We believe it is important that our clients and investors understand the importance of working with an organization that maintains a fiduciary duty. The below article contains excerpts from the Institute for the Fiduciary Standard, a nonprofit formed in 2011 to benefit investors and society through its research, education and advocacy of the fiduciary standard's importance to investors, our capital markets and economy.

"Fiduciary duties exist to mitigate the knowledge gap between expert providers of socially important services – such as law, finance and medicine – and the non-expert, consumers of these services. This knowledge gap is neutralized by requiring experts to be fiduciaries. Fiduciaries are bound by an undivided loyalty to clients, to put clients' interests first, ahead of their own interests.

The Six Core Fiduciary Duties embody the major elements of fiduciary responsibility under the Advisers Act of 1940. The six duties are:

<u>Serve the client's best interest</u>
Loyalty requires that fiduciaries put the best interests of clients first. Doing so means clients' interests are put ahead of the advisor's interests, the interests of their firm, and the interests of all others at all times. While loyalty is essential to rendering *advice*, it is not required of those who distribute products and provide information and opinions about their products. Here is the key difference: a fiduciary represents and advises clients; a sales professional represents manufacturers and sells products.

<u>Act in utmost good faith</u>
The advisor must be truthful, honest and accurate in all communications. This includes everything the advisor says or writes about himself, his firm, his experience and his recommendations.

<u>Act prudently -- with the care, skill and judgment of a professional</u>
To act prudently is to act with *due care* and is the standard of a professional. Acting with skill, judgment and care, and in complete consideration of the circumstances of the client must be a fiduciary's second nature. Due care requires following a prudent process and having the knowledge to make appropriate recommendations.

<u>Avoid conflicts of interest</u>
Conflicts of interest have long been acknowledged as undermining advice that is independent and objective and unbiased. Conflicts of interest are generally deemed to be incentives, favors, benefits, and compensation which can reasonably be expected to interfere with unbiased advice.

<u>Disclose all material facts</u>
Advisors are required to make clear, complete and timely disclosure of all material facts and conflicts. These disclosures are typically set out in Form ADV. Material conflicts, those conflicts defined as being sufficiently significant such as to reasonably influence a client decision to not proceed with the engagement or transaction, require the greatest care.

<u>Control investment expenses</u>

The duty to control investment expenses is inherent in the duty of loyalty. Advisors are required to ensure that all vendor and investment expenses --- all fees, costs and expenses passed on to the investor -- are fair and reasonable in relation to the services and investments offered. The Six Core Fiduciary Duties reflect principles that have served society for centuries. In recent times, the legislative history of the Advisers Act set out in the 1930's underscored the need for fiduciary principles as the backbone of "competent, unbiased and continuous advice." Please visit the Institute for Fiduciary Standard to learn more."

http://www.thefiduciaryinstitute.org/