



# Verity Investments, Inc.

Registered Investment Advisor, Member FINRA, SIPC

Sub Advisory Platform

Policies and Procedures

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## ***About Verity***

Verity Investments, Inc., an SEC-Registered Investment Adviser and independent broker-dealer, was formed in 1996 as a subsidiary of Verity Asset Management. Our objective is to deliver a blend of superior investment management and proactive client service in an environment dedicated to progressive platform improvement. Through the continuing efforts of an expanding team of creative and committed individuals, we have built our organization on the foundations of uncompromising integrity, reliable investment management, operational innovation, and responsiveness to an evolving industry landscape.

The heart of our enterprise is an investment management process built around a broad tactical approach to the allocation of client assets. Its design seeks market beating growth over time with careful attention to the containment of both volatility and absolute downside risk. To the advisor, its value is further enhanced through its effective integration with our unique advisory platform and proprietary software solutions to provide a more expansive service offering to clients, covering the management of both personal assets and assets held in employer plans.

From our beginning, Verity has carved out a uniquely compelling niche presence among retirement plan participants at educational institutions of all types, including universities, hospitals, community colleges, and public school systems. In the process, we have developed strong lines of communication with selected industry leaders. Our platform integrates directly with both TIAA-CREF and Fidelity Investments to provide elective advisory services for plan participants at institutions nationally where advisor integration is permitted, and we have years of experience with the allocation of investment options offered by each.

We bring to the execution of our role a depth and breadth of experience that encompasses years as both a direct vendor in 403(b) plans and an investment advisor to individual plan participants across the spectrum of defined contribution plans. In our efforts to help elevate the overall quality of investment guidance to plan participants, we have contributed to the thought processes and innovations that are now delivering new and enhanced opportunities to advisors and participants alike in a growing number of institutions.

Never content to accept the status quo as a destination, we remain continually responsive to the ideas and insights of advisors as we seek to enhance our service offering as one of those firms on the cutting edge of this rapidly developing marketplace. We continue developing new relationships built on trust, integrity, and effective communication.

*- - Your Team at Verity Investments*

## **1.0 Working with Verity**

### **1.1 Licensing Requirements**

Prior to initiating any sales discussions or enrolling any client accounts, contact your company's compliance department to determine if any licensing, registrations, or approval procedures are required. Advisors are solely responsible to ensure all licensing and approval requirements are met.

### **1.2 Accessing Account Information and Performance Reporting**

Verity has contracted with Orion Advisor Services to provide industry leading technology tools. Orion not only consolidates all data for your clients' TIAA-CREF and Fidelity accounts that are managed by Verity, but also provides portal access for you to monitor allocations; view fees collected, and run performance reports. Ask your company for more information about accessibility to this resource.

### **1.3 Statements**

Account statements are generally sent on a monthly or quarterly basis, according to the terms and policies of the respective Custodian of record for the Account. The applicable Custodian will also provide any tax forms, confirmations, and additional documents as required by their policies and procedures or by law.

### **1.4 Advisory Fees**

Investment advisory fees are generally deducted on a quarterly basis according to the applicable Advisory Agreement and fee schedule implemented. Review your firm's Advisory Agreement for specific details regarding the applicable fee schedule and timing of investment advisory fees.

### **1.5 Resources**

**Verity Investments - Michael Welton**, VP Business Development, Phone: (877) 783-7489

**Market Commentary and Outlook** - A quarterly commentary published by Verity

**403(b) Fact Sheets** - Information specific to managing workplace retirement accounts

**Performance Sheets** - Performance data for models managed at each Custodian

## **2.0 Custodians and Enrollment Process**

Contact your Compliance Department to determine which custodians, platforms and models are available. Your Compliance Department can also determine if any additional paperwork or disclosures are required. Such items may include additional licensing, registration, suitability documentation, new account registration, etc.

### **2.1 Working with Trust Company of America**

This platform provides an open architecture for managing accounts. For accounts registered with Trust Company of America and managed in the Multi-Manager Unified Account Program, the following paperwork is required:

- New Account Application (if not already established)
- Transfer of Assets form (if applicable)
- MMUAP Account Registration Form
- Your firm's ADV Part II, Advisory Agreement and any other items your firm may require

## **2.2 Working with Fidelity Investments Workplace Retirement Accounts**

Workplace retirement accounts registered with Fidelity Investments require the following:

- Fidelity New Account Application (if not already established)
- Fidelity Transfer of Assets form (if applicable)
- Fidelity Salary Reduction Agreement (if not already established)
- Fidelity Investments Registered Investment Advisor Authorization form
- Verity Account Registration form with Model selection
- Your firm's ADV Part II, Advisory Agreement and any other items your firm may require.

## **2.3 Working with TIAA-CREF Workplace Retirement Accounts**

Workplace retirement accounts registered with TIAA-CREF require the following:

- TIAA-CREF New Account Application (if not already established)
- TIAA-CREF Transfer of Assets form (if applicable)
- TIAA-CREF Salary Reduction Agreement (if not already established)
- TIAA-CREF Authorization to Access and Fee Billing form
- Verity Account Registration form with Model selection
- Your firm's ADV Part II, Advisory Agreement and any other items your firm may require.

