SIS may refer to these accounts as “WealthBuilder Accounts” as “Low Minimum Fund Strategist Solutions Program”. The minimum market value of assets required to open a WealthBuilder Account is \$50,000. See (Item 5) Account Requirements and Types of Clients below. The Advisor may, at its sole discretion, accept an account with a lower value depending on the circumstances.

Maximum Fee Schedules – SMAs; WealthBuilder Accounts; First Horizon Advisors Model Accounts; AMMAs; and, ADUMAs. The Program Fee listed below is the maximum Program Fee which may be charged for the Account options. The Program Fee is negotiable, and the fee charged to your Account will be described in the SIS. The Program Fee is a combined fee for investment advice, brokerage, clearance, settlement, and custody services. You will also be charged for or may incur fees and expenses not covered by the Program Fee. See “Charges Excluded From Program Fee” below.

<b>SMAs</b>	<b>Annual Rate</b>
First \$500,000	2.00%
Next \$500,000	1.90%
Next \$1,000,000	1.75%
Next \$3,000,000	1.50%
Over \$5,000,000	1.25%



<b>Wealth Builder Accounts</b>	<b>Annual Rate</b>
First \$100,000	2.00%
Next \$400,000	1.90%
Next \$500,000	1.75%
Over \$1,000,000	1.50%

<b>First Horizon Advisors Model Accounts &amp; AMMAs -</b>	<b>Annual Rate</b>
First \$500,000	2.00%
Next \$500,000	1.75%
Over \$1,000,000	1.50%

<b>ADUMAs</b>	<b>Annual Rate</b>
First \$500,000	2.00%
Next \$500,000	1.90%
Next \$1,000,000	1.75%
Next \$3,000,000	1.50%
Over \$5,000,000	1.25%

Program Fee Calculation and Payment. The Program Fee is calculated by applying the applicable annual fee schedule in the SIS to the asset value of the Account assets invested in a Program option. Any assets held in an Account and not invested in a Program option shall be excluded from the calculation of the Program Fee and from the minimum market value required to open an Account. The value of the Account assets is determined quarterly on an Account by Account basis and not in the aggregate. The initial Program Fee will equal (on an annualized basis) to the percentage (as set forth in the fee schedule in the SIS) of the fair market value of the Account in the applicable category. The Advisor or Envestnet will instruct the Account custodian, National Financial Services, LLS (“NFS”), to deduct the Program Fees from the Account(s). The Program Fee is debited from an Account(s) on a quarterly basis in advance. You are responsible for verifying the accuracy of the Program Fee calculation.

Envestnet receives a portion of the Program Fee for the investment management and/or administrative services it provides to the Accounts. Fees due Sub-Managers and any third-party service providers retained by Envestnet in connection with the Program are paid by Envestnet. The amount of the Program Fees that we receive for providing investment advisory and/or management services to an Account varies depending upon the type of Account, the number of Sub-Managers used in an SMA, the number of model portfolios utilized by an ADUMA, and in some cases the trading activity in the Account.

The initial Program Fee is calculated and debited on the 10<sup>th</sup> day of the month (or the next business day if the 10<sup>th</sup> is a non-business day) after initial assets are placed in the Account. The initial Program Fee is the Program Fee for the first calendar quarter (or part thereof) in which you open an Account. The initial Program Fee for any partial calendar quarter is pro-rated based on the number of calendar days in the partial quarter. Thereafter, the Program Fee is calculated at the beginning of each calendar quarter based on the value of Account assets on the last business day

of the prior calendar quarter. However, if an Account is opened in the last month of a calendar quarter, the Program Fee is calculated and debited for the remaining period in the calendar quarter plus the next calendar quarter on the 10<sup>th</sup> day (or the next business day if the 10<sup>th</sup> is a non-business day) after initial assets are placed in the Account. For example, if an Account was opened on 9/18/19, Program Fees would be debited on 10/10/19 for the periods (9/18/19 to 9/30/19) and (10/01/19 to 12/31/19).

If you invest \$10,000 or more in any Account after the inception of a calendar quarter, the Program Fee for that quarter is recalculated and pro-rated as of the day of the additional investment. The Program Fee for each quarter equals (on an annualized basis) the percentage set forth in the fee schedule in the SIS of the fair market value of the Account assets in the applicable category (including interest paid or accrued) as calculated on the last business day of the previous calendar quarter subject to the minimum annual Program Fee for the Account. Investnet determines the fair market value of the Account assets for purposes of calculating the Program Fee. If the Account is terminated and all assets are withdrawn from the Account prior to the end of a quarter, you are reimbursed a pro rata portion of the Program Fee.

