



## **FIRM BROCHURE AND BROCHURE SUPPLEMENT**

### **SPEARS ABACUS ADVISORS LLC**

147 East 48th Street  
New York, New York 10017  
[www.spearsabacus.com](http://www.spearsabacus.com)

This firm brochure and brochure supplement provides information about the qualifications and business practices of Spears Abacus Advisors LLC and its supervised persons. If you have any questions about the contents of this brochure, please contact Robert Morgenthau by telephone at 212.230.9853 or by electronic mail at [bob@spearsabacus.com](mailto:bob@spearsabacus.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 Spears Abacus Advisors LLC is available on the website maintained by the Securities and Exchange Commission at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 2022**

## **Material Changes**

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### **Material Changes Since Last Annual Amendment**

The 2021 annual updating amendment to this firm brochure and brochure supplement was filed in March 2021. Since then, no amendments have been filed. This annual updating amendment updates assets under management and other financial information and provides information about retirement plan rollovers.

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### **Full Brochure Available**

If at any time you would like to receive a copy of the current firm brochure, please contact Robert Morgenthau by telephone at 212.230.9853 or by electronic mail at [bob@spearsabacus.com](mailto:bob@spearsabacus.com). The current firm brochure and brochure supplement is also posted on the Spears Abacus website at [www.spearsabacus.com](http://www.spearsabacus.com).

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## **Advisory Business**

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### **Firm Description**

Spears Abacus Advisors LLC (SA) was organized as a limited liability company under the laws of the State of Delaware in 2006 and has offices in New York, New York. SA is registered as an investment advisor with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

### **Owners of SA**

SA is owned by Abacus and Associates Holdings, LLC, a New York limited liability company, James Breece, Margaret MacLennan, Robert Morgenthau, Paul Pfeiffer, John Raggio, Robert Raich, and Spears & Co. LLC.

### **Types of Advisory Services**

SA furnishes investment management services to individuals, charitable organizations (such as endowments and foundations), tax-exempt funds (such as pension and profit-sharing plans), pooled investment vehicles, and corporations, partnerships, and other business entities. SA also manages The BeeHive Fund, which is a separate series of Forum Funds, an open-ended investment company registered under the Investment Company Act of 1940.

SA services include the management of equity and fixed-income portfolios, as well as other specialty investment portfolios. SA generally manages the assets of its clients on a fully discretionary basis. SA sometimes reviews asset allocation for clients for whom it does not provide portfolio management. In addition, SA offers financial planning services.

### **Tailored Relationships**

SA tailors its investment advice to the particular needs, investment objectives, and investment guidelines of each of its clients. Clients may impose restrictions on investing in particular securities or types of securities.

### **Assets Under Management**

As of December 31, 2021, SA managed approximately \$1,972,800,000 of client assets on a discretionary basis and approximately \$34,400,000 of client assets on a non-discretionary basis. Its total assets under management as of that date were approximately \$2,007,200,000.

## **Fees and Compensation**

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### **Managed Accounts**

SA is generally paid an annual fee based on a percentage of the assets under management in a client account. With respect to relationships in which SA manages less than \$10,000,000, the

annual fee is (1) 1.50 percent of the first \$2,500,000, (2) 1.40 percent of the next \$2,500,000, (3) 1.30 percent of the next \$2,500,000, and (4) 1.20 percent of the next \$2,499,999. With respect to relationships in which SA manages \$10,000,000 or more, SA is generally paid an annual fee equal to (a) 1.25 percent of the first \$10,000,000 and (b) 0.90 percent of the remaining balance. Typically SA charges fees quarterly in advance, and in general SA deducts its fees directly from client accounts. A client may choose to be billed for fees rather than to have fees directly deducted. When it reviews asset allocation for clients for whom it does not provide portfolio management, SA is typically paid a fixed fee.

Fees may be negotiated based on the size and type of investments involved. A variance in fees may be appropriate in cases in which a client requests special account structures or has atypical objectives. SA has the flexibility to change, reduce, or waive its fees in its sole discretion and to increase or decrease the minimum account size.

SA computes its fees based on the market value of the assets in the account or, in the absence of a readily ascertainable market value, based on its good-faith determination of the fair value of the account assets. SA may hold cash in accounts for strategic and other purposes.

