Firm Brochure
(Part 2A of Form ADV)

MERITAGE PORTFOLIO MANAGEMENT, INC.

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This brochure provides information about the qualifications and business practices of Meritage Portfolio Management, Inc., a registered investment adviser. If you have any questions about the contents of this brochure, please contact us at 913-345-7000 or via email at welcome@meritageportfolio.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Meritage Portfolio Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration of an Investment Adviser with the SEC does not imply a certain level of skill or training.

MARCH 11, 2024

Material Changes

This Brochure dated March 11, 2024 serves as an update to the Brochure dated March 15, 2023.

We have updated our standard management fee schedule for new business.

Routine updates to assets under management and other general disclosures are reflected in this Brochure. There have been no other material changes made to the Brochure.

Full Brochure Available

Whenever you would like to receive a complete copy of our Brochure, contact us at 913-345-7000 or via email at welcome@meritageportfolio.com. A new Brochure will be provided as necessary based on changes or new information, at any time, without charge.

Our Brochure is also available on our website, www.meritageportfolio.com, also without charge.

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Advisory Business

Firm Description

Meritage Portfolio Management, Inc. ("Meritage") was founded in 1991, originally bearing the names of the four founding principals, Eveans, Bash, Magrino and Klein, Inc. Meritage is organized as a Kansas Corporation with one place of business located at 7500 College Blvd., Suite 1212, Overland Park, KS 66210. We have 18 associates, many with educational and professional designations, including CFA, MBA, CIC, CPA and CFP.

Meritage provides personalized investment management on a discretionary basis to individuals, families and a variety of institutional clients including employee benefit plans, foundations, endowments and public funds with separately managed portfolios based upon their respective investment objectives, goals, risk profiles and other relevant considerations.

Meritage provides subadvisor investment advisory services for three collective trust funds for the pooling of retirement funds and three common trust funds for the pooling of personal trusts sponsored by two independent trust companies. Meritage provides investment advisory services to these funds in the same manner as we provide for separately managed portfolios.

Meritage participates in a model investment program where it provides model portfolio structure and strategies for a fee. Meritage exercises no discretion over the assets in this program. The manager of this model user is responsible for determining in what manner and to what extent they utilize Meritage's strategies for their clients. The program manager also executes the trades for these accounts.

Meritage serves as portfolio manager under a wrap fee program established by an unaffiliated third-party sponsor, using the Meritage Growth Equity strategy. Under the program, the sponsor charges program clients a wrap fee for portfolio management, trading, custody and other services, and the sponsor pays Meritage a portion of those fees for our investment advisory services. Meritage provides investment advisory services under the wrap fee program in the same manner as we provide for separately managed portfolios. Meritage generally does not have discretion in selecting the broker-dealers through which trades for wrap program clients are executed. As a result, wrap fee program clients may pay different commissions or realize less favorable prices on securities transactions than those clients for which Meritage has discretionary authority to select brokers.

Meritage also provides asset allocation advice and general investment planning reviews for clients. Advice is provided through consultation with the client, gathering of pertinent data, and employment of quantitative planning tools resulting in a joint determination of an appropriate long-term asset allocation policy.

Meritage is a fee-only investment management firm. The firm has an eleven-person investment team that includes seven Chartered Financial Analysts (CFAs). All decisions impacting portfolio holdings are made by the respective lead managers for each of the firm's five specific equity strategies, as well as both taxable and tax-exempt fixed income strategies. The firm does not sell annuities, insurance, stocks, bonds, outside mutual funds, limited partnerships, or other commissioned products, nor is the firm affiliated with entities that sell financial products or securities. No product commissions or finder's fees in any form are accepted.

Meritage provides investment management services through qualified custodians that can include registered broker/dealers and banks offering trust services. The client maintains asset control at all times via the independent, qualified custodian and receives regular statements from the custodian as well as from Meritage.

Comprehensive communication is provided directly to the client on a quarterly basis. Clients have the option of receiving their correspondence via regular mail or electronic delivery. Further communications are provided via phone, email, virtual electronic and face-to-face meetings. Annual reviews are recommended for each client and can be more frequent if desired, or as might become necessary because of a change in the client's personal situation or market conditions.

Principal Owners

Meritage has two employee owners, Mark E. Eveans and James M. Klein, who each own in excess of 25% of the company stock. Two other associates, Leonard C. Mitchell and Sharon L. Divine, own minority interests in the firm. Meritage believes that employee ownership is a characteristic that fuels motivation and contributes to the stability of personnel.

Types of Advisory Services

Meritage manages discretionary investment advisory accounts using any combination of six distinctive equity management strategies: Value, Growth, Yield-Focus, Small Cap Value, Small Cap Growth and Small Cap Core, a combination of Small Cap Value and Small Cap Growth strategies. Meritage also manages taxable and tax-exempt fixed income through two distinct platforms – short-term fixed income and intermediate-term fixed income. We believe the purpose of a bond portfolio is to lower overall portfolio risk and provide consistent income. Some clients retain us for a single strategy, but the majority of clients utilize balanced portfolios which combine fixed income with either single or multiple equity strategies.

Before Meritage can recommend any asset allocation to the client, we examine six key areas:

- <u>Overall Investment Objective</u>. By learning what the client wants to achieve with the assets and by learning any restrictions that would conflict with the intent of the client, we can better understand how to structure the portfolio to conform to the client's unique needs.
- <u>Risk Tolerance</u>. Meritage wants to design a structure for each client that meets an appropriate balance of risk and reward.
- <u>Cash Flow Needs and Income Expectations</u>. By understanding the liquidity needs of our client, we can better assess the balance needed between income-producing investments and investments that are dedicated to market value appreciation.
- <u>Growth Objectives</u>. By understanding the client's investment time frame and risk tolerance, appropriate investment guidelines are established to achieve optimal long-term wealth accumulation.

- Time Horizon. Understanding the true life-span expected from a pool of assets allows us to structure the overall portfolio asset mix properly.
- Adaptability. Client situations and the market conditions change. Changes to the portfolio mix of stocks and bonds may become necessary to adapt to new realities.

After the initial assessment of these areas, Meritage will evaluate the client's current portfolio using our own investment process toolkit and explain how our investment approach differs from the current management. We will discuss the benefits of our approach and come to agreement with the client as to how to proceed with the transition to our management style and in what time frame that is to be done.

Meritage will also provide advice to clients on matters not directly involving securities, such as comprehensive financial planning, income tax issues, along with trust and custody services.

Meritage also offers advisory services for corporate retirement plans including pension, profit sharing and participant directed, individual account plans like 401(k) plans. In that regard, Meritage offers discretionary investment management services, non-discretionary investment advisory services and retirement plan fiduciary services. In providing retirement plan services, Meritage may establish a client relationship with one or more plan participants or their beneficiaries. If a plan participant or beneficiary desires to facilitate an IRA Rollover from the plan assets to an account managed by Meritage, or if Meritage makes a recommendation to make a rollover, we will have a conflict of interest given that our individual account advisory fees can be expected to be higher than those we receive in connection with the retirement plan's services. To mitigate this conflict, Meritage will disclose relevant information about the applicable fees Meritage charges prior to opening the IRA Rollover account. The decision to take a distribution from a retirement account rests with the individual participant and beneficiaries.

As of December 31, 2023, Meritage Portfolio Management, Inc. has discretionary management authority over approximately $2.25 billion in assets for approximately 555 clients and 1,400 accounts. Meritage also oversees $120.5 million of nondiscretionary assets for approximately 120 accounts.

Tailored Relationships

Individualized investment objectives for each client account are documented in writing with an Investment Policy Guideline and acknowledged by the client. When a client chooses a specific equity strategy, their portfolio holdings will mirror the holdings of another client in the same equity strategy. Overall portfolio risk, however, may be different depending on the amount of the portfolio allocated to the various distinctive equity styles and the fixed income component where applicable.

While clients can choose to impose restrictions on certain industries or specific companies, such practice is discouraged as it will potentially cause the performance of the account to be different than our non-restricted strategies.

