

# Investment Advisor Compliance Policy Manual

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## **A. Management Oversight**

Wenzel Analytics, Inc. (Wenzel Analytics) has adopted this Policy Manual to encourage compliance with its requirements as an investment adviser registered with the state of Minnesota. The sole employee is expected to be familiar with and to follow the firm's policies and procedures. Supplemental information to these policies and procedures is incorporated as an appendix.

Minnesota law imposes a fiduciary duty on investment advisers. As a fiduciary, Wenzel Analytics has a duty of utmost good faith to act solely in the best interests of each client. This fiduciary duty is the core principle underlying this policy manual, and represents the expected basis of all dealings with clients.

Lee Wenzel, President of Wenzel Analytics, is and will be the only employee. He is solely responsible for all operations and all compliance requirements. Since there is and will be only one employee, there is no supervision within the firm.

## **B. Code of Ethics and Personal Trading Policy**

### **1. Code of Ethics**

Minnesota law imposes a fiduciary duty on investment advisers. As a fiduciary, Wenzel Analytics has a duty of utmost good faith to act solely in the best interests of each client. Clients entrust Lee Wenzel with their funds, which in turn places a high standard on his conduct and integrity. This fiduciary duty is the core principle underlying this Code of Ethics and Personal Trading Policy, and represents the expected basis of all of dealings with clients.

#### **a. Standards of Conduct**

- 1). The interests of clients will be placed ahead of Lee's own investment interests.
- 2). Lee is expected to conduct his personal securities transaction in accordance with the Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest.
- 3). Lee is expected to act in the best interest of each client.
- 4). Lee is expected to comply with federal securities laws.

#### **b. Protection of Material Nonpublic Information**

- 1). Lee is expected to exercise diligence and care in maintaining and protecting clients' nonpublic, confidential information.
- 2). Lee is expected to not divulge information regarding client holdings to any individual other than the client except:
  - a). As necessary to complete transactions or account changes (for example, communications with the broker),
  - b). As necessary to maintain or service a client or his/her account (for example, communications with a client's accountant),
  - c). As necessary to maintain technology support for software and computer systems,
  - d). With the client's written request and consent, or
  - e). As required or permitted by applicable law.

c. Personal Trading Policy

- 1). Lee will not make a trade in a personal account that might impact the price or market for any security held by a client.
- 2). Lee will not buy or sell a security for a client that would in any way impact any securities held personally.
- 3). There should be no appearance or suggestion of impropriety in client transactions.
- 4). Personal accounts will be traded, managed and reported like every other client account.

d. Records of prior Codes of Ethics and Policies

Wenzel Analytics will maintain copies of all previous Codes of Ethics and Personal Trading Policies, as well as personal transactions and holdings.

e. Code of Ethics Violations

If Lee violates the Code of Ethics or Personal Trading Policy, he will consider the most appropriate manner to mitigate the violation, depending upon the facts and circumstance of the violation, including a documented review to ensure clients are made whole, if necessary, and possible disclosure of the violation.

**C. Record Keeping Policy**

1. Most client records must be maintained for a minimum of five years.
2. Certain records must be maintained for the life of Wenzel Analytics.
3. See Appendix A for specific record keeping requirements.

**D. Privacy Policy**

1. Definitions

For purposes of this policy, the terms "Consumer", "Client" and "Confidential Information" have the following definitions.

- a. "Consumer" is not necessarily a client but may be anyone who obtains services from Wenzel Analytics used primarily for personal, family or household purposes. Examples of consumer relationships include:
  - 1). A prospect with whom Wenzel Analytics is actively pursuing a client relationship, or
  - 2). A prospect who provides nonpublic information, such as net worth or portfolio size.
  - 3). Anyone wanting financial or family perspectives who may or may not be a client or even a prospective client and who does not pay a fee for such services.
- b. "Client" means an individual or family who has signed a client agreement with Wenzel Analytics that has not been canceled, for whom Wenzel Analytics is managing one or more accounts, and making quarterly reports.
- c. "Confidential Information" is personally identifiable private information (Information not available from public sources such as the phone book or a website) about the client or consumer, including information regarding name and address, age, social security number, assets, income, net-worth, account balance, account number, bank account information, beneficiary information and investment activity (such as purchase and redemption history).