Client agreements for managed accounts generally permit either the client or SA to terminate the investment advisory relationship at any time. Termination becomes effective five days later, although no new securities transactions will be initiated after a termination. If a relationship terminates, SA refunds any unearned fees previously paid ratably based on the number of calendar days remaining after the termination date in the period as to which fees have been prepaid.

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### **The BeeHive Fund**

The advisory fee paid to SA by The BeeHive Fund is calculated as 0.75 percent per annum of the average daily net assets of the fund. If not reduced in whole or in part, the fee is accrued daily by the fund and is assessed based on average net assets on the last date of the previous month. The fee is paid monthly in arrears based on average net assets for the prior month. SA has contractually agreed to waive its advisory fee or to reimburse fund expenses, or both, in order to limit total annual fund operating expenses after fee waiver and expense reimbursement (excluding taxes, interest, portfolio transaction expenses, and extraordinary expenses) to 0.99 percent through April 30, 2021. This arrangement may be changed or eliminated with the consent of the board of trustees of Forum Funds.

SA is also entitled to charge the fund a distribution and service fee of 0.25 percent per annum, but SA has currently determined to waive this fee.

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### **Financial Planning Services**

SA sometimes provides financial planning services to clients for which it manages accounts at no additional fee.

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## **Retirement Plan Rollovers**

In 2021, the so-called “fiduciary rule” adopted by the Department of Labor became effective. Under the fiduciary rule, our firm and Supervised Persons may be considered fiduciaries under ERISA and the Code. Beginning February 1, 2022, investment advisors that provide fiduciary advice in connection with making an individual retirement account (an “IRA”) or other retirement account rollover recommendations must comply with prohibited transaction exemption PTE 2020-02.

We charge a level investment-management fee, either a fee based on assets under management or a flat fee, that does not vary on the basis of the investment advice provided. Consequently, we are not engaging in a prohibited transaction. In addition to other investment advisory services provided, we may receive a level investment-management fee from one or more clients in connection with providing advice to roll the assets from (1) a retirement plan into an IRA managed by our firm, (2) a retirement plan to another retirement plan, or (3) an IRA to another IRA. Under any of these scenarios, when providing fiduciary investment advice in the context of a rollover recommendation, we must comply with PTE 2020-02.

Pursuant to PTE 2020-02, each client or prospective client to whom we provide investment advice with respect to his retirement plan or IRA will confirm that we have acknowledged our fiduciary status and, in addition, have disclosed the advantages and disadvantages of staying in the existing retirement plan as opposed to transferring the assets to our firm for management, to another IRA, or, if permitted and eligible, to the retirement plan of a new employer. In the confirmation, the client or prospective client will specify the reasons why a recommendation to transfer assets from one retirement plan or IRA to another retirement plan or IRA is in his best interests.

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## **Brokerage and Other Fees**

Brokerage firms typically charge transaction fees on purchases or sales of securities, and account custodians may charge custodial fees. These charges are usually small in relation to the value of the account. The selection of the security is more important than the fees that a brokerage firm charges to buy or sell the security. Clients have the option to select a brokerage firm of their own choosing to execute transactions in the securities that SA recommends.

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## **Performance-Based Fees and Side-by-Side Management**

This item is not applicable.

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## **Types of Clients**

### **Description**

SA furnishes investment management services to individuals, charitable organizations (such as endowments and foundations), tax-exempt funds (such as pension and profit-sharing plans),

corporations, partnerships, an investment company, and other business entities. Several SA clients are persons and entities controlled or influenced by SA personnel or members of their families.

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### **Minimum Account Size**

SA generally requires a minimum of \$1 million for new managed accounts. The minimum initial investment for The BeeHive Fund is \$2,500. SA reserves the right to increase or decrease the minimum account size that it accepts.

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### **Know Your Client**

It is SA policy to know and understand the identities of clients and prospective clients and the business reasons for any transactions in which SA engages on behalf of its clients. SA does not directly or indirectly conduct business with any person or entity whose identity and source of funds have not been verified to the satisfaction of the account custodian.

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

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### **Investment Strategies**

With respect to those client accounts over which SA exercises discretionary authority, SA seeks to generate superior long-term capital appreciation through a focused portfolio of companies that SA believes to have dynamic businesses with leading and defensible market positions. The management philosophy of SA emphasizes specific security selection rather than asset allocation. SA looks for investments that it believes to offer favorable asymmetric expected-return profiles over the coming three-year period and to possess catalysts to unlock value.