Types of Agreements

Investment Adviser Agreement

Clients employ Meritage to act as investment adviser for their account(s) with the execution of an Investment Adviser Agreement. This agreement gives Meritage full power to supervise and direct the investment of the account(s) by implementing investment decisions without prior consultation of the client, but according to the guidelines and objectives set for each account.

Although the Investment Adviser Agreement is an ongoing agreement, the client or Meritage can choose to terminate the Agreement at any time by written notice to the other party. At termination, fees will be billed or refunded on a pro rata basis for the portion of the quarter completed, adjusted for the number of days during the billing quarter prior to termination.

Client agreements may not be assigned without written client consent. Consent would be required in the event of a significant change in ownership.

Fee Schedule

A separate fee schedule is executed for each account. The annual Advisory Service Agreement fee is based on a percentage of the market value of the account assets including accrued income, according to the following standard schedule:

1.00% on the first $2,500,000

0.85% on the next $2,500,000 (from $2,500,001 to $5,000,000)

0.80% on the next $5,000,000 (from $5,000,001 to $10,000,000)

0.70% on the next $15,000,000 (from $10,000,001 to $25,000,000)

0.60% on the next $25,000,000 (from $25,000,001 to $50,000,000)

0.50% on the next $50,000,000 (from $50,000,001 to $100,000,000)

0.40% on the balance over $100,000,000

Fees for retirement plan services are negotiable and vary based upon the nature, scope and frequency of services and meetings as well as the complexity of plan structure.

There is no minimum quarterly or annual fee for any account.

Fees can vary among accounts based on investment objectives and/or portfolio size and can also be negotiated based on other factors such as private relationships versus larger institutional relationships.

Fees are typically billed quarterly in advance based upon the market value of the portfolio including cash, cash equivalents and accrued income on the last business day of the previous quarter, unless specifically negotiated differently. Any assets specifically designated as unmanaged or nondiscretionary will be excluded from the quarterly fee calculation.

Client assets that are managed via sub-advised collective trust funds for retirement funds and common trust funds for personal trusts are excluded from additional management fees as Meritage is compensated by the fund sponsors for the assets managed in those pools.

Investment Policy Guidelines

The Investment Policy Guideline Agreement documents the client's agreed upon objectives for each account, including style of equity and fixed income management plus the investment ranges and targets for the account. The individual securities used in our strategies are traded through brokers as selected by Meritage, though some clients have made directed brokerage choices. Investments may also include the sub-advised collective trust funds for retirement funds and common trust funds for personal trusts where deemed appropriate.

Investments typically include: equities (common stocks, straight preferred and convertible preferred stocks), U.S. government debt securities, corporate debt securities, commercial paper, certificates of deposit, municipal securities, exchange traded funds, publicly traded master limited partnerships, real estate investment trusts, royalty trusts, and business development companies.

Termination of Agreement

A client or Meritage may terminate any of the aforementioned agreements at any time by written notice. If the client made an advance payment of advisory fees, Meritage will refund any unearned portion of the advance payment. The agreement is not assignable by either party.

Fees and Compensation

Description

Meritage bases its fees solely on a percentage of assets under management. Please refer to the "Fee Schedule" section included under "Types of Agreements" above for further detailed discussion.

Fee Billing

Investment management fees are typically billed quarterly, in advance, meaning that we invoice clients at the beginning of the three-month billing period. Payment in full is expected upon invoice presentation. Fees are usually deducted from the client account. Clients must consent in advance to direct debiting of their investment account. The client can also direct that the invoice be presented to a different account than the one under management for deduction, or request that the invoice be sent for direct payment by the client. A copy of the fee billing is provided by Meritage directly to the client.

Other Fees

The fees charged by Meritage do not include custodial fees or trading costs incurred in buying and selling securities. Custodians may charge transaction fees, over which Meritage has no control, on the settlement of purchases or sales of stocks, bonds, exchange traded funds and other securities. Instead of transaction fees, some custodians charge a monthly or quarterly fee based on the market value of the assets held in the account.

Expense Ratios

Meritage is a subadvisor to collective trusts sponsored by Benefit Trust Company and to common trust funds sponsored by Midwest Trust Company. Meritage is compensated directly by the sponsoring entity of each of the funds. These funds are available to clients of Meritage if assets are custodied at either of these trust companies. Meritage receives an annual rate of .60% of the total .95% annual fee for management for equity funds, and a .30% annual rate from a total of .40% for fixed income funds. Assets invested in the collective trusts of Benefit Trust Company and in the common trust funds of Midwest Trust Company are not subject to additional management fees from Meritage.

Exchange Traded Funds (ETFs) generally charge a management fee for their services as investment managers and are used on occasion by Meritage for a certain segment of the market or for small accounts which cannot be efficiently managed with individual securities. The management fee is called an expense ratio. For example, an expense ratio of 0.10 means that the investment company charges 0.1% for their services. These fees are in addition to the fees paid by the client to Meritage. Meritage does not receive any part of this expense ratio. The management fee for ETF funds is subtracted from the net return generated by the fund.

Past Due Accounts and Termination of Agreement

Meritage reserves the right to stop work on any account that is more than 120 days overdue. Any unused portion of fees collected in advance will be refunded within 10 days in the event of termination of the management advisory agreement.

Performance-Based Fees

Performance-based compensation can create an incentive for an adviser to recommend an investment that may carry a higher degree of risk to the client or to potentially alter the way that trades are rotated or allocated. Meritage does not use a performance-based fee structure because of the potential conflict of interest these can create, nor are any fees based on a share of the capital gains or capital appreciation of managed securities.

Types of Clients

Description

Meritage provides investment advice to individuals and their family members, trust companies, pension and profit-sharing plans, Taft-Hartley plans, trusts, estates, charitable organizations and foundations, corporations and other business entities and investment companies. Meritage also offers advisory services for corporate retirement plans including pension, profit sharing and participant directed, individual account plans like 401(k) plans.

Client relationships vary widely in terms of scope, size and length of service.

Account Minimums

The minimum relationship size is $2,000,000 of assets under management, which equates to an annual fee of $20,000 based on our standard fee schedule.

Should a relationship fall below $2,000,000 in value, there is no minimum annual fee charged.

Meritage has the discretion to waive the account minimum. Relationships of less than $2,000,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to $2,000,000 within a reasonable time. Other exceptions will apply to wrap program accounts, including Schwab Advisor Network referral program, employees of Meritage and their relatives, or relatives of existing clients.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Meritage has a value-based investment philosophy, driven by a preference for companies that generate strong free cash flow. To implement our investment philosophy, we employ an extensive and comprehensive decision-making process that has been developed and continuously improved for over 30 years. The process consists of both objective quantitative (i.e. numbers-based) data inputs and subjective qualitative analysis.

As value-based equity investors, we believe the key to finding and consistently investing in stocks when they are "valuable" rests with the breadth and depth of a comprehensive, systematic security selection process. Our value-based stock ranking process is deployed across all our equity portfolio strategies and provides a discipline that helps protect against emotion and biases. The process is grounded in the following factors that we believe are key determinants of attractive valuation:

Valuation
Cash flow return on investment
Profitability growth
Investor sentiment
Momentum
Capital Efficiency

Our process continuously evaluates a broad universe of publicly traded securities, focusing on factors that we have extensively tested to be predictive of stock price performance. These factors are ranked 1–10, a ranking of 1 being the best. Stocks that rank in the top quintile of the universe, and on a less frequent basis in the second quintile, are candidates for further analysis and potential purchase. Based on our research and experience, these stocks have the greatest probability of outperforming the other stocks in the universe over time.

All portfolio buy and sell decisions flow directly from this ongoing process. The quantitative data that drives our process is updated continuously and can be accessed in real time, online by all Meritage portfolio managers and analysts.

Strong, systematic processes have limitations. Like all quantitative processes, it may not capture all the information relevant to making a good investment decision, such as recent management changes, new technologies and competitors. A stock-specific, qualitative assessment is made to affirm the quantitative judgment and then to assess additional information that is not typically captured by the quantitative process.