## **2.4 FOLIO Institutional Paperwork**

This platform provides an open architecture for managing accounts. For accounts registered through FOLIO Institutional, contact your Compliance Department to determine the necessary steps to select Verity Investments as a Model Manager on the platform.

## **3.0 Working with Workplace Retirement Accounts**

### **3.1 What are elective advisory services?**

Where elective advisory services are available, a plan participant can authorize a Registered Investment Adviser to manage their workplace retirement account for a fee. The employer determines which Custodians are available within the plan along with the investment options available at each Custodian. Fees are generally deducted directly from the plan participant's account on a pre-tax and non-reportable basis.

### **3.2 Plan types available for account management**

Most workplace tax-exempt retirement plan types can permit elective advisory services. These plan types may include: 403(b), 401(a), 401(k), and 457 plans. Please note that elective advisory services in 401(k) plan types are generally limited to those plans offered by tax-exempt organizations.

### **3.3 How fee deduction works with a workplace retirement account**

Once the proper permissions are granted by the plan participant with the applicable Custodian and the Advisory Agreement is implemented, the Registered Investment Adviser manages the account according to the Model selected and deducts an advisory fee in accordance with the agreed upon fee schedule. In most cases, Verity will submit Advisory fee requests to the applicable Custodian and forward the applicable percentage to the Advisor's firm for further processing. This process is generally completed within 30 days of the initial fee request.

### **3.4 Working with plan participants/Rules of engagement**

Providing your clients with professional money management services for their workplace retirement accounts can be valuable both to your clients and practice. It is important to note that neither the plan sponsor (the employer) nor the Custodian (TIAA-CREF or Fidelity Investments) has any affiliation with you or Verity, and does not endorse, promote, or authorize you or Verity in any way. This service is strictly an elective advisory service for plan participants (employees). Any suggestions otherwise by an Advisor may result in termination of the service by the plan sponsor and/or restrictions enacted by the Custodian.

Any use of the employer or Custodian's name, including any subsidiaries or affiliates, is strictly prohibited without prior written consent. An Advisor may not imply any consent, privilege, representation, endorsement, affiliation, or other connection to any employer or Custodian without prior written permission. Unsolicited use of workplace electronic mail and phone systems is strictly prohibited. Similarly, unsolicited on-site visits, including the distribution of marketing material, are generally prohibited and, if permitted, conducted according to the employer's policies and procedures.

*Verity Investments, Inc. is not sponsored by, affiliated with, or in any way related to TIAA-CREF, Fidelity Investments or any of their affiliates or subsidiaries. Neither TIAA-CREF nor Fidelity Investments has reviewed, or is responsible for, any content generated by Verity Investments, Inc.*

## **4.0 Verity Models and Availability**

### **4.1 Investment Philosophy**

#### *Global Tactical Asset Allocation*

Verity's tactical asset allocation process was developed over many years of market observation. It integrates the insights of academic theory and the lessons of market history with the practical experience gained by effectively leading individual investors through good markets and bad. In basic terms, it is designed to generate growth using a dual focus on prevailing trends and underpriced segments of the market. To capture and retain that growth, the firm's process seeks to simultaneously manage risk more thoroughly and effectively than traditional strategic asset allocation strategies.

### *Portfolio Management Process*

Fund options are evaluated on multiple levels – and allocations are adjusted according to prevailing trends, current valuations, and the correlation characteristics of the various securities. In targeting how best to achieve optimal portfolio objectives, the Investment Committee looks at the specific content of the various funds to consider the underlying holdings and sector weightings, among other factors.

### *Risk Management*

Risk is managed through careful selection of investments, diversification across multiple asset classes, and by monitoring the level of cash held in the portfolio. In part, allocations to cash are evaluated based on available interest rates in relation to prevailing risk/reward characteristics of the equity, bond, or real estate markets.

## **4.2 Moderate Model - Available for accounts managed at Trust Company of America, FOLIO Institutional, and workplace retirement plans managed at Fidelity Investments and TIAA-CREF.**

The Moderate Model is designed for clients seeking growth of capital with a material reduction of risk compared to a typical diversified equity portfolio. The objective of this portfolio is to achieve growth in principal with an emphasis on avoiding years of significant decline in value, thus providing opportunity for solid though not spectacular long term growth.

Using a tactical asset allocation methodology, this portfolio is generally weighted more heavily in asset classes that appear undervalued relative to historical norms and/or supply and demand conditions. Multiple strategies may also be used for risk management purposes. Technical analysis guides entry and exit points for certain of the chosen positions.

On the Trust Company of America or FOLIO Institutional platforms, the model may be allocated at various times with direct exposure to domestic and foreign equity and debt securities, emerging markets equity and debt, commodities, real estate, foreign currency, short equity and debt positions, and money markets. Securities may be selected from open and closed-end mutual funds, exchange-traded funds, and individual equities. The investment adviser does not use leverage or derivatives, although it may strategically invest in funds that use leverage and derivatives of certain types.