Charges Excluded From the Program Fee. The Program Fee does not cover certain charges associated with securities transactions in the Accounts, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any collective investment vehicles (“Collective Investment Vehicles”), such as mutual funds and closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses). Further information regarding charges and fees assessed on Collective Investment Vehicles may be found in the appropriate prospectus or offering document or other regulatory filings; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law, and (vi) any brokerage commissions or other charges, including contingent deferred sales charges (“CDSC”), imposed upon the liquidation of “in-kind assets” that are transferred into the Account. With respect to CDSCs, Investnet or the Advisor may liquidate assets transferred into an Account in its sole discretion. You should be aware that if you transfer in-kind assets into an Account, Investnet or the Advisor may liquidate such assets immediately or at a future point in time and you may incur a brokerage commission or other charge, including a CDSC. You also may be subject to taxes when these assets are liquidated. You should consult with your tax advisor before transferring in-kind assets into an Account.

The Program Fee does not include certain fees that may be charged by the custodian. A custodian may charge a minimum account fee. You also may be charged for specific account services you select to use, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services. Similarly, the Program Fee does not cover certain non-brokerage-related fees such as individual retirement account (“IRA”) trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs).

Some mutual funds assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, you may incur a redemption fee when a fund is

sold for rebalancing purposes or if the portfolio manager determines that it is in your overall interest to divest from certain fund holdings prior to the expiration of the minimum holding period. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

You may also incur transaction charges or commissions for transactions not executed through First Horizon Advisors, Inc. See (Item 9) Additional Information - Trade Execution below.

Conflicts of Interest and Fee Disclosures. The Program Fees and the other fees and charges you may incur may be more or less than the charges and fees you would pay if you separately purchased the advisory services, the brokerage services and the custody services. The cost of an MAS Program Account compared to the cost of an alternate investment program varies based upon a number of factors including account size, trading activity, types of securities included, and the variety of services provided.

Your FA receives compensation from the Advisor when you establish an Account and while your Account is open. Your FA's compensation is based upon the type of Account selected and the Program Fee charged. Therefore, your FA may take into consideration this compensation arrangement when a Program Fee is negotiated and a program option recommended. An FA may separately negotiate Program Fees for each MAS Program Account he/she opens. Therefore, negotiated Program Fees for the same Account option will vary by client and by FA. Your FA is also a registered representative of First Horizon Advisors, Inc. and an insurance agent of First Horizon Advisors, Inc. and/or its affiliated agencies (collectively, "First Horizon Advisors"). Therefore, your FA may have an incentive to recommend the MAS Program over other alternatives such as obtaining brokerage services or insurance products (which typically involves transaction based compensation) or obtaining portfolio management services from other advisors.

Advisor pays NFS all charges and expenses associated with the trades for the Program Accounts. For the WealthBuilder accounts, First Horizon Advisor Model Portfolios and AMMAs these expenses increase based on the number of trades. Under our clearing agreement with NFS, transaction charges may be waived for certain mutual funds (NTF). As a result of this arrangement, the Advisor has a financial incentive in using NTF funds and/or limiting the trading activity for these Accounts. This conflict of interest is addressed by disclosure and by review of the Program Accounts as described in (Item 9) - Additional Information –Review of Accounts below. The Investment Committee does not consider whether a fund is a NTF fund as a criteria for inclusion on the working list.

See (Item 9) Additional Information – Compensation below.

## **(Item 5) ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

Account Requirements. The minimum market value of assets required to open an Account is as follows:

<b>Program Option</b>	<b>Minimum Opening Account Value*</b>
ADUMA	\$150,000
First Horizon Advisors Model Portfolios – Large Cap	\$175,000
First Horizon Advisors Model Portfolios – ETFs	\$20,000
WealthBuilder Accounts	\$50,000
All Other Accounts	\$100,000

\* The minimum opening account value for certain First Horizon Advisors Model Portfolios is subject to waiver or reduction from time to time under certain conditions determined by Advisor.

The Sub-Managers utilized in the SMA program option may impose a minimum market value of assets to obtain their Sub-Manager services. Such minimums may be greater than \$100,000.

Types of Clients. The Accounts are available to individuals, high net worth individuals, trusts, estates, charitable organizations and corporations or other business entities.

## **(Item 6) PORTFOLIO MANAGER SELECTIONS AND EVALUATION**

### Sub-Manager Selection and Evaluation

FAs select Sub-Managers from an approved list of Sub-Managers maintained by Envestnet. FAs may also select Sub-Managers from a list of Sub-Managers which are reviewed by Envestnet and approved by the Advisor.