SA portfolio construction includes the objective of issuer and industry diversification. Generally, clients authorize SA to invest their accounts primarily in publicly traded securities, shares of mutual funds and exchange-traded funds, and securities options contracts. The securities held in client accounts may include, among other things, common stock, preferred stock, partnership interests, limited liability company interests, and fixed-income securities.

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### **Fundamental Method of Analysis**

SA conducts proprietary fundamental research to develop an understanding of a business and its position within its industry. In this process, SA analyzes company filings and communicates with company management and industry analysts. SA creates financial models that consider multiple scenarios, including a reasonable worst-case scenario. Portfolio holdings are continuously monitored to seek to ensure that the initial rationale for investment remains. If it is determined that the initial reason for investment is no longer valid, SA may sell the holding. A portfolio holding may also be sold if the valuation exceeds a target, if valuation appears inconsistent with industry comparables, or if other investments with higher expected returns become available.



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## Sources of Information

The main sources of information used by SA include financial publications, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

SA uses information, reports, and data from various sources, but the investment decisions that SA makes on behalf of its clients are based primarily on its own internal research and analysis, as well as the experience of its key personnel. SA may obtain advice from financial analysts, attorneys, accountants, and other experts to assist in its investment analysis. In addition, SA may obtain research information from third parties, including published reports of companies and other issuers, general economic data, and governmental publications and data compilations.

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## Risk of Loss

All investment programs have certain risks that are borne by the investor. The investment approach employed by SA constantly keeps the risk of loss in mind. Like other investors, SA clients face the following investment risks:

**Dependence on SA:** The performance of an investment account at SA is critically dependent on the efforts of SA portfolio managers. Biographical information about SA portfolio managers is included in the brochure supplement at the end of this brochure. The portfolio managers devote the time and effort that they deem necessary to supervision of SA investment accounts, but they may have other business responsibilities. The past performance of SA and its portfolio managers may not be indicative of future results.

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. External factors cause this type of risk regardless of the particular circumstances that affect a security. For example, political, economic, and social conditions may influence market conditions.

**Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, fixed-rate bond coupons tend to become less attractive, which in turn causes bond market values to decline.

**Inflation Risk:** When inflation is present, a dollar today will not buy as much as a dollar next year, because the purchasing power of the dollar is eroding at the rate of inflation.

**Volatility Risk:** Volatility refers to the amount of uncertainty or risk about the size of changes in the value of a security. High volatility means that the value of a security may potentially be spread over a larger range of values. High volatility means that the price of the security may change dramatically over a short time period in either direction. Low volatility means that the value of a security does not fluctuate dramatically but instead changes at a relatively steady pace over a period of time. Many securities have experienced high volatility in recent years.

**Currency Risk:** A security that is not denominated in United States dollars is subject to fluctuations in the value of the United States dollar as against the currency in which the security is denominated. For example, the value of a security denominated in euros will decrease if the dollar strengthens against the euro. This type of risk is also called exchange-rate risk.

**Reinvestment Risk:** Future proceeds from investments may be reinvested at a lower rate of return because yields generally have decreased. This risk primarily relates to fixed-income securities.

**Business Risk:** This risk is associated with a particular industry or a particular issuer. For example, an oil production company depends upon a lengthy process of finding, transporting, and then selling oil before the company can generate a profit. As a result, an oil production company carries a higher risk of profitability variance than an electric company, which generates income from a relatively stable customer base that must purchase electricity regardless of the economic environment.

**Liquidity Risk:** Liquidity is the ready ability to convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, U.S. Treasury bills are highly liquid, while real estate is not. Only investors who are financially able to maintain their investment without a need for immediate liquidity should consider an investment with SA.

**Financial Risk:** Excessive borrowing to finance the operations of a business increases the risk of profitability, because the company is required to repay principal and interest in both good and bad economic times. During periods of financial stress, the inability of a company to meet its loan obligations may decrease the value of its securities and, in some cases, force the company to seek bankruptcy protection.