We also emphasize "optimal diversification" in constructing our portfolios. "Optimal diversification" is our concept of being concentrated enough to generate attractive excess returns, yet diversified enough to mitigate risk.

The portfolio managers may consider the use of broad market or sector Exchange Traded Funds (ETFs) or Exchange Traded Notes (ETNs) for strategic purposes.

Investment Strategies

Meritage offers five distinct equity strategies of management that are all supported by the custom, proprietary investment selection process using the quantitative and qualitative methods discussed under the above section "Methods of Analysis". We describe the Value, Growth, Yield-Focus, Small Cap Growth and Small Cap Value strategies as all being value-centered in their underlying principles. A sixth strategy, Small Cap Core, is a combination of the Small Cap Growth and Small Cap Value strategies.

Whether one or more of the equity strategies is appropriate for a client will depend upon client input regarding multiple considerations:

Individual risk tolerance
Time horizon of the funds being managed
Income and liquidity needs
Return objectives
Income tax consequences
Structure of other investments
Investment restrictions

The equity strategies are similar in that Meritage is constantly equating what is paid relative to asset values and conservative estimates of cash flow growth. The strategies differ in their overall valuation and growth characteristics, as well as distinctly different market sector weightings.

The **Value** equity strategy employs a bottom-up security selection process that is not constrained by company size or U.S. orientation, although the portfolio will typically have a large-cap, domestic composition. The Value portfolio incorporates quantitative factors to assess valuation, momentum, investor sentiment and company management. This results in a portfolio of 35 to 75 stock holdings with positions typically of 1% to 4% each. Up to 20% of the portfolio can be invested in non-U.S. securities. Long term average portfolio turnover ranges are typically between 60% and 80% annually. The investment benchmark for comparison is the S&P 500 Large Cap Value Index.

The **Growth** equity strategy takes an opportunistic approach to growth, avoiding strict and traditional parameters of what constitutes a "growth" stock. The Growth strategy uses the same factors used by the Value approach but incorporates additional factors related to growth indicators and places the largest weighting on these added growth indicators. While many Growth strategies are heavily momentum driven, Meritage manages that risk by including valuation and cash flow metrics in the evaluation process. This discipline contributes to the strategy's history of low volatility relative to outside Growth strategies. The Growth portfolio typically consists of 35 to 65 individual stock holdings with weights of 1% to 8% each. Like the Value strategy, the Growth strategy can hold up to 20% in non-U.S. securities. Long term average portfolio turnover typically ranges between 50% and 70%

annually. The investment benchmark for this strategy is the S&P 500 Large Cap Growth Index.

The **Yield-Focus** equity strategy is a purpose-built strategy designed to earn most of its long-term total return from high cash dividends. By definition, it relies less on price appreciation to achieve its purpose. The Yield-Focus strategy pairs well with more traditional strategies (Value and Growth) as a diversifier, given its non-standard yield characteristics. The Yield-Focus strategy uses some of the same factors for common stock selection as the Value strategy, but with an additional focus on dividend yield. In addition to common stocks, the strategy uses non-standard publicly traded yield-focused securities including master limited partnerships, real estate investment trusts, preferred stocks and business development companies in an all-cap, global orientation. The Yield-Focus equity strategy portfolio generally holds 40 to 75 securities in the portfolio, with typical security positions between 1% and 3%. The strategy takes a “go anywhere” approach and may have up to 35% of the portfolio in non-U.S. securities. Long term average turnover ranges are typically between 60% and 80% annually. While the Yield-Focus strategy is a cash flow income generator, it is still an equity strategy with exposure to market risks. While there is no ideal investment benchmark for this strategy, we look at the actively managed Zacks Multi-Asset Income Index as a relevant peer comparison, along with other yield-oriented strategies.

The **Small Cap Growth** and **Small Cap Value** equity strategies use the same ranking factors used by the Value and Growth approaches, but with a market capitalization limited to $6.5 billion and under at the time of purchase. The Small Cap portfolios typically consist of 50 to 90 individual stock holdings with purchase weights of approximately 1.0% – 1.5% each. The Small Cap Value strategy can hold up to 15% in non-U.S. securities and the Small Cap Growth strategy can hold up to 20% in non-U.S. securities. Long term average portfolio turnover typically ranges between 70% and 90% annually. The investment benchmarks for these all equity strategies are the S&P SmallCap 600 Growth Index and the S&P 600 Value index respectively. The **Small Cap Core** strategy is a combination of the Small Cap Growth and Small Cap Value strategy holdings, with a portfolio that could hold 90 to 180 stocks. The investment benchmark for this strategy is the S&P 600 Index.

We are comfortable providing additional insight into the Meritage investment process for clients and prospects to understand the workings of the quantitative investment process for equity management as well as the qualitative overlay.

We are risk-averse in our **Fixed Income** management. The Meritage fixed income philosophy is to use this portion of the portfolio to lower total portfolio risk and generate consistent income inside a balanced framework of both bonds and stocks. Fixed income management is focused on tax-exempt bonds or on high quality corporate, U.S. Government and agency bonds, depending on the underlying tax status and marginal tax rates of the account being managed. Our use of taxable and tax-exempt bonds is driven by which provide the most attractive after-tax returns for each client. Meritage is sensitive to market sector risk diversification within the fixed income strategy as well, paying attention to the life of the bond holdings and the effect of inflation expectations and broad market expectations along with the credit worthiness of the bond issuer. Meritage offers two distinct strategies of fixed income management.

Short-Term Fixed Income is a strategy that embraces a desire to avoid interest-rate risk while taking advantage of a higher interest rate environment. This short-term portfolio will target bonds with an average of 2 years in maturity with income, capital preservation and liquidity being the primary objectives. The yield is enhanced with high-quality corporate bonds; however a majority of the portfolio positions are allocated to short-dated U.S. Treasuries and T-Bills alongside diversified money market funds.

Intermediate-Term Fixed Income uses a blended fixed income portfolio comprised of U.S. Treasuries, corporate and municipal bonds managed on a tax-adjusted basis to provide income while also keeping in focus the principal of capital preservation. With an average maturity of around 4 to 5 years and large, liquid Investment Grade bonds, the intermediate-term strategy is designed for investors looking to add yield to their portfolio without sacrificing liquidity.

Where it is impractical to build a portfolio of diverse bond holdings because of the size of the account, Meritage will use bond exchange traded funds (ETFs) to get acceptable diversification for fixed income investment purposes. Fixed Income ETFs may also be used periodically for short term strategic investments.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations and as agreed upon and documented in the written Investment Policy Guidelines. A typical individual client may choose to utilize one or more equity strategies, along with either a taxable or tax-exempt fixed income strategy for a balanced portfolio asset allocation. These guidelines are reviewed regularly for each client and the client may choose to change these guidelines at any time.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Regardless of the equity strategy or fixed income approach, there is no guarantee to a level of performance. Your account may decline in value.

Our investment approach constantly keeps the risk of loss in mind. In our opinion, a well-diversified investment allocation across equity strategies, along with an appropriate allocation to high-quality fixed income, is the best way to deal with all the different investment risks faced.

Investors face the following investment risks:

- **Credit Risk:** If the account owns a fixed income security (i.e. bond) of an issuer that experiences financial problems, the security will likely decline in value or the issuer may fail to make timely payments of interest and/or principal on the security. Ratings agencies may not be correct in assessing the credit quality of an issuer or a fixed income security and may not change their credit rating in a timely manner. Political, economic and other factors also may adversely affect the value of fixed income securities held.
- **Cybersecurity Risk:** Companies in which the strategies invest are exposed to various risks related to cybersecurity incidents, and the value of the

investments in portfolio companies held by the strategy investments could be adversely impacted in the event cybersecurity incidents occur.