Envestnet's ADV Part 2 describes the process Envestnet uses to review and approve Sub-Managers. At least annually, the Advisor reviews Envestnet's Sub-Manager selection process. This review includes a discussion with Envestnet to determine whether changes have been made in its process, and to address any changes in Envestnet's management or operation.

The Advisor does not review performance information of Sub-Managers to verify its accuracy or compliance with presentation standards. Performance information may not be calculated on a uniform and consistent basis by the Sub-Managers.

At least annually, the Advisor reviews Sub-Managers which have been reviewed by

Investnet and which are available for SMAs. At least annually, the Advisor reviews Third-Party Model Providers utilized by the Program.

Generally, we will not change Sub-Managers unless the Sub-Manager is no longer approved by Investnet or by us, or if there is a change in a client's SIS. The timing of any such change may take into consideration specific Account concerns including tax sensitive issues. The Advisor is the portfolio manager for the First Horizon Advisor Model Accounts. FAs that provide AMMAs are responsible for investment selection for those Accounts. The FA may have an incentive to recommend a First Horizon Advisor Model Account or an AMMA over other Program options. The Advisor manages this potential conflict by conducting initial and periodic reviews of the Account to determine that the Account option recommended to a client is suitable for the client's investment needs and compatible with client's risk tolerance and investment objectives. See (Item 9) "Additional Information – Review of Accounts" below.

### Advisory Business

First Horizon Advisors, Inc. (formerly known as FTB Advisors, Inc.) is the successor-in-interest to First Tennessee Advisory Services, Inc. ("FTAS"). FTAS was organized in 2007 as a wholly owned subsidiary of First Tennessee Bank National Association, now known as First Horizon Bank ("First Horizon"). First Horizon is a wholly owned subsidiary of First Horizon National Corporation ("FHNC"), a financial services holding company. FHNC is a publically held company. On June 3, 2013, FTAS merged with and into its affiliated broker-dealer, First Tennessee Brokerage, Inc., and the combined entity was renamed FTB Advisors, Inc. In October 2019, FTB Advisors, Inc. changed its name to First Horizon Advisors, Inc.

Investment management services provided by the Advisor include the following:

- Managed Account Solutions Program ("MAS Program")
- Corporate Retirement Plan Services ("CRP Services")
- Other Investment Advisory Services
- During 2020, the Advisor will begin offering financial planning services.
- First Horizon Digital Advisors is an investment program available only through an interactive online program platform.

CRP Services are provided to pension and savings plans including ERISA plans, government plans, and church plans. These services may include:

- search and recommendations of investment managers for management of plan assets
- recommendations of investment options to be used for the plan
- assistance in selection of plan service providers
- ongoing review and reporting concerning selected investment managers, and investment options
- employee education and plan enrollment services
- benchmarking service to help determine plan costs vs. that of peer plans
- assist in preparation of investment policy statement
- search and recommendation of Qualified Default Investment Alternative ("QDIA")

The Advisor may also provide discretionary investment management services to a plan.

Other Investment Advisory Services are provided on a discretionary or non-discretionary basis. Unless otherwise specified in the client agreement, these services involve providing ongoing investment advice. Services available include a review of the current investment portfolio and a consultation to understand the current financial situation, investment objectives and recommendations for the client to consider. The client agreement identifies the specific services to be provided to a client. The Advisor develops an investment policy for the client or reviews an existing investment policy in order to recommend an appropriate asset allocation. Additional services include the selection of securities or managers, monitoring portfolio risk adjusted performance, progress towards or changes in objectives as well as providing performance reporting and economic updates. Where the Advisor recommends investment managers for an account, the arrangement will be provided through a sub-manager relationship with the Advisor. Under a sub-manager arrangement, the Advisor has authority to terminate a sub-manager and to replace the current sub-managers with another sub-manager.

All clients undergo a profiling process to uncover specific information related to client risk tolerance, time horizon, need for income and effective tax rates. This information is used to suggest an appropriate risk-based model portfolio recommendation from a set of risk-based portfolios. During the profiling process, clients may also impose restrictions on investing in certain types of securities or certain industries.

AMMAs may also outline the specific needs of the client through use of an Investment Policy Statement (“IPS”) which contains information regarding the client’s investment objective, risk tolerance and any constraints imposed by the client.

For First Horizon Advisors Model Portfolio Accounts, the Advisor will typically purchase and sell the same type of securities for all accounts using the same investment strategy, subject to restrictions.