## 2. Overview

Wenzel Analytics collects nonpublic information about clients and consumers. I will not share nonpublic personal information about clients or consumers with third parties not affiliated with Wenzel Analytics, except as noted below. Specifically, Wenzel Analytics may share nonpublic personal information as necessary:

- a. To complete transactions or account changes;
- b. To maintain or service a client's account;
- c. If requested or authorized to do so by a client;
- d. With contracted service providers providing administrative function for Wenzel Analytics;  
or
- e. If Wenzel Analytics is required or permitted by law or regulatory authorities with jurisdiction over the firm to do so.

## 3. Safeguarding of Client Records and Information

Wenzel Analytics will maintain administrative, technical and physical safeguards reasonably designed to ensure the security and confidentiality of client records and information. To protect this information, I:

- a. Do not collect or store information that we do not need. Since Wenzel Analytics is a one-person firm, written client information is not needed as a means of communication between employees. Information that is not likely to be forgotten, or that may not be relevant in the future, is not recorded.
- b. Recognize all clients' voices for telephone identification.
- c. Maintain appropriate security measures for computer and information systems, including the use of passwords and firewalls.
- d. Use appropriate physical security measures to safeguard what little client information is stored in paper format.

### **E. Insider Trading Policy**

Wenzel Analytics does not have access to any material, nonpublic information regarding securities. Such information, if used in making transactions, is frequently referred to as "insider trading." Insider trading is therefore not a possibility or an issue. If I should ever stumble upon such information, I would not act upon it. I only buy and sell publicly traded companies, and gather all my research data from publically available sources.

### **F. Trading and Brokerage Policy**

1. Wenzel Analytics uses Scottrade Advisor Services exclusively for trading and custody of all clients' accounts. This selection was made after extensive experience and personal experimentation with multiple brokers. Scottrade Advisor Services provides dedicated account representatives who provide exceptional client services, provides good trading executions, has an efficient and non-error prone platform, and transaction fees of \$7 or less.
2. The official records for all holdings and transactions are provided by the account custodian. Proper completion of all Scottrade forms is a responsibility between Scottrade and their clients (which are also Wenzel Analytics clients). Wenzel Analytics is not a Scottrade employee or representative. Wenzel Analytics is not liable for Scottrade Advisor Services actions. If a client is not comfortable with Scottrade Advisor Services as their custodian and broker, they do not need to be a Wenzel Analytics client.

### 3. Trade Aggregation and Allocation

- a. Wenzel Analytics strives to treat all clients in a fair and equitable manner when it comes to allocating aggregate transactions.
- b. With the recent addition of upload order capabilities, almost all orders are either very few and placed for specific accounts, or they are uploaded in bulk and also placed in specific accounts. Therefore, it is very unusual to have to allocate an order between alternative accounts. On the rare occasion when it is necessary to allocate an order, the accounts selected for the allocations are made randomly.

### 4. Trade Error Correction

It is Wenzel Analytics' policy to ensure clients are made whole following a trade error. Specifically, when Wenzel Analytics causes a trade error to occur in a client account that results in a loss, Wenzel Analytics will reimburse the client. If the trade error results in a gain, the client will keep that gain. Wenzel Analytics has not had a trading error since the uploading of orders which eliminated the need to key in order data.

### 5. No Use of Brokerage Research

Wenzel Analytics does not use research information provided by Scottrade Advisor Services.

### 6. Compensation from Financial Products

Wenzel Analytics does not sell financial products, nor trade mutual funds. All revenue comes from client fees.

## **G. Portfolio Management**

### 1. Portfolio Valuation

- a. Wenzel Analytics uses pricing information from Scottrade Advisor Services to value accounts and portfolios.
- b. The official valuation record is that provided by Scottrade Advisor Services. The function of Wenzel Analytics' reports is to provide context and interpretation, such as performance and allocation.
- c. Calculating quarterly fees is the only time when Wenzel Analytics client financial records have more than an interpretative function.