- **Dividend Paying Securities Risk:** Securities that pay higher dividends as a group can fall out of favor with the market, causing the companies to underperform companies that do not pay high or any dividends. A company held by the strategy may choose not to declare a dividend or the dividend rate might not remain at the current levels, negatively affecting the value of the securities held.
- **Equity Securities Risk:** Strategy investments in equity securities are subject to market risks and significant fluctuations in value. Equity securities primarily consist of common stocks and may include American Depository Receipts (ADRs), real estate investment trusts (REITS), and other equity securities.
- **Exchange-Traded Fund Risk:** Strategy investments frequently include exchange-traded funds (ETFs) which are pooled investment vehicles whose shares are listed and traded on stock exchanges or otherwise traded in over-the-counter markets. To the extent a strategy uses ETFs, the strategy will be subject to substantially the same risks as those associated with the direct ownership of the securities on which the ETF is based and the value of the strategy's investment will fluctuate in response to the performance of the ETF and its underlying securities.
- **Foreign Investment Risk:** Strategy investments in securities of foreign issuers through ADRs or ETFs that are designed to track the performance of foreign indexes carry potential risks associated with those foreign markets such as currency exchange rate fluctuations, political and financial instability, less liquidity and greater volatility.
- **General Market and Economic Risk:** Markets are at times volatile and the value of investments may decline in price, sometimes significantly and rapidly due to a broad decline in the financial markets. Factors that affect markets in general include adverse geopolitical, regulatory, market, economic or other developments that impact markets generally or specific industry sectors and segments of the market. Turbulence in financial markets can reduce liquidity and the value of strategy investments. Changes by the U.S. Government and the Federal Reserve can also cause increased volatility which could in turn cause investments to experience losses and/or liquidity concerns.
- **Inflation Risk:** Equity, fixed income and other securities may fall in value due to higher actual or anticipated inflation. Rapid increases in prices for goods and services may have an adverse effect on corporate profits or consumer spending, which may result in lower value for strategy investments.
- **Interest-rate Risk:** Changes in interest rates will cause investment security prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive because the market value of the bond declines. A fixed income security with a longer maturity date will entail greater interest rate risk than a security with a shorter maturity. Interest rates that increase significantly could lead to significant declines in the market value of fixed income securities, and vice versa.

- **Investment Selection Risk:** The performance of a strategy depends on our ability to select and size investments appropriately and correctly anticipate future price movements, economic and market conditions, and the value of the investments. The failure to correctly anticipate developments affecting the specific issuer of a security or a particular industry or sector could lead to declines in the value of strategy investments.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in the investment asset. Small companies may be especially sensitive to this risk.
- **Municipal Securities Risk:** An issuer of municipal securities may face various factors including regional economic conditions that may adversely affect the municipal security's value, interest payments, principal repayments and the strategy's ability to sell it. Failure of a municipal security issuer to comply with applicable tax requirements may make income paid thereon taxable, resulting in a decline in the security's value. There could also be changes in applicable tax laws or tax treatments that reduce or eliminate the current federal income tax exemption on municipal securities.
- **U.S. Government and Government-Sponsored Enterprise Risk:** A security issued by the U.S. Treasury or the full faith and credit of the U.S. is guaranteed only by the applicable entity as to the timely payment of interest and principal when held to maturity. Securities issued by U.S. government-sponsored entities, like the Federal Home Loan Bank or Federal National Mortgage Association, are not guaranteed by the U.S. Treasury and are not backed by the full faith and credit of the U.S. Government, and there are no assurances that the U.S. Government will provide financial support if these organizations do not have the funds to meet future payment obligations. Like all fixed income securities, Investments in U.S. government securities or securities issued by U.S. government-sponsored entities are subject to market risk, credit risk and interest rate risk.

Disciplinary Information

Legal and Disciplinary

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Meritage or the integrity of Meritage's management.

Meritage and its associates have no legal or disciplinary events to report.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

Neither Meritage nor its management is registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading adviser.

Affiliations

Neither Meritage nor its management has arrangements that are material to its advisory services or its clients with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

Meritage serves as sub-adviser for collective funds and common trust funds. This relationship can in theory present a potential conflict for our clients if a fund we manage is used in client accounts by nature of the cost structure in the fund. The conflict is managed by direct communication with the client and waiver of our advisory fee for the portion of the account invested in those funds. Meritage is diligent in managing each of these various types of funds in the same manner as our separately managed accounts for each equity strategy and has in place various procedures to mitigate the conflict, which includes regular review of accounts, performance dispersion review, trade aggregation and allocation policies and a trade rotation policy.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Meritage has established a Code of Ethics in accordance with rules adopted by the Securities and Exchange Commission under the Investment Advisers Act of 1940 that applies to all associates of Meritage. The principles of honesty, integrity and professionalism are stressed as being of utmost importance and all Meritage associates owe a fiduciary duty to Meritage's clients to conduct their affairs, including their personal transactions, in a manner to avoid any actual or potential conflicts of interest. The independence of Meritage personnel in the investment decision-making process is paramount to the operations of the entity. At all times, the fiduciary duty of Meritage associates is to place the interest of clients first. All associates are required to conduct all personal securities transactions in a manner consistent with the written and acknowledged Code of Ethics. No Meritage associate is to take inappropriate advantage of their position or of the information concerning the identity of current, past or prospective security holdings. Communicating material nonpublic information to others is a violation of the law and the Code of Ethics.

The Code of Ethics also contains policies and procedures with respect to outside activities by our associates. Associates are required to obtain preclearance prior to serving as a proprietor or compensated employee, officer, director or consultant of a for-profit business that is not related to Meritage. The Code of Ethics does not prohibit associates from serving as directors, officers or representatives or organizations whose activities are charitable, civic or tax-exempt in nature.

The Code of Ethics, as well as the Meritage Pay to Play Policy, include policies regarding political and charitable contributions. All associates are prohibited from making political contributions for the purpose of obtaining or retaining advisory contracts with state and local government entities. In addition, all associates of

Meritage are prohibited from considering the current or anticipated business relationships as a factor in soliciting political or charitable donations.

The Meritage Code of Ethics also contains policies and procedures with respect to the solicitation or acceptance of gifts or entertainment by our associates. In general, all associates of Meritage are prohibited from receipt of any gift, service, or entertainment of more than a de minimis value from any person or entity that does business with or on behalf of Meritage. No Meritage associate is to give or accept cash gifts or cash equivalents to or from a client, prospective client, or any entity that does business with or on behalf of Meritage.

Meritage will provide a copy of the full text of the Code of Ethics to any client or prospective client upon request, without charge.

Participation or Interest in Client Transactions

Meritage and its associates may buy or sell securities that are also held by clients. The Code of Ethics stipulates requirements for pre-clearance of trading activity for any transaction with potential personal benefit of any Meritage associate or their immediate family members in reportable securities, including all publicly traded common stocks, corporate bonds, certain futures and investment contracts. Employees are not allowed to trade their own securities ahead of client trades. Regular reporting of all actual and family holdings by all associates is required upon hire and annually thereafter, and reviewed by the Meritage compliance officer. Monthly reporting of all investment transactions is required of all associates and their immediate family member accounts and any other accounts they may control by the Code of Ethics.

Personal Trading

All Meritage associates are required to report monthly their personal trading activity for review to ensure that the personal trading of employees does not affect the markets, have been pre-cleared when required, and that clients of the firm always receive preferential treatment. Employee trades are generally small in size and do not affect the securities markets.

Meritage is the subadvisor to three collective funds sponsored by Benefit Trust Company which include the Value and Growth equity strategies and a taxable fixed income strategy. These three funds are also investment options to Meritage associates for the firm's 401(k) Profit Sharing Plan. These collective funds are managed in the same manner as all other client accounts which use the same equity and fixed income strategies.