The Advisor provides continuous and regular supervisory or management services on both a discretionary and non-discretionary basis. Total assets managed on a discretionary basis as of December 31, 2019 were \$5,054,530,465. Total assets managed on a non-discretionary basis were \$2,155,038,976 as of December 31, 2019.

#### Performance Based Fees

The Advisor does not charge any performance based fees which are based on a share of capital gains or capital appreciation of the assets of a client.

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

Methods of Analysis – Investment Strategies. *Investment Philosophy.* Our investment philosophy is built around providing independent and objective needs based advice. We strive to diversify investments across asset classes, geographic regions, management styles and ownership structures. We use a top down approach designed around our client’s goals, objectives and risk tolerance. This approach considers relevant constraints as determined by the Investment Policy Statement or other account governing documents. These may include liquidity needs and timing of expected cash flow events as well as any constraints or legal considerations.

*Investment Strategies.* The Advisor's Investment Committee ("IC") sets the broad investment policy based on the firm's investment philosophy. Considerations include asset sub-class selection, creation and maintenance of a working list of investments, purchase and sale guidelines, and rebalancing guidelines. The Advisor has identified five factors that it believes to be a framework for market evolving trends. Those factors are the macroeconomic background, the trend of the market, liquidity conditions, market psychology, and fundamental valuations.

Annually, the IC reviews capital market assumptions from industry sources. Based on this review, our strategic asset sub-class allocations and holdings may be modified. The Advisor does not advocate market timing.

*Investment Selection.* To achieve proper diversification, the Advisor considers various investment categories including separate account managers, no-load mutual funds, individual large capitalization stocks, individual investment grade bonds, ETFs, as well as hybrid mutual funds, factor based funds, real assets, hedge products and other alternative investment products.

The Advisor utilizes current economic, market and behavioral data as well as both internal and external sources for macro and micro-economic input, sector, industry, and individual security analysis. We also utilize third party software program(s) and research tools. We consider mutual funds, ETFs, separate account managers and their performance, style, and risk adjusted return measures. This data is used in the analysis of portfolios and their holdings.

*Initial Selection of Mutual Funds.* The Advisor's analysis includes both quantitative and qualitative criteria. We seek experienced managers with a competitive performance record, stable operations, and reasonable expenses. A second layer of evaluation includes performance against relevant benchmarks and peer groups including annualized, calendar year, and rolling returns. A style analysis is performed looking for a history of consistency in the fund's investment philosophy and style purity. Risk adjusted return measures based on Modern Portfolio Theory are also reviewed for comparison to peers. Qualitative analysis may include firm history, financial stability, service standards, regulatory infractions, and manager turnover.

*Ongoing Oversight.* As part of the regular due diligence, the Advisor will review many of the factors listed above to identify unfavorable trends over time. If an unfavorable trend has been identified, the IC will initiate an analysis to determine what actions, if any, need to be taken. The IC will consider opportunity costs and tax implications before initiating such changes.

*Fixed Income.* The Advisor constructs customized portfolios with individual bonds utilizing guidelines adopted by the IC. The fixed income process is focused on issue selection. Working from the client Investment Policy Statement, the Advisor will select securities that meet the established quality, duration, and maturity criteria. The firm may also use ETFs, mutual funds, or individual preferred securities and other diversifying securities meeting quality and liquidity requirements. The structure of the portfolio will be adjusted from time to time based on the evaluation of current and expected interest rates, economic conditions, monetary policy, fiscal policy, and inflation.

The Advisor will monitor the credit quality of account holdings utilizing third party research and Envestnet system monitoring tools. If a security drops below an investment grade rating, the firm will assess the long term implications and take appropriate action as necessary.

Equities. Equities are screened for initial selection and monitored for continued inclusion in portfolios using quantitative analysis tools provided by third-party research firms. These tools employ multifactor analysis, including variables such as profitability, valuation, operating efficiencies, relative risk, manipulation of reported earnings, relative analyst sentiment, and corporate governance.

ETFs. An ETF is a fund that trades on an exchange, similar to stocks, and often seeks to track an index (e.g., S&P), commodity (e.g., oil, natural gas, gold, etc.), or a basket of assets like an index fund. As a result, ETFs often do not have the objective to outperform what they are tracking. However, some ETFs are actively managed and do not seek to track a certain index or basket of assets. ETFs may also have unique risks depending on their structure and underlying investments. ETFs may trade at a premium (above) or discount (below) to their net asset value (“NAV”), and may also be affected by the market fluctuations of their underlying investments.

Risk of Loss. Investing in securities involves risk of loss of principal that a client should be prepared to bear.