### 2. Account Reviews

- a. All positions are reviewed frequently. At a minimum this is weekly; often it is daily. Certain positions are flagged for more continuous tracking.
- b. Household allocation takes place whenever new positions are purchased. This happens whenever a judgment is made that the accumulated cash is not prudent in view of how the market is appraised.

### 3. Account Reconciliations

- a. Transaction data is downloaded daily from Scottrade Advisor Services.
- b. Fund Manager, the software used for portfolio management and performance calculations and charts, has a feature which quickly reconciles all accounts to Scottrade Advisor Services.
- c. All holdings - past, present and buying - are also stored and managed in an Excel database. This is reconciled frequently to Fund Manager.

#### 4. Corporate Action Monitoring

Wenzel Analytics does not monitor corporate actions. It is the responsibility of the client to monitor and respond to corporate actions, including proxy voting.

### **H. Custody and Possession of Client Assets**

#### 1. Custody Policy

Client assets are held by Scottrade Advisor Services. The following procedures are designed to help ensure that Wenzel Analytics does not inadvertently obtain custody (other than by the deduction of advisory fees) of client assets:

- a. Prior written authorization from the client is necessary before deducting fees directly from the clients' account. This part of the initial management agreement, but may be amended.
- b. Client securities are not held in Wenzel Analytics' name or in bearer form.
- c. There are no payments of fees in advance.
- d. Proceeds from the redemption of client securities may not be directed to Wenzel Analytics.
- e. Wenzel Analytics does not have signatory power over clients' checking or custodial accounts.
- f. Wenzel Analytics does not serve as a trustee over client accounts, unless possibly, if the client is an immediate family member.
- g. Scottrade Advisor Services only sends redemptions to the owner of the account and to the address of record. Requests for a wire must be accompanied by a client authorization.
- h. Custodial statements are sent by Scottrade Advisor Services directly to the client. Clients have electronic access to their accounts at Scottrade.
- i. If clients want assistance in opening a custodial account, they are sent to a Scottrade retail office.

#### 2. Wenzel Analytics Receipt of Funds or Certificates

- a. Clients are instructed to never send funds or certificates to Wenzel Analytics.
- b. In eleven and a half years, this has never happened or been an issue.
- c. If sent by mistake, they would be returned immediately.

### **I. Client Disclosures Policy**

#### 1. Delivery of Disclosure Brochure

The Advisors Act requires Wenzel Analytics to provide a written disclosure, known as a disclosure "brochure", to prospective clients and to offer a written brochure to existing clients, as described below. Part II of Form ADV serves as this brochure.

- a. Initial Delivery
  - 1). The brochure must be furnished to a client or prospective client either at least 48 hours prior to entering into an advisory agreement, or at the same time of entering the advisory agreement, provided the client may terminate the agreement without penalty within five business days after entering into the agreement.
  - 2). Since the brochure is available in pdf format on our website, and easily found and identified, if the client reports having found and read the brochure, another copy is offered but may not be accepted by the client.

b. Offer or Delivery

- 1). The brochure is available to all current and prospective clients on the website.
- 2). A paper copy will be mailed without charge to anyone requesting the brochure.

c. Record Keeping

The date that our brochure was distributed or offered to clients or prospective clients will be recorded. This record will be maintained for a minimum of five years (See Record Keeping Policy).

2. Financial Condition of Wenzel Analytics

Wenzel Analytics will disclose to clients any financial condition that is reasonably likely to impair the ability to meet contractual commitments to clients.

3. Legal or Disciplinary Events of Wenzel Analytics

Wenzel Analytics will disclose to clients any legal or disciplinary event that may be material for a client to evaluate the integrity of the firm or ability to meet contractual commitments for a period of ten years from the time of the event.

**J. Communications Policy**

Discretion will be used in communicating client information, particularly holdings and performance information, to outside parties.

1. General Client or Prospect Communication Policies

- a. Wenzel Analytics will endeavor to ensure all client communications are presented fairly to clients in a balanced manner and are not misleading. In addition, I will endeavor to disclose all material facts to clients.
- b. When necessary, I will use appropriate disclosure language in connection with client or prospect communications.