**Risks Related to Public-Health Crises:** A public-health crisis, such as the outbreak of the COVID-19 global pandemic, may have unpredictable and adverse impacts on global, national, and local economies, which in turn may negatively impact SA clients and their investment performance. Disruptions to commercial activity (such as the imposition of quarantines and travel restrictions) or, more generally, a failure to contain or effectively manage a public-health crisis may increase financial stress on issuers of securities, which in turn may adversely impact the performance of client investments. The ability of SA personnel to effectively identify, purchase, monitor, operate, and dispose of investments may also be negatively impacted due to direct or indirect disruptions to SA business operations.

Further, the outbreak of COVID-19 has contributed to, and may continue to contribute to, extreme volatility in financial markets. This volatility may adversely affect the ability of SA to dispose of investments and may lead to a significant rise in overall risk, all of which may have a material and adverse impact on client investment performance. The impact of a public-health crisis such as COVID-19 (or any future pandemic, epidemic, or outbreak of a contagious

disease) is difficult to predict and presents material uncertainty and risk with respect to the performance of client investments.

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## **Disciplinary Information**

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This item is not applicable.

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## **Other Financial Industry Activities and Affiliations**

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### **Affiliations**

SA manages The BeeHive Fund, which is a separate series of Forum Funds, a Delaware statutory trust registered as an investment company under the Investment Company Act of 1940.

The chief compliance officer of SA is a lawyer who practices through a professional services corporation. She serves as chief compliance officer for several other investment advisors. SA believes that this arrangement creates no material conflicts of interest.

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### **Financial Industry Activities**

To facilitate the offering of shares in The BeeHive Fund, Michele Cleary is a registered representative of Foreside Fund Services, LLC, a broker-dealer registered with the Securities and Exchange Commission that serves as the primary distributor of The BeeHive Fund. Foreside Fund Services, LLC is not affiliated with SA.

SA was founded in 2007 as a joint venture between an entity controlled by William G. Spears and an entity under common control with Abacus & Associates Inc., a multigenerational single-family office led by Mr. Raich. Mr. Raich is employed by Abacus & Associates Inc.

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

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### **Code of Ethics**

The supervised persons of SA have committed to a written code of ethics. This code of ethics requires SA and its supervised persons to comply fully with all applicable laws, including federal securities laws, in conducting investment advisory services and related activities. The chief compliance officer of SA is responsible for overseeing strict adherence to the code of ethics. SA will provide the code of ethics to any client or prospective client upon request.

The SA code of ethics is based on the principle that SA has a fiduciary obligation to its clients. In this fiduciary capacity, SA and its personnel are required to place the interests of clients before their own interests and the interests of persons and entities that may be related to them. SA

seeks to avoid conflicts of interest with its clients and will take appropriate steps consistent with its code of ethics to resolve any conflicts of interest that may arise.

The SA code of ethics and other compliance procedures establish policies and procedures in a number of areas, including the treatment of confidential proprietary information, recordkeeping, conflicts of interest, and personal securities transactions.

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### **Violations of Law**

The SA chief compliance officer conducts compliance reviews at least annually and frequently monitors for indications of potential violations of law or the code of ethics. In addition, SA has a written policy that requires personnel who become aware of a compliance risk to report the possible violation promptly to the chief compliance officer or senior management. SA would investigate any such report and would not retaliate against someone who makes a report.

The code of ethics requires SA to administer discipline to maintain the quality of services that it provides to clients by encouraging legal and appropriate behavior and by deterring illegal and inappropriate behavior. Disciplinary actions may include a written warning, fines, suspension of employment, and termination of employment.

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### **Participation or Interest in Client Transactions**

SA or one or more of its officers, members, managers, employees, and agents may from time to time have a direct or indirect interest in a security that is purchased, sold, or otherwise traded in client accounts and may effect transactions in the security for client accounts that may be the same as or different from the actions that SA or such a related person may take with respect to its or his account.

As an agent for a client, SA may effect transactions in securities while also acting as agent for another client who is the counterparty to the transaction.

SA serves as the investment advisor to The BeeHive Fund. SA may recommend that some clients purchase shares of The BeeHive Fund or may use its discretionary investment authority to purchase shares of The BeeHive Fund for clients. While this arrangement may suggest a conflict of interest between SA and its clients, SA has determined that a conflict of interest is unlikely to exist since the advisory fee payable by The BeeHive Fund is generally equal to or lower than the advisory fees that clients pay SA with respect to separately managed accounts.