Cybersecurity Risk. Companies, markets, investment companies, including ETFs and mutual fund companies, and service providers, like us, Geode, and NFS, use a significant amount of technologies in our/their day to day functions. As a result, these entities and those individuals who use these services, or have investments in these companies, are subject to a number of cybersecurity risks. Cybersecurity risks include, but are not limited to, compromised company, employee or client data, disruption of services, corruption or loss of data, inability to perform services (e.g. trading, valuation, issuance of reports, communications), and financial losses.

Legislative and Regulatory Risk. Investments in your Account may be adversely affected by new laws or changes to existing laws or regulations. Changes to laws or regulations can impact the securities markets as a whole, specific industries, and individual issuers of securities.

Other risks may include:

- Underperforming a benchmark
- Reinvestment risk
- Inflation risk
- Not meeting financial objectives such as, retirement income and college financing
- Liquidity risk
- Political risk
- Environmental risk
- Corporate governance risk
- Global or regional disasters such as hurricanes, pandemics or other events that interrupt normal business or governmental operations

Investing in individual equities introduces idiosyncratic, or specific company risks to an investor’s portfolio. The portfolios are reviewed on an ongoing basis to determine if quantitative and/or qualitative changes warrant selling a stock from the portfolio holdings.

*Equity investments* will experience volatility and market fluctuations. While diversification may mitigate these risks, extreme fluctuations can result in a loss of principal. In a



volatile market, if a sale of securities is necessitated by an unforeseen event, a loss of principal can result.

*Fixed Income* investments include a wide range of securities with an equally wide range of risk levels. Risk in fixed income securities comes from several sources including default risk, interest rate risk, inflation risk, currency risk and liquidity risk.

*Default Risk* is the risk that the issuer of the bond does not make good on its obligation to pay periodic interest payments or principal at maturity. Obligations of investment grade corporations (and state and local governments) are not free from default risk, but that risk is viewed as being lower. Below investment grade bonds, i.e. junk bonds, are considered speculative in nature.

*Interest Rate Risk.* Fixed Income securities also have interest rate risk; their market prices fluctuate up and down inversely with the prevailing interest rates. Notes and bonds purchased when interest rates are low can lose market value if interest rates rise prior to their maturity dates. As with stocks, if a sale of the bond is necessitated by an unforeseen event, a loss of principal can result. The longer the maturity of the bond held, the greater the interest rate risk, all else being equal.

*Inflation Risk.* The inflation risk associated with bonds is twofold: the potential loss of purchasing power plus the potential for inflation to result in higher market rates of interest. As explained above, this causes the market price of a bond to decline.

A portfolio manager can attempt to mitigate fixed income risks by using high credit quality bonds, and investing in bonds with short to intermediate terms.

*Alternative securities* often carry liquidity risk as well as the risk of loss of principal. Liquidity risk is an inability to sell the security in a timely fashion should cash needs arise.

#### Voting Client Securities

Clients receive proxies or other solicitations directly from the custodian or a transfer agent. The Advisor generally does not provide advice to clients as to how to vote such proxies for Program Accounts. The Advisor may, in connection with Other Investment Advisory Services Accounts, agree on a case-by-case basis to vote proxies related to certain types of securities holdings. We are not aware of any relationships with an issuer which would create a conflict of interest. Clients can contact us at 901-818-6065 for more information about voting proxies.

#### **(Item 7) CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Prior to opening an MAS Account, you will complete an investment profile which provides information concerning your investment objectives, financial goals, and risk tolerance. This information is used to develop your SIS. The SIS is available to Envestnet. If you notify your FA that there have been changes in your investment objectives or risk tolerance, you and your FA will determine whether any changes need to be made to your SIS. Any changes to the SIS will be available to Envestnet. Your FA will initiate any changes for your Account as a result of a change in your SIS.

## **(Item 8) CLIENT CONTACT WITH PORTFOLIO MANAGERS**

You should contact your FA in the event you have any questions concerning your Account. You should not contact Envestnet, the Third-Party Model Provider, or the Sub-Manager(s) directly.

## **(Item 9) ADDITIONAL INFORMATION**

### Disciplinary Information

The Advisor is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Advisor and its FAs and staff or the integrity of the Advisor's management.

UITs. The Financial Industry Regulatory Association (FINRA) alleged that the Advisor violated FINRA Rule 2010 by failing to apply sales charge discounts to certain eligible purchases of Unit Investment Trusts ("UITs") from June 2010 to May 31, 2015. The allegations also included failure to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases (NASD Rule 3010 and FINRA Rule 2010).