2. Advertising and Marketing Communications

- a. Advertising and marketing materials are those communications that incorporate the offer of Wenzel Analytics' money management services. Such offers are rare. Most communications are merely descriptive.
- b. I do not recommend to anyone that they become a Wenzel Analytics client. Becoming a client is a very significant decision, accompanied by significant financial risk. While I will work very hard to secure the highest and most stable returns, I do not take responsibility for the client's decision to entrust me with the management of their money.
- c. A book-of-business performance report is published on the Wenzel Analytics website each quarter. It provides performance numbers and charts relative to the market for all accounts combined, plus for each of the three strategies and the portfolios within the respective strategies. It also includes historical performance, as well as explanations of how performance is calculated and how to incorporate management fee expenses.

The reports are actual numbers rather than hypothetical numbers. Since my personal account is more than twice as large as the next largest account, and since there are no fees on my own accounts, this report is not net of fees. Individual client reports are net of fees if the fees are withdrawn by the brokerage. Since fees are a combination of a flat fee plus a percentage of assets under management, the fees also vary by the size of the account and

thus would confuse a prospective client trying to estimate expenses. Historically, fees have changed and thus reporting net of fees would give a biased perspective.

- d. Wenzel Analytics does not use testimonials in any marketing materials.
- e. Wenzel Analytics does not make purchasing recommendations, nor is Wenzel Analytics paid to provide financial advice of any kind. Wenzel Analytics is solely a money management firm, and not a financial advisor. Occasionally Wenzel Analytics will provide a Monte Carlo analysis or other perspectives, but this is not a paid service and is provided to clients, prospects and non-prospects alike.

### 3. Client Report Communications

Extensive reports are made to each client each quarter, review performance since inception and reviewing more current performance of each strategy and portfolio in which the clients' funds are invested. The report includes charts and narrative comments, as well as a listing of all positions and the relative allocations by strategy and portfolio.

## **K. Solicitors**

Wenzel Analytics does not pay anyone for referrals or new clients, nor are there any reciprocal arrangements. Contractual arrangements are limited to:

1. Client Agreements
2. Scottrade Advisor Services
3. Financial newsletter subscriptions
4. Software tools and data
5. Normal office expenses, i.e. utilities, phones, etc.

## **II. Appendix A. Additional Information Regarding Record Keeping Requirements**

The following records must be maintained on a current basis. In addition, unless otherwise noted, these records (whether maintained in paper or electronic medium) should be maintained for a minimum of five years.

### **A. Financial and business records of Wenzel Analytics**

1. Accounting journal - including details regarding cash receipts, (date received, purpose and from whom received) and disbursements (date paid, purpose and to whom paid).
2. Financial statements of the firm, including tax records.
3. Checkbooks and bank statements.
4. Bills – paid and unpaid bills and statements relating to the firm’s business.
5. Articles of incorporation as a Sub-Chapter S Corporation, updates, filings, documents related to being a Registered Investment Advisor, and other corporate documents.

### **B. Investment and client service records**

1. A transaction history is available on Fund Manager, in an Excel database, and from Scottrade Advisor Services. The official record is kept by the custodian, not by Wenzel Analytics.
2. Allocations – These are shown in each quarterly report to each client. The allocation changes minute by minute when the market is open. The current allocation is available if the client should call and request it. The minute by minute record is not maintained.
3. Client communications – E-mails are stored, as is any written communication (rare). Telephone conversations are not recorded. Voice mails are recorded but usually not saved.
4. Since Wenzel Analytics is the active money manager, clients do not place orders and thus there is no liability for properly implementing specific client orders. The only orders are disbursement requests which are forwarded to Scottrade Advisor Services, with a cc of the e-mail to the client.
5. General entire-book-of-business quarterly performance reports are saved in both paper and electronic formats, as is the general client letter each quarter.
6. Research reports are saved. Those that are written up into a narrative form are posted on the website.
7. Client agreements and quarterly client reports are saved.