Brokerage Practices

Selecting Brokerage Firms

Meritage is independently owned and operated and not affiliated with any broker/dealer or custodian. Meritage does not maintain custody of your assets, although we may be deemed to have custody of your assets if you give us authority to move or withdraw assets from your account (see "Custody" section that follows). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer, bank or trust company. Meritage will ordinarily have discretion in all of its client portfolios as to the securities purchased and sold, and in the selection of brokers affecting the transactions. Meritage clients however are under no obligation to act on the recommendations of Meritage and are free to select any broker/dealer to implement Meritage recommendations as long as Meritage can electronically trade and settle the transaction. Meritage has and will continue to enter into investment advisory agreements with certain clients who have directed in writing that a particular broker be used to execute trades.

Clients may suffer potential drawback when they direct their brokerage to specific broker dealers other than those recommended by Meritage. Such drawbacks include the potential inability to negotiate commission rates, inability to obtain volume discounts, greater spreads or less favorable net prices for client directed accounts in some transactions because Meritage will be unable to aggregate client orders and seek best execution of transactions as efficiently as possible and at the best price.

It is Meritage's policy to select brokers for the execution of securities transactions on a best price for the best execution basis. Said another way, trades are executed in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances at the time. Meritage will consider the full range and quality of a broker's services in making that determination. Some of the considerations include the value of research provided, if any, execution capability of the brokerage house, financial responsibility of the brokerage and responsiveness of the broker to Meritage.

Specific custodian recommendations are made to clients based on the client's level of assets and the need for personalized trust or custody services. Meritage will recommend custodians based on the quality, integrity and financial capability of the custodial firm. Meritage is not compensated in any way for any custody recommendation. Meritage will not open an account for a client, but may assist the client in doing so with the preparation of documents.

Meritage may recommend that clients establish brokerage/custody accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as a qualified custodian. Meritage is independently owned and operated and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when Meritage instructs them to. While Meritage might recommend that clients use Schwab as custodian/broker, clients will decide whether to do so and will open an account with Schwab by entering into an account agreement directly with Schwab. Meritage can assist clients with the account opening process. Potential conflicts of interest associated with this arrangement are described below as well as in the "Client Referrals" section that follows. Clients should consider these potential conflicts when selecting their custodian. Schwab provides Meritage clients with access to its institutional trading and custody services, which are typically not available to Schwab retail investors.

For Meritage clients' accounts maintained in its custody, Schwab currently does not charge separately for custody services, but is compensated by charging commissions or other fees on trades that it executes or that settle into Schwab accounts. Certain trades (for example, many stocks, mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in Schwab's Cash Features Program. Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that Meritage executes by a different broker-dealer but where the securities bought or the funds from the securities sale are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Although we are not required to execute all trades on Schwab custodied accounts at Schwab, we have determined that having Schwab execute most of the trades for those accounts is consistent with our “best execution” of those trades.

Schwab Advisor Services is Schwab’s business serving independent investment advisory firms like Meritage. Schwab provides Meritage and our clients with access to their institutional brokerage services (trading, custody, reporting and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through us. Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

Schwab also makes available to Meritage software, technology and various support services that help Meritage administer our clients’ accounts as well as help Meritage manage our business. Schwab provides Meritage access to client account data such as duplicate trade confirmations and account statements and facilitates payment of our fees from client accounts. Educational conferences and events, consulting on legal and compliance needs, marketing support and access to employee benefit providers are also among services that Schwab offers to help Meritage manage and further develop its business. The fact that Meritage receives these benefits from Schwab may be construed as an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on the client’s interest in receiving the best value in custody services and the most favorable execution of transactions, creating a potential conflict of interest. Meritage believes, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker is in the best interest of our clients. Our selection is primarily supported by the scope, quality and price of Schwab’s services and not Schwab’s services that benefit only Meritage.

Meritage does not have any affiliation with any product sales firms, nor does it receive any commissions from any product sale arrangements. Meritage does not select brokers in exchange for client referrals.

Best Execution

Meritage’s policy is to seek the best price and favorable execution of client transactions considering all circumstances. However, there can be no assurance that best execution will in fact be achieved in any given transaction. Meritage regularly reviews the execution of trades at each broker-dealer and custodian. Best execution does not necessarily mean that the trade was executed at the lowest possible commission rate or received the best possible pricing.

The Meritage Investment Team has developed a list of broker-dealers that it regularly reviews with a list of criteria when assessing the quality of the relationship. Such criteria include:

- Commission rates charged by the broker in comparison to charges of other brokers for similar transactions.

- Direct access to the broker's trading desk and the familiarity of the broker contact with Meritage's business and interests.
- The broker's electronic trading capabilities, including the depth and sophistication of electronic, rules-based trading and other tools.
- The ability of the broker to maintain confidentiality while executing trades to prevent disclosure of Meritage's investment strategy or the details of an order in a way that could adversely affect the market price.
- The broker's ability to execute the trade accurately, with speed and ability to obtain the best price.
- The broker's administrative abilities, including efficiency in settling the trades and proper correction of any trade errors.
- The broker's research capabilities and ability to provide market information.
- The reputation, security, financial strength and stability of the broker.

The Meritage Investment Team negotiates with its list of brokers regarding commission structures and reviews those relationships annually.

Meritage is not required to select the broker/dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although Meritage is not required to execute all trades for Schwab custodied accounts through Schwab, Meritage has determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of Schwab custodied trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

Meritage may purchase and sell individual fixed income securities from brokers other than the custodian, depending on the size of the trade and bid/pricing. Third-party fixed income brokers are evaluated through a review of pricing, services provided, accuracy of execution and delivery of securities. Clients may incur trade-away fees in this situation.

Soft Dollars

Meritage maintains agreements and understandings with a number of broker-dealers to which brokerage transactions are directed for research services provided. The commission credit from trades done with these firms is commonly referred to as "soft dollar arrangements" that are then used to pay for third party research. Meritage only enters into soft dollar arrangements that are covered by the safe harbor provided under Section 28(e) of the Securities Exchange Act of 1934. The Meritage investment process is reliant in large part on the receipt of financial fundamental and technical data for all equity strategies, benefiting all accounts. Meritage believes these arrangements benefit our investment decision-making process and all clients. Soft dollar benefits are not limited to those clients who have generated a particular benefit. Soft dollar benefits are not proportionally allocated to any accounts that generate different amounts of the soft dollar benefits.

The Meritage investment team will project the amount of commission dollars expected to be generated in the course of a fiscal year. Through allocation procedures, which includes the consideration as to the quality and quantity of research and investment information received, the investment team will establish a budget of commission dollars to be directed to specific broker-dealers providing what is determined to be the best services available.

The use of soft dollar arrangements can create an inherent conflict of interest in the use of client commissions over and above the cost of execution. To address this conflict of interest, Meritage's investment team monitors best execution activity and makes a good faith determination of the value of the research product or services in relation to the commissions paid. If there are inadequate commissions to cover research product costs, Meritage will pay for those research services with corporate assets.

Order Aggregation, Allocation and Trade Rotation

Meritage will aggregate purchase or sale orders for securities for a client account with the purchase or sale orders for the same security for other clients' accounts where such pooling is likely to result in a more favorable net result for clients. However, Meritage is not obligated to aggregate orders. When a block trade is executed, the brokers will average the executions to arrive at an average price that is applied to every account in the block. Meritage uses a rotational strategy in handling aggregate (i.e. block) trading, model communication and directed brokerage trades with the intention that opportunities are equitably spread among all accounts and no one group of accounts receives preferential treatment.

Circumstances may arise under which Meritage determines that there are trading periods with limited liquidity for a security. When that happens, Meritage attempts to allocate the opportunity to purchase or sell that security among those accounts on an equitable basis, but cannot assure the equality of treatment among all clients in connection with every trade.

Some clients choose to impose guidelines and/or restrictions that are not a part of Meritage's strategies. Meritage will use its discretion in interpreting and applying such investment restrictions. Clients who impose such investment restrictions should be aware that the performance of their accounts will differ from the regular strategy portfolios.

Trade Error Policy and Procedure

Meritage views a trade error as a mistake in the handling of a trade order for which Meritage is responsible. Trade errors do not include intentional acts or errors related to the investment selection decision. While Meritage strives to minimize trading errors, errors will inevitably occur and are identified and corrected as promptly as possible.