The Advisor entered into an Acceptance, Waiver, and Consent with FINRA on December 3, 2015 without admitting or denying the allegations. The firm identified and reimbursed all customers for discounts which had not been applied plus interest on such amounts prior to entering into the consent, and paid a fine in the amount of \$125,000 to FINRA.

Variable Annuities. FINRA alleged that the Advisor failed to implement an adequate supervisory system and procedures designed to reasonably ensure suitability in its Multi-share Class Variable Annuity ("VAs") sales, including L-share contracts. FINRA also alleged that during the relevant period, January 2013 – December 2014, the firm failed to establish, maintain, and enforce an adequate supervisory system and Written Supervisory Procedures ("WSPs") related to the sale of Multi-share Class VAs, and that the firm failed to provide sufficient training to their registered representatives and principals on the sale and supervision of Multi-share Class VAs. FINRA alleged that the WSPs and training materials failed to sufficiently provide registered representatives and principals guidance or suitability considerations for sales of different VA share classes. FINRA alleged that because of the lack of sufficient training and guidance, registered representatives did not have the tools to present potential purchases with a side-by-side comparison of the fees and surrender charges or other information detailing the potential impact of the increased fee if the L-share contract was held by the customer for a long term. FINRA also alleged that the firm failed to establish, maintain, and enforce WSPs or provide sufficient guidance or training to registered representatives and principals on the sale of long term income riders with Multi-share Class VAs, particularly the combination of L-share contracts with long-term riders.

On November 2, 2016, the Advisor entered into an Acceptance, Waiver, and Consent with FINRA without admitting or denying the allegations. A fine of \$250,000 was paid to FINRA.

## Other Financial Industry Activities or Affiliations

First Horizon Advisors, Inc. is a registered investment adviser and a registered broker-dealer. We are a wholly owned subsidiary of First Horizon Bank (“First Horizon”).

All employees of the Advisor who provide investment management services to clients (“Financial Advisors”) are also registered representatives of First Horizon Advisors, Inc., and an insurance agent of First Horizon Advisors, Inc. and/or its affiliated insurance agencies (collectively, “First Horizon Advisors”). Thus, a Financial Advisor may also provide brokerage products and services and insurance products (collectively, “Other Products”) to their clients. A client may purchase Other Products through other brokers or agents not affiliated with the Advisor. Financial Advisors are compensated by First Horizon Advisors in connection with the sale of “Other Products” to their clients. Expenses associated with such other Products are different from compensation arrangements and fees (which are typically asset based) and expenses associated with investment management products and services available through the Advisor. Therefore, a Financial Advisor may have an incentive to recommend one type of product or service over another type of product or service. The Advisor manages this potential conflict by conducting initial and periodic account reviews to determine that products and services recommended to clients are suitable for the client’s investment needs. See (Item 13) “Review of Accounts” below.

Officers of the Advisor, including members of the IC, are also registered representatives of First Horizon Advisors, Inc. and insurance agents of First Horizon Insurance Services, Inc.

The Advisor provides investment advisory services to First Horizon customers at First Horizon financial centers. First Horizon and/or its holding company, First Horizon National Corporation, provide certain support services to the Advisor including accounting, legal and administrative services.

The Advisor provides investment management services to the Trust Division of First Horizon Bank. First Horizon Advisors Model Portfolios are utilized by the Advisor in providing these services to the Trust Division. Investment management accounts are available through the Trust Division (“Agency Accounts”), and may have similar strategies as the First Horizon Advisors Model Portfolios available through the MAS Program. Agency Accounts are established by entering into a separate Investment Management Agreement with the Trust Division. Fees and expenses for an Agency Account may be more or less than those of a First Horizon Advisors Model Portfolio Account available through the Program with a similar investment strategy. For Agency Accounts, different account opening minimums apply. Agency Accounts are administered and serviced at Trust Division locations by Trust Division personnel. Financial Advisors do not provide investment management services to Agency Accounts. The Trust Division will compensate a Financial Advisor for referring a client to the Trust Division if the Trust Division opens an account, including an Agency Account, for the client. Such compensation will be based upon the fees the Trust Division receives from the trust account.

First Horizon may compensate a Financial Advisor for referring advisory or brokerage customers to First Horizon for certain bank products. Such compensation may be cash or non-cash compensation, and the compensation is paid by First Horizon. Non-cash compensation may include prizes, travel, entertainment, and gift cards.