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### **Personal Trading**

SA permits its supervised persons to purchase and sell securities for their personal accounts and for the accounts of persons and entities related to them, so long as the supervised persons are in compliance with the code of ethics. Because these securities may be among those purchased or sold for SA client accounts, conflicts of interest between SA and its clients may arise. In general, SA seeks to identify and manage any conflicts of interest by requiring preclearance of

transactions for the accounts of persons and entities related to SA supervised persons. Transactions in client accounts and for the accounts of persons and entities related to SA supervised persons are often aggregated.

The SA code of ethics requires supervised persons to obtain clearance in advance with respect to all proposed securities trading for their personal accounts and for the accounts of related persons, including securities offered in an initial public offering or a limited offering. The code of ethics also requires supervised persons to disclose to the chief compliance officer all of their reportable personal securities holdings and to provide the chief compliance officer with quarterly holdings and transaction reports. In addition, SA has a written insider trading policy that is designed to prevent the improper use of material nonpublic information.

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## **Brokerage Practices**

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### **Custody**

SA does not maintain custody of client assets that SA manages, although SA may be deemed to have constructive custody of client assets if a client gives SA the authority to deduct its fees or to withdraw assets from his account. Additional information is available in the section of this firm brochure and brochure supplement entitled “Custody—Constructive Custody.”

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### **Selecting Account Custodians and Broker-Dealers**

SA generally has full discretion and authority over its client accounts, including the authority to select a broker-dealer to execute a particular transaction. Client assets are required to be maintained in an account at a qualified custodian, which is typically a broker-dealer or bank. Charles Schwab & Co., Inc. (Schwab) and Fidelity Brokerage Services LLC (Fidelity) are the account custodians for most SA client accounts and execute most SA securities transactions. Both Schwab and Fidelity are registered with the Securities and Exchange Commission as broker-dealers and are members of the Securities Industry Protection Corporation. Schwab Advisor Services™ is the Schwab business that serves independent investment advisory firms like SA. SA is independently owned and operated and is not affiliated with either Schwab or Fidelity. Account custodians typically hold client assets in brokerage accounts and buy and sell securities when SA instructs the custodians to do so. While SA may recommend that a client use Schwab or Fidelity as his account custodian, the client decides whether to do so and opens his account by entering into an account agreement directly with the account custodian.

SA limits the broker-dealers that it uses to those that it believes to provide best execution for client transactions. In some cases, federal and state laws may limit or restrict the selection of particular broker-dealers. Additional information is available in the section of this firm brochure and brochure supplement entitled “Brokerage Practices—Best Execution.”

SA does not open the account for a client at the account custodian, although SA may assist a client in doing so. Even though a client account is maintained at a particular account custodian,

and SA expects that most trades in the account will be executed through the account custodian, SA is permitted to use other broker-dealers to execute trades for the client account.

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## **Best Execution**

SA typically recommends Schwab or Fidelity as account custodian and broker-dealer, to hold client assets and to execute securities transactions. When considering whether the terms that Schwab and Fidelity provide are, overall, advantageous to clients when compared with other available providers and their services, SA takes into account a wide range of factors, including:

The combination of transaction execution services and asset custody services, generally without a separate fee for custody;

The capability to execute, clear, and settle trades (in other words, to buy and sell securities for client accounts);

The capability to facilitate transfers and payments to and from accounts, such as wire transfers, check requests, and bill payments;

The breadth of available investment products, such as stocks, bonds, mutual funds, and exchange-traded funds;

The general quality of services received, including prior services;

The competitiveness of the price of those services, such as commission rates and margin-interest rates, and the willingness to negotiate the prices;

Reputation, financial strength, security, and stability;

The products and services delivered or paid for by Schwab or Fidelity, as the case may be; and

The availability of other products and services that benefit SA.

Additional information is available in the section of this firm brochure and brochure supplement entitled “Brokerage Practices—Specific Products and Services Available from Account Custodians.” No client has an obligation to deal with a specific broker-dealer in the execution of portfolio transactions. SA determines the allocation of transactions to brokers-dealers and the frequency of transactions in its best judgment and in a manner deemed to be in the best interest of clients, rather than by any formula.