As a rule, when an error occurs, Meritage will quickly seek to place a client's account in the same or better position as it would have been had there been no error. The Chief Compliance Officer will collaborate with all relevant parties to investigate the cause of the error and assist with the implementation of procedures to prevent similar errors; and approve the reimbursement amount, if any, to a client as a result of the error. In the event the trade error results in a profit, the profit is retained by the client.

Review of Accounts

Periodic Reviews

Meritage portfolio managers and the entire Investment Team meet periodically to review the investment strategies, general economic and market conditions and developments, specific companies and investment ideas, and security-specific issues. Portfolio managers regularly review and monitor investment strategy performance, holdings, sector weightings, and other portfolio characteristics.

Each portfolio is assigned to a primary portfolio manager. The primary manager is responsible for the day-to-day supervision of that account. A secondary portfolio manager is assigned in order to provide back-up in case the primary portfolio manager is unavailable. The Meritage Investment Management Team, which includes portfolio management professionals and owners, also functions as back-up review for the portfolios.

The portfolio management accounting system used by Meritage has tools that are used and reviewed regularly that help the portfolio managers see that the portfolios stay within the client guidelines. Further, client guidelines are reviewed with the client at each meeting, and as necessary on an interim basis if significant events occur, whether in the markets or with the client's personal situation.

When there is significant cash inflow or outflow in a new or currently managed account, the account is moved to the supervision of a transition team for special handling until the account can be brought in line with the specific equity strategy. Depending on agreement from the client and the changes required, it could take a few weeks or even months to get an account into the strategy's regular flow of activity.

Regular Reports

Clients receive quarterly reports on all accounts. The process also includes data regarding the quarterly performance on the account, generally alongside benchmarks applicable for the investment strategy. A market and economic commentary is also a part of our quarterly communications. Quarterly reporting packages can be delivered securely via the client portal which can be accessed via a secure login from the Meritage website or with a paper copy in the mail per the client's direction.

Face-to-face meetings with the client and the primary portfolio manager are encouraged at least annually, but can be held as often as the client chooses. As market or tax policy conditions warrant, we will also communicate with clients verbally or in writing regarding investment strategy.

Client Referrals and Other Compensation

Incoming Referrals

Meritage has been fortunate to receive many client referrals from existing clients over the years. Other referrals come from estate planning attorneys, accountants, our associates, personal friends of associates and other similar sources. The firm does not compensate any of these referring parties for referrals.

Meritage has had from time to time solicitation agreements in place with independent, third-party consultants and will pay a percentage of related management fees to organizations and individuals outside of the employment of Meritage for referrals of new business clients. These payments are an expense of Meritage and do not affect the fee paid by the client for advisory services. Marketing solicitation is done on a fully disclosed basis in accordance with guidelines and regulations of the SEC. Clients are asked to acknowledge receipt of the solicitor's disclosure document as well as part 2 of Form ADV from Meritage prior to or at the time of entering into any advisory contract.

Meritage receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through Meritage's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Meritage. Schwab does not supervise Meritage and has no responsibility for Meritage's management of clients' portfolios or Meritage's other advice or services. Meritage pays Schwab fees to receive client referrals through the Service. Meritage's participation in the Service may raise potential conflicts of interest described below.

Meritage pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on any accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Meritage is a percentage of the fees the client owes to Meritage or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Meritage pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Meritage quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Meritage and not by the client. Meritage has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Meritage charges clients with similar portfolios who were not referred through the Service.

Meritage generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, Meritage will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Meritage clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Meritage will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Meritage's fees directly from the accounts.

For accounts of Meritage's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Meritage's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Meritage may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Meritage nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Meritage's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Referrals Out

Meritage does not accept referral fees or any form of remuneration from other professionals, such as attorneys and accountants, when a prospect or client is referred to them by a Meritage associate.

Custody

Account Statements

Custody as it applies to investment advisors like Meritage has been defined by the regulators as having access to or control over client funds and/or securities. Custody is not limited to physically holding client funds or securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure that proper procedures are implemented. However, authorization to trade in client accounts is not deemed to be custody by the regulators.

Although Meritage does not maintain custodial accounts for clients, Meritage is deemed to have custody of some clients' assets because (i) some separate account clients have instructed the fees for Meritage's advisory services to be deducted from the respective accounts and (ii) some Schwab custodied separate accounts have Standing Letters of Authorization (SLOAs) by which Meritage can act to assist clients in moving money. Meritage will not open a Schwab account for you, though Meritage can assist you in doing so.

Additional guidance provided by the Securities and Exchange Commission (SEC) in 2017 as to trading and disbursement authorization resulted in Meritage removing wire authorization from any and all accounts that may have previously had those orders in place with their Schwab separate accounts. The SEC also outlined seven specific conditions that Meritage and Schwab have adopted which allow Meritage to avoid the Custody Rule's surprise examination requirement.

All clients receive at least quarterly statements from the broker-dealer, bank, trust company, or other qualified custodian that holds and maintains clients' investment assets. Those statements will be sent electronically or to a postal mailing address the client provides to the custodian. Meritage urges clients to carefully review such statements and compare these records to the account statements that Meritage provides.

Meritage statements will on occasion vary from the custodial records because of procedures regarding trade date of a security as compared to settlement date, report date, or valuation methods of certain securities. The treatment of accrued income can also result in differences between the custodian's statements and Meritage's statements.

Investment Discretion

Discretionary Authority for Trading

Meritage accepts discretionary authority to manage securities accounts on behalf of its clients. Meritage has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Discretionary trading authority allows for the efficient placing of trades in client accounts on the clients' behalf so that Meritage can promptly implement the investment policy that the client has approved in writing and documented in the account investment guidelines. Certain clients have put restrictions on their accounts, such as restricting buys or sales relative to a particular class of securities, retaining a particular security, prohibiting the purchase of a particular security and/or tax considerations. In accounts with such restrictions, performance may be dissimilar to performance of Meritage composite performance. Investment restrictions or limitations by a client should be provided to Meritage in writing or specifically noted on the account investment policy guidelines.

Voting Client Securities

Proxy Votes

Meritage, as a fiduciary obligation to our clients, accepts responsibility to vote proxies for portfolio securities consistent with the best economic interests of the clients. Unless the client designates otherwise on the investment management agreement or other written communication, Meritage votes proxies for securities over which it maintains discretionary authority. Meritage maintains written policies and procedures as to the handling, research, voting, and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our responsibility includes the monitoring of corporate actions, receiving and voting client proxies, disclosing any potential conflicts of interest, and making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant books and records. A copy of Meritage's proxy voting policy is available upon request.

Because Meritage votes and oversees a large number of proxies, we engage Broadridge Investor Communication Solutions, Inc. as a service provider and voting delegate to assist with the administrative functions and mechanics of voting proxies where we can. Broadridge maintains the records of proxy votes cast. Glass, Lewis & Co. provides research and makes proxy recommendations through our access to Broadridge's proxy solution. Meritage is also required to use designated proxy voting systems of certain other custodians and broker/dealers for some accounts.

Because corporate governance and shareholder proposals can directly affect shareholder values, proxies are voted in the best interests of our clients. This is often in accordance with recommendations by the management of the companies we are investing in, but can be different if a proxy item is deemed to be detrimental to the client's interest. No set of proxy voting guidelines can anticipate all the situations that may arise. If we determine that a material conflict of interest exists with respect to any particular proxy solicitation, we will seek to resolve the conflict by voting based on Glass, Lewis & Co.'s voting recommendation or obtaining written direction from the client on how to vote the proxy. Clients are able to request information about specific voting of securities by contacting their primary portfolio manager.

Clients may choose to vote their own proxies for all holdings or for specific holdings by letting Meritage know in writing or so designating on their investment adviser agreement. We will work with the custodian to ensure the account is handled outside of our normal proxy procedures in those cases.

Financial Information

Financial Condition

Registered investment advisers are required to provide certain financial information or disclosures about the adviser's financial condition. Meritage has no financial commitments that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceedings.

A balance sheet is not required to be provided because Meritage does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than $1,200 per client, and six months or more in advance.

Business Continuity Plan

Meritage has a Business Continuity Plan in place that provides detailed steps to lessen the severity and to quickly recover from the loss of office space, communications, services or key people.

The Business Continuity Plan covers potential problems resulting from natural disasters such as snow storms, hurricanes, tornadoes, and flooding. The Plan also covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, chemical or biological events, communications line outage, and Internet outage. The Meritage computer network is hosted in a highly secured, cloud-based environment with a live, active secondary, geographically diverse, host location should the primary location experience hardware, power or communication issues. The Meritage network can be accessed by our associates securely whether they are in the office, travelling or working remotely.

It is our intention to contact all clients within two days of a disaster that dictates moving our office to an alternate location. Such information will also be made immediately available on our website, www.meritageportfolio.com.

Because Meritage uses a team structure for support of the investment process and has a primary and secondary portfolio manager assigned to each account, we believe we have sufficiently protected the long-term continuation of management in the event of a principal's disability or death. Meritage personnel also have done extensive cross-training of trading and operational procedures and positions within the firm to ensure smooth, continuous operations in the event of a loss of an associate.

Firm Brochure Supplement

(Part 2B of Form ADV)

MERITAGE PORTFOLIO MANAGEMENT, INC.

7500 College Blvd. Suite 1212

Overland Park, KS 66210

913-345-7000

913-345-2213 (fax)

www.meritageportfolio.com

This brochure supplement provides information about the following associates which supplements the Meritage brochure. You should have received a copy of that brochure. Please contact Deborah Eveans, Chief Compliance Officer, if you did not receive Meritage's brochure or if you have any questions about the contents of this supplement.

Mark E. Eveans, CFA, CIC
James M. Klein, CFA, CIC
Leonard C. Mitchell, CFA
Sharon L. Divine, CFA
Zachary H. Shafran
Clinton W. Anderson, CFA
John M. Wallis, CFA
Christopher E. Hayes
Ryan A. Chiaverini, CFA, CPA
Philip M. Cole, CFA
Corey J. Saathoff
MeLissa P. Trujillo

March 11, 2024

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

It is the policy of Meritage to employ those people who have distinguished themselves in academic work, as well as previous related industry experience. We subscribe to the ethical standards as set forth by the Institute of Chartered Financial Analysts. It is Meritage's policy to encourage participation in such professional organizations as the CFA Institute and the attendance of seminars for the advancement of knowledge and skills.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Chartered Financial Analyst (CFA): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA certification requirements:

- Hold a bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of three sequential, six-hour exam levels of the CFA Program over two to four years. The three levels of the CFA program test a wide range of investment topics, including ethical and professional standards, fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning.
- Have four years of acceptable professional work experience in the investment decision-making process.
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

Chartered Investment Counselor (CIC): The Chartered Investment Counselor (CIC) charter is a professional designation established in 1975 and awarded by the Investment Adviser Association (IAA). The Charter was designed to recognize the special qualifications of persons employed by IAA member firms whose primary duties involve investment counseling and portfolio management. CIC requirements:

- Employed by a member firm of the IAA in an eligible occupational position for at least one year.
- A minimum of five cumulative years work experience in one or more eligible occupational positions.
- Complete the CFA exams and hold the CFA certificate.
- Endorse the IAA's Standards for Practice and provide professional ethical information.

Certified Public Accountant (CPA): A CPA is an individual who has passed the Uniform CPA Examination and received their CPA certificate and/or CPA license from their respective State Board of Accountancy. Each state has its own education and experience requirements that must be met before a candidate is given permission to take the exam and obtain a certificate and license.

- State licensing requirements vary, but the minimum standard requirements include 150 semester units of college education (at least a bachelor's degree) since the year 2000 and generally two years of accounting related experience.
- Continuing professional education (CPE) is also required to maintain licensure, including ethics training requirements as determined by the respective State Board of Accountancy.

MARK EVERETT EVEANS, CFA, CIC

Educational Background:

- Date of birth: March 3, 1945
- Bachelor of Business Administration, Finance – Wichita State University, 1968.
- Master of Science, Finance – Wichita State University, 1970.

Business Experience:

President, Director and Co-Chief Investment Officer, Meritage Portfolio Management, Inc., July 1991 to Present.

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for Mark Eveans.

Other Business Activities: None

Additional Compensation:

Mark Eveans is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on his individual contribution to the success of the firm. Mr. Eveans is not compensated via commissions on any new or existing clients or on any type of trading activity.

Supervision:

Mark Eveans is a member of the Meritage Investment Team and his activities and investment decisions are subject to review by that Team. Mr. Eveans' activities are also monitored by his fellow associates through regular Investment Team meetings and through our email archiving system and our client data base. The client data base is used to capture and save client relationship interaction and information. A secondary portfolio manager is assigned to Mr. Eveans' accounts to review and acknowledge all regular client communications and to also sit in on client meetings when appropriate.

JAMES MILGRAM KLEIN, CFA, CIC

Educational Background:

- Date of birth: August 30, 1956
- Bachelor of Science, Economics – University of Pennsylvania – Wharton School, 1978.
- Master of Business Administration, Finance – University of Chicago, 1980.

Business Experience:

Director, Principal and Senior Portfolio Manager, Meritage Portfolio Management, Inc., July 1991 to Present.

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for James Klein.

Other Business Activities: None

Additional Compensation:

James Klein is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on his individual contribution to the success of the firm. Mr. Klein is not compensated via commissions on any new or existing clients or on any type of trading activity.

Supervision:

James Klein is a member of the Meritage Investment Team and his activities and investment decisions are subject to review by that Team. Mr. Klein's activities are also monitored by his fellow associates through regular Investment Team meetings and through our email archiving system and our client data base. The client data base is used to capture and save client relationship interaction and information. A secondary portfolio manager is assigned to Mr. Klein's accounts to review and acknowledge all regular client communications and to also sit in on client meetings when appropriate.

LEONARD CURTIS MITCHELL, CFA

Educational Background:

- Date of birth: July 20, 1953
- Bachelor of Business Administration, Accounting – Texas Christian University, 1975.
- Master of Business Administration, Finance – Texas Christian University, 1978.

Business Experience:

Principal and Senior Portfolio Manager, Meritage Portfolio Management, Inc., July 1998 to Present.

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for Leonard Mitchell.

Other Business Activities: None

Additional Compensation:

Leonard Mitchell is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on his individual contribution to the success of the firm. Mr. Mitchell is not compensated via commissions on any new or existing clients or on any type of trading activity.

Supervision:

Leonard Mitchell is a member of the Meritage Investment Team and his activities and investment decisions are subject to review by that Team. Mr. Mitchell's activities are also monitored by his fellow associates through regular Investment Team meetings and through our email archiving system and our client data base. The client data base is used to capture and save client relationship interaction and information. A secondary portfolio manager is assigned to Mr. Mitchell's accounts to review and acknowledge all regular client communications and to also sit in on client meetings when appropriate.

SHARON LEE DIVINE, CFA

Educational Background:

- Date of birth: June 9, 1960
- Bachelor of Business Administration, Computer Based Information Systems – University of Missouri-Kansas City, 1988.
- Master of Business Administration, Finance – University of Missouri-Kansas City, 1989.

Business Experience:

Principal and Senior Portfolio Manager, Director of Quantitative Research, Meritage Portfolio Management, Inc., November 1993 to Present.

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for Sharon Divine.

Other Business Activities: None

Additional Compensation:

Sharon Divine is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on her individual contribution to the success of the firm. Ms. Divine is not compensated via commissions on any new or existing clients or on any type of trading activity.