Your FA may refer you to First Horizon if you are interested in applying for a line of credit from First Horizon secured by your Program Account. All credit decisions for this product are made by First Horizon. Your FA will not be compensated for this referral. To pledge your securities as collateral for this line of credit, you will enter into an Account Control Agreement (“ACA”) with First Horizon and First Horizon Advisors, Inc. Under the terms of the ACA, you agree that you may not withdraw assets from the Program Account except with prior approval of First Horizon; and, that if First Horizon provides First Horizon Advisors, Inc. with a “notice of exclusive control”, First Horizon Advisors, Inc. will follow instructions of First Horizon with respect to the Program Account instead of instructions from you or your Financial Advisor.

See Trade Execution below.

### Code of Ethics

The Advisor has adopted a Code of Ethics (the “Code”) which establishes standards of fiduciary conduct for its employees, including standards that apply to personal securities transactions. The Code requires compliance with policies concerning use and disclosure of non-public information and maintaining the confidentiality of customer information.

The Code also requires that certain officers of the Advisor and employees who have access to non-public information concerning purchases and sales of securities for client accounts or recommendations for such purchases or sales (“Access Persons”) report their personal securities transactions. The Advisor receives reports of the transactions and an annual holdings report for each Access Person. These persons are not permitted to:

- acquire securities in an IPO or private placement without obtaining prior approval from the designated compliance officer;
- execute a transaction for their own account until any orders for the same security for an advisory client’s account has been executed or withdrawn;
- recommend a security transaction for an advisory account without disclosing certain personal interests in such securities;
- receive prior approval from the designated compliance officer to serve as a director of a publicly traded company;
- purchase or sell any security designated by the Chief Investment Officer (CIO) or designee during any black-out period as determined by the CIO or designee.

The purpose of the prohibitions described above is to avoid any benefit an Access Person may obtain from trading in a security prior to execution of a trade in the same security for a client’s account. You may obtain a copy of the Advisor’s Code of Ethics by contacting us at 901-818-6065.

### Interest in Client Transactions

An Account may be invested in mutual funds or ETFs which pay shareholder servicing, 12b-1 fees or administrative services fees to the Advisor in connection with investment of the Account in shares of the mutual funds or ETFs (“Mutual Fund Fees”). Advisor has instructed NFS to pay the Mutual Fund Fees back into the Accounts that generated the Mutual Fund Fees.

Cash awaiting investment in an Account will be invested in a deposit account at First Horizon (“DDA”) or a money market fund (“Mutual Fund”) available through a sweep investment program provided by NFS and the Advisor. Account balances held in the Mutual Funds or the DDA are included in the calculation of the Program Fee. First Horizon, an affiliate of the Advisor, receives benefits from the funds invested in the DDA. First Horizon Advisors may receive a fee from First Horizon for Program Assets invested in the DDA. NFS may receive fees from certain Mutual Funds for providing shareholder services, sub-accounting or other services to such Mutual Funds. NFS has agreed to pay to First Horizon Advisors, Inc. a portion of such fees it receives. The fee First Horizon Advisors, Inc. receives is based upon the average net assets of the Program Accounts invested in the Mutual Funds. These conflicts are addressed by the Advisor by providing a Disclosure Statement to each client concerning the sweep investment program and by conducting reviews of the investments used in your Account as described in Review of Accounts above.

### Trade Execution

All Clients utilizing the MAS Program Account option are required to open a brokerage account through First Horizon Advisors, Inc. First Horizon Advisors, Inc. provides the brokerage account services-clearing and custody for the MAS Program Accounts under its existing clearing agreement with NFS. This arrangement allows the Advisor to utilize a provider with which the Advisor has had an established working relationship. The NFS arrangement permits the MAS Program to provide custody, execution, and investment management services for a single account level fee. The Advisor will monitor the execution of trades for the Accounts for accuracy, timeliness, and price. A portion of the Program Fee that the Advisor receives pays for the brokerage and custody services provided to the Accounts. You understand that by utilizing this arrangement, you forego any benefits in price or quality of execution which may be obtained when a manager for an advisory account has discretion to select the executing broker for account transactions. The Advisor manages this potential conflict by regularly reviewing execution practices and quality of trades provided through the Program. For SMAs, the Sub-Manager will determine whether orders for an SMA will be aggregated with other accounts managed by the Sub-Manager. Consult the Sub-Manager’s ADV for information concerning the Sub-Manager’s trading practices. For all other Program Accounts, Envestnet determines whether trades for a Program Account will be aggregated with orders for other accounts for which Envestnet executes trades. Envestnet’s trading practices are described in the Envestnet Wrap Fee Brochure.

### See Other Compensation below.

First Horizon Bank’s Trust Division has entered into an arrangement whereby it obtains research products and services from a broker-dealer in connection with securities transactions executed by the broker-dealer for fiduciary accounts of the First Horizon Trust Division. Those products and services include subscriptions or other access to research on equity securities, mutual funds, and credit markets, securities pricing, market indices and other economic and securities market research. All research services are made available to the Advisor by the First Horizon Trust Division. The Advisor uses these services in managing the MAS Program Accounts and other client accounts, including fiduciary accounts that the Advisor manages on behalf of the First Horizon Trust Division.

In the event of a trade error on the part of the Advisor, the Advisor will correct the error by executing the appropriate trades for the client’s Account and for the Advisor’s account. The Advisor will reimburse the client’s Account for any market loss incurred as a result of the error.

In the event the trades executed for the Advisor's account to correct an error results in a gain for the Advisor's account, the Advisor will retain such gain.

### Review of Accounts

The Advisor has designated certain employees as "Advisory Account Reviewers". Each Account is reviewed by an Advisory Account Reviewer prior to opening an Account. The client's investment profile is also reviewed to confirm that the investments and asset allocation recommended for the Program Account align with the client's time horizon, risk tolerance, and investment objectives.

The IC maintains a working list of mutual funds and ETFs. This list is reviewed at least annually. Certain designated employees of the Advisor (the "IRG") are responsible for monitoring the AMMA performance and reporting such information to the IC.

We will notify you at least quarterly to contact your FA if there have been any changes in your financial situation or investment objectives, or if you wish to impose or modify restrictions concerning management of your Account. We will contact you at least annually to set up a meeting or interview to review your Account status, and to discuss any changes in your financial circumstances and goals.

### Reports

National Financial Services, LLC ("NFS") is custodian and clearing broker for all Accounts. The Custodian provides you a periodic statement for all transactions effected for your Account at least quarterly. Envestnet provides you a quarterly performance report.

### Client Referrals

First Horizon pays a referral fee to First Horizon personnel for referring potential advisory clients to the Advisor. If certain First Horizon employees refer a client to the Advisor and the client opens an advisory account, the Advisor will pay a portion of the advisory fees it receives from the advisory account to the First Horizon employee who referred the account.

In accordance with the Investment Advisors Act of 1940, the Advisor may also compensate third-parties or affiliates who have entered into written agreements with the Advisor for recommending or referring potential advisory clients to the Advisor. Such payments may represent a portion of the Program Fees that Advisor receives from the Program Account that is referred to the Advisor.

### Other Compensation

Advisor has a conflict of interest in utilizing NFS as its clearing broker for the Program Accounts. The pricing that First Horizon Advisors, Inc. has negotiated with NFS for clearing and custody services is based upon First Horizon Advisors, Inc. maintaining certain asset levels in certain types of brokerage accounts, and on annual trade volumes. Advisor addresses this conflict of interest by monitoring trade execution and through the Account reviews as described in Review of Accounts above. NFS provides financial assistance to First Horizon Advisors, Inc. in the form

of credits to First Horizon Advisors, Inc. on the fees and charges billed to First Horizon Advisors, Inc. under its clearing agreement with NFS.

IRA Accounts are charged an annual IRA maintenance fee by NFS. NFS has agreed to pay a portion of such maintenance fee to First Horizon Advisors, Inc.

NFS, custodians, mutual fund companies, investment advisors, and other service providers or product providers that participate in the MAS Program or otherwise provide products or services to First Horizon Advisors in connection with brokerage and investment management services and insurance products (collectively, “Sponsors”) will provide certain financial benefits to the Advisor and/or an FA.

Sponsors will provide educational training or marketing support to First Horizon Advisors and its FAs. Sponsors will contribute to the cost of conferences or meetings attended by some or all of the FAs. Such conferences and meetings may include educational and training sessions as well as promotion of the MAS Program and other services provided by First Horizon Advisors. Some Sponsors will bear the expense for an FA to attend due diligence trips at the Sponsors’ offices. All or a portion of the costs of certain client events will be paid for by a Sponsor. Products and services provided by the Sponsors help First Horizon Advisors and its FAs to manage and administer client accounts. First Horizon Advisors and the FAs will use such products and services for MAS Accounts as well as other types of accounts and products offered by First Horizon Advisors. Advisor addresses this conflict of interest through this disclosure and the Account reviews as described in Review of Accounts above.

#### Financial Information

The Advisor has no financial commitments that impair its ability to meet contractual and fiduciary obligations to its clients. The Advisor has not been the subject of a bankruptcy proceeding.