SA seeks best execution for all portfolio transactions. This means that SA seeks the most favorable price and execution available. A client may not always pay the lowest commission or spread available. Rather, in determining the amount of commissions (including dealer spreads) paid in connection with securities transactions, SA takes into account the factors discussed above and any other relevant factors that SA identifies.

SA is not required to select the broker-dealer that charges the lowest transaction cost, even if that broker-dealer provides execution quality comparable to other broker-dealers. Although SA is not required to execute all trades through the account custodian, SA has determined that having the account custodian execute most trades is consistent with its duty to seek best execution of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those discussed above. In particular circumstances, the factors considered also include the size of the order, the difficulty of execution, the efficiency of the facilities of the executing broker-dealer, and any risk assumed by an executing broker-dealer. A client may pay a higher commission if, for example, the broker-dealer has specific expertise in a particular type of transaction due to factors such as size or difficulty. By using another broker-dealer, a client may pay higher or lower transaction costs.

Consistent with the duty to seek best execution, SA clients may pay higher commissions or spreads to broker-dealers that provide SA with investment research services, including reports that are common in the industry, such as research reports and periodicals developed by the relevant broker-dealer or a third party, and software for trade execution. SA uses this research to manage all or a substantial number of client accounts, including accounts not maintained at the account broker-dealer that provides the research. Also included may be meetings with analysts and company executives. Typically, SA uses research to manage all client accounts. Therefore, commission dollars spent for research generally benefit all clients and fund investors, although a particular client may not benefit from research received on each occasion.

SA does not reduce its advisory fee because it receives research. In addition, SA may receive a benefit when it receives research or other products and services from broker-dealers because SA does not have to produce or pay for the research, products, or services.

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### **Specific Products and Services Available from Account Custodians**

Schwab and Fidelity provide SA and its clients with access to institutional brokerage services (including trading, custody, reporting, and related services), many of which are not typically available to retail customers. Some retail investors may be able to obtain institutional brokerage services from broker-dealers other than through SA. Schwab and Fidelity also make available various support services. Following is a more detailed description of the support services provided by Schwab and Fidelity. Not all of these support services may be provided by both Schwab and Fidelity, and neither Schwab nor Fidelity has an obligation to SA to continue to provide support services.

*Services That Benefit Clients.* Institutional brokerage services from Schwab and Fidelity include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab and Fidelity may include some to which SA would not otherwise have access or that would require a significantly higher minimum initial investment by SA clients. The services described in this paragraph generally benefit clients and client accounts.

*Services That Do Not Directly Benefit Clients.* Schwab and Fidelity also make available to SA other products and services that benefit SA but do not directly benefit clients or client accounts. These products and services assist SA in managing and administering client accounts and operating its business. As described in the section of this firm brochure and brochure supplement entitled “Brokerage Practices—Best Execution,” Schwab and Fidelity also make available software and other technology that:

Provide access to client account data, such as duplicate trade confirmations and account statements;

Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;

Provide pricing and other market data;

Facilitate payment of SA fees from client accounts; and

Assist with back-office functions, recordkeeping, and client reporting.

*Services That Generally Benefit Only SA.* Both Schwab and Fidelity also offer other services intended to help SA manage and further develop its business enterprise. These services include educational conferences and events and publications and conferences on practice management and business succession. Schwab and Fidelity provide these services themselves or through third parties. If SA clients did not maintain accounts with these account custodians, SA would be required to pay for those services from its own resources. Account custodians, including Schwab and Fidelity, may also provide SA with other benefits, such as occasional business entertainment of SA personnel. These arrangements may create a conflict of interest. SA seeks to mitigate this conflict of interest by contrasting in detail here which products and services benefit clients, as opposed to those that do not directly benefit clients or those that benefit only SA.

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### **Directed Brokerage**

Sometimes a client may limit the discretion of SA with respect to investment activities and broker-dealer placement. In these cases, SA may be unable to negotiate commissions or to obtain best execution, and the execution of securities purchases and sales through these broker-dealers may be delayed. As a result, directing brokerage may result in increased costs to a client. Not all investment advisors require or permit their clients to direct brokerage.