When used in workplace retirement accounts, strategies are developed based upon careful assessment of the specific set of fund options offered by each workplace retirement plan. Allocation limitations may exist due to the investment options available within a particular workplace retirement plan. Morningstar Snapshots<sup>®</sup> showing detailed portfolio data for representative examples are available upon request.

Although broad diversification is employed with the intent to realize opportunity while limiting volatility, there can be no assurance that securities of various types and combinations will not result in greater volatility and risk of loss should the assessment of market conditions and choice of risk management strategies prove incorrect. Given the broadly diversified and dynamic tactical asset allocation strategy,

the Moderate Model is neither designed to correlate to the performance of any benchmark index, nor can a benchmark accurately reflect the potentially changing mix of asset classes over various periods for which performance may be illustrated. However, based on past experience and research, this approach to diversification is reasonably expected to provide substantial reduction in volatility relative to a purely equity-based portfolio.

**4.3 Core Model - Available for accounts managed at Trust Company of America, FOLIO Institutional, and workplace retirement plans managed at Fidelity Investments and TIAA-CREF.**

The objective of the Core Model is growth of capital, over the course of full market cycles, at a rate both superior to and less capricious than the broad equity markets. The portfolio is managed based upon an absolute return philosophy, which seeks to achieve progressive growth in assets from year to year with limited portfolio volatility.

Using a tactical asset allocation methodology, this portfolio is generally weighted more heavily in asset classes that appear undervalued relative to historical norms and/or supply and demand conditions. Multiple strategies may also be used for risk management purposes. Technical analysis guides entry and exit points for certain of the chosen positions.

On the Trust Company of America or FOLIO Institutional platforms, the model may be allocated at various times with direct exposure to domestic and foreign equity and debt securities, emerging markets equity and debt, commodities, real estate, foreign currency, and short equity and debt positions. Securities may be selected from open and closed-end mutual funds, exchange-traded funds, and individual equities. The investment adviser does not use leverage or derivatives, although it may strategically invest in funds that use leverage and derivatives of certain types..

When used in workplace retirement accounts, strategies are developed based upon careful assessment of the specific set of fund options offered by each workplace retirement plan. Allocation limitations may exist due to the investment options available within a particular workplace retirement plan. Morningstar Snapshots® showing detailed portfolio data for representative examples are available upon request.

Although broad diversification is employed with the intent to realize opportunity while limiting volatility, there can be no assurances that securities of various types and combinations will not result in greater volatility and risk of loss should the assessment of market conditions and choice of risk management strategies prove incorrect. The Core Model is neither designed to correlate to the performance of any benchmark index, nor can a benchmark index accurately reflect its changing mix of asset classes. However, based on past experience and research, this approach to diversification is reasonably expected to provide reduced volatility relative to an investment in the unmanaged S&P 500.

**4.4 Aggressive Model - Available for accounts managed at Trust Company of America and workplace retirement plans managed at Fidelity Investments and TIAA-CREF.**

The Aggressive Model, as the name suggests, is designed for clients seeking aggressive growth of capital. The objective of this portfolio is to seek returns that materially exceed average domestic equity returns over the long term. Greater volatility and risk of loss will be assumed in the effort to achieve this objective.

Using a tactical asset allocation methodology, this portfolio is generally weighted more heavily in asset classes that appear undervalued relative to historical norms and/or supply and demand conditions. Technical analysis guides entry and exit points for certain of the chosen positions.

On the Trust Company of America platform, the model may be invested at various times with direct exposure to domestic and foreign equity and debt securities, emerging markets equity and debt, commodities, real estate, foreign currency, and short equity and debt positions. Securities may be selected from open and closed-end mutual funds, exchange-traded funds, and individual equities. The investment adviser does not use leverage or derivatives, although it may strategically invest in funds that use leverage and derivatives of certain types.

When used in workplace retirement accounts, strategies are developed based upon careful assessment of the specific set of fund options offered by each workplace retirement plan. Allocation limitations may exist due to the investment options available within a particular workplace retirement plan. Morningstar Snapshots<sup>®</sup> showing detailed portfolio data for representative examples are available upon request.

Although broad diversification is generally employed with the intent to realize opportunity while limiting volatility, this portfolio may at times be more concentrated in certain market sectors and certain specific securities than would be the case with a typical diversified portfolio. It may also assume larger positions in historically volatile securities if, in the judgment of the investment committee, the risk/reward characteristics appear favorable. There can be no assurance that these strategies will be successful.

Given the broadly diversified and dynamic tactical asset allocation strategy, the Aggressive composite is neither designed to correlate to the performance of any benchmark index, nor can a benchmark accurately reflect its changing mix of asset classes over various periods for which performance may be illustrated.

**4.5 Specialized Models - Available for accounts managed at Trust Company of America.**

Verity also offers a variety of specialized models available through our Trust Company of America platform, including models focused on sectors, small-midcap value equities, and socially responsible investments. Additional information about these models and their objectives is available upon request.



Member FINRA, SIPC - Registered Investment Adviser



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