Supervision:

Sharon Divine is a member of the Meritage Investment Team and her activities and investment decisions are subject to review by that Team. Ms. Divine's activities are also monitored by her fellow associates through regular Investment Team meetings and through our email archiving system and our client data base. The client data base is used to capture and save client relationship interaction and information. A secondary portfolio manager is assigned to Ms. Divine's accounts to review and acknowledge all regular client communications and to also sit in on client meetings when appropriate.

ZACHARY HOWARD SHAFRAN

Educational Background:

- Date of birth: October 12, 1965
- Bachelor of Business Administration, University of Missouri – Kansas City, 1988.

- Master of Business Administration, University of Missouri – Kansas City, 1992

Business Experience:

Co-Chief Investment Officer, Senior Portfolio Manager, Meritage Portfolio Management, Inc., November 2022 to Present.

Co-Portfolio Manager – Delaware Ivy Science & Technology Fund, Macquarie Asset Management, January 2022 to April 2022

Co-Portfolio Manager, Waddell & Reed Advisors Science & Technology Fund, Waddell & Reed Investment Management Company, 1990 to December 2021

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for Zachary Shafran.

Other Business Activities: None

Additional Compensation:

Zachary Shafran is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on his individual contribution to the success of the firm. Mr. Shafran is not compensated via commissions on any new or existing clients or on any type of trading activity.

Supervision:

Zachary Shafran is a member of the Meritage Investment Team and his activities and investment decisions are subject to review by that team and further supervised by Mark E. Eveans, President and Co-Chief Investment Officer. Mr. Eveans, can be contacted via phone at 913-345-7000 or via email at meveans@meritageportfolio.com.

CLINTON WADE ANDERSON, CFA

Educational Background:

- Date of birth: June 24, 1976
- Bachelor of Business Administration, Finance – University of Iowa, 1998.

Business Experience:

Senior Portfolio Manager and Investment Analyst, Meritage Portfolio Management, Inc., January 2006 to Present.

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for Clinton Anderson.

Other Business Activities: None

Additional Compensation:

Clinton Anderson is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on his individual contribution to the success of the firm. Mr. Anderson is not compensated via commissions on any new or existing clients or on any type of trading activity.

Supervision:

Clinton Anderson is a member of the Meritage Investment Team and his activities and investment decisions are subject to review by that team and further supervised by Mark E. Eveans, President and Co-Chief Investment Officer. Mr. Eveans, can be contacted via phone at 913-345-7000 or via email at meveans@meritageportfolio.com.

Educational Background:

- Date of birth: October 6, 1962
- Bachelor of Science, Justice Studies – Arizona State University, 1985.
- Master of Business Administration – Avila University, Kansas City, MO, 1990

Business Experience:

Portfolio Manager, Meritage Portfolio Management, Inc. July 2012 to Present

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for John Wallis.

Other Business Activities: None

Additional Compensation:

John Wallis is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on his individual contribution to the success of the firm. Mr. Wallis is not compensated via commissions on any new or existing clients or on any type of trading activity.

Supervision:

John Wallis is a member of the Meritage Investment Team and his activities and investment decisions are subject to review by that team and further supervised by Mark Eveans, President and Co-Chief Investment Officer. Mr. Eveans can be contacted via phone at 913-345-7000 or via email at meveans@meritageportfolio.com.

CHRISTOPHER ELLIOT HAYES

Educational Background:

- Date of birth: September 6, 1981
- Bachelor of Arts, English –Georgetown University, 2004.
- Master of Business Administration – INSEAD Business School, Fountainebleau, France, 2014

Business Experience:

Fixed Income Senior Portfolio Manager, Meritage Portfolio Management, Inc. February 2023 to Present

Head of Trading, Antora Peak Capital Management, December 2018 to October 2022

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for Christopher Hayes.

Other Business Activities: None

Additional Compensation:

Christopher Hayes is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on his individual contribution to the success of the firm. Mr. Hayes is not compensated via commissions on any new or existing clients or on any type of trading activity.

Supervision:

Christopher Hayes is a member of the Meritage Investment Team and his activities and investment decisions are subject to review by that team and further supervised by Mark Eveans, President and Co-Chief Investment Officer. Mr. Eveans can be contacted via phone at 913-345-7000 or via email at meveans@meritageportfolio.com.

RYAN ANTHONY CHIAVERINI, CFA, CPA

Educational Background:

- Date of birth: April 21, 1976
- Bachelor of Science, Business – Kansas State University, 1998.
- Master of Business Administration, Finance – University of Missouri, Kansas City, 2004.

Business Experience:

Client Portfolio Manager, Meritage Portfolio Management, Inc., September 2017 to Present.

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for Ryan Chiaverini.

Other Business Activities: None

Additional Compensation:

Ryan Chiaverini is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on his individual contribution to the success of the firm. Mr. Chiaverini is not compensated on any type of trading activity, but does receive compensation as calculated with a percentage of net new client revenue for which he is responsible.

Supervision:

Ryan Chiaverini is a member of the Meritage Investment Team and his activities and investment decisions are subject to review by that team and further supervised by Mark Eveans, President and Co-Chief Investment Officer. Mr. Eveans can be contacted via phone at 913-345-7000 or via email at meveans@meritageportfolio.com.

PHILIP MARTIN COLE, CFA

Educational Background:

- Date of birth: December 11, 1988
- Bachelor of Science, Finance & Economics – University of Kansas, 2012.

Business Experience:

Client Portfolio Manager, Meritage Portfolio Management, Inc., August 2022 to Present.

Vice President – Private Client Advisor, Bank of America Private Bank, April 2017 – August 2022

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for Philip Cole.

Other Business Activities: None

Additional Compensation:

Philip Cole is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on his individual contribution to the success of the firm. Mr. Cole is not compensated on any type of trading activity, but does receive compensation as calculated with a percentage of net new client revenue for which he is responsible.

Supervision:

Philip Cole is a member of the Meritage Investment Team and his activities and investment decisions are subject to review by that team and further supervised by James Klein, Principal and Senior Portfolio Manager. Mr. Klein can be contacted via phone at 913-345-7000 or via email at jklein@meritageportfolio.com.

COREY JOHN SAATHOFF

Educational Background:

- Date of birth: April 15, 1971
- Bachelor of Science, Electrical Engineering – Kansas State University, 1994.
- Master of Business Administration, Finance – Kansas State University, 1996.

Business Experience:

Director of Equity Trading and Portfolio Analyst, Meritage Portfolio Management, Inc., June 1996 to Present.

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for Corey Saathoff.

Other Business Activities: None

Additional Compensation:

Corey Saathoff is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on his individual contribution to the success of the firm. Mr. Saathoff is not compensated via commissions on any new or existing clients or on any type of trading activity.

Supervision:

Corey Saathoff is a member of the Meritage Investment Team and his activities in executing the trading activities and investment decisions are subject to review by that team and further supervised by Mark E. Eveans, President and Co-Chief Investment Officer. Mr. Eveans can be contacted via phone at 913-345-7000 or via email at meveans@meritageportfolio.com.

MELISSA PEREZ TRUJILLO

Educational Background:

- Date of birth: February 6, 1977
- Bachelor of Business Administration - Washburn University, 2003.

Business Experience:

Senior Portfolio Administrator and Equity Trading, Meritage Portfolio Management, Inc., August 2021 to Present.

Registered Senior Wealth Management Client Associate, Merrill Lynch, November 2013 to August 2021.

Disciplinary Information:

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this item for MeLissa Trujillo.

Other Business Activities: None

Additional Compensation:

MeLissa Trujillo is a salaried associate of Meritage and is eligible for bonus compensation based on the overall profitability of the firm and on her individual contribution to the success of the firm. Ms. Trujillo is not compensated via commissions on any new or existing clients or on any type of trading activity.

Supervision:

MeLissa Trujillo is a member of the Meritage Investment Team and her activities and investment decisions are subject to review by that team and further supervised by Mark Eveans, President and Co-Chief Investment Officer. Mr. Eveans can be contacted via phone at 913-345-7000 or via email at meveans@meritageportfolio.com.