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### **Conflicts of Interest Relating to Portfolio Managers**

Actual or apparent conflicts of interest may arise when an SA portfolio manager has day-to-day management responsibilities with respect to more than one client account. Specifically, a portfolio manager who manages multiple accounts may be presented with the following conflicts:



The management of multiple accounts may cause a portfolio manager to devote unequal time and attention to the management of each account.

If a portfolio manager identifies a limited investment opportunity that may be suitable for more than one account, each account may be unable to take full advantage of the opportunity due to an allocation of filled purchase or sale orders across all eligible accounts. To deal with these situations, SA has adopted procedures for allocating portfolio transactions across multiple accounts.

SA typically determines which broker-dealers or banks to use to execute each order, consistent with its duty to seek best execution of the transaction. However, in some cases, SA may place separate, non-simultaneous transactions for different accounts that may temporarily affect the market price of the security or the execution of the transaction, or both, to the detriment of a particular client.

SA has compliance procedures that are designed to address these types of conflicts. However, there is no guarantee that these procedures will detect every situation in which a conflict may arise.

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### **Trade Error Policy**

On occasion, SA may experience errors with respect to trades made on behalf of client accounts. SA endeavors to detect trade errors prior to settlement and to correct them in an expeditious manner. If a client account suffers a net loss directly due to a trade error attributable to SA personnel, SA will reimburse the client account. Frequently, the executing broker-dealer is able to assign a transaction involving a trade error to the SA error account so that client accounts are not impacted.

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### **Order Aggregation**

SA generally aggregates for block execution multiple orders for the purchase and sale of the same security on behalf of several clients for accounts held by a particular account custodian. Securities purchased in an aggregated order receive the average price obtained on the order. When aggregating transactions for block execution, SA makes a good-faith determination that the participating accounts will benefit from the aggregation, that aggregation is consistent with the duty of SA to seek best execution, and that aggregation is permitted by the investment management agreement between SA and each client whose accounts participate in the aggregation. In addition, transactions in client accounts and for the accounts of persons and entities related to SA supervised persons are often aggregated.

## **Review of Accounts**

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### **Periodic Reviews**

The SA operations team reviews securities transactions on a daily basis if there is activity in a client account. In accounts with no activity, reviews typically occur on a weekly basis. Each client account is assigned to one of our portfolio managers for oversight.

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### **Review Triggers**

Client inquiries, changes in the general market outlook, changes in tax laws, new investment information, changes in the financial situation of a client, and changes in the opinions of SA portfolio managers on specific issues may prompt more frequent reviews of some or all client accounts.

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### **Regular Reports**

SA generally sends a quarterly letter to each client that discusses market conditions and the investment outlook. Some clients also receive quarterly reports concerning the performance or market values of their accounts, or both. In addition, SA generally holds a review meeting with each client at least annually to discuss portfolio performance and to identify any changes in the investment objectives, risk tolerance, or liquidity needs of the client.

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## **Client Referrals and Other Compensation**

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SA does not pay referral fees or other remuneration in order to receive client referrals. SA does not accept referral fees or other remuneration when it refers a prospect or client to other professionals.

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## **Custody**

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### **Constructive Custody**

SA is deemed to have constructive custody of client accounts because it is generally permitted to debit its fees directly from the accounts. In some cases, SA is deemed to have custody of client assets because it is empowered to transfer securities or cash. All client funds and securities are held at qualified custodians, which maintain actual custody of client assets. SA satisfies regulatory requirements related to custody by engaging an independent public accounting firm to perform a surprise verification of some client assets on an annual basis.

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### **Account Statements**

Account custodians provide account statements at least quarterly. The account statements are sent directly to each client at his postal mailing address of record or are made available electronically. Clients should carefully review these statements promptly when they are

received. In addition, clients are urged to compare the account statements received directly from their account custodians to the reports provided by SA.

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## **Investment Discretion**

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SA generally accepts discretionary authority to manage securities accounts on behalf of clients. SA generally has the authority to determine, without obtaining client consent, the securities to be bought or sold and the amount of the securities to be bought or sold. However, SA consults with the client prior to each trade to obtain concurrence if discretionary authority has not been granted. Discretionary trading authority facilitates placing trades in client accounts on behalf of clients so that SA may promptly implement its investment strategies. Most clients grant SA a limited power of attorney, which is a trading authorization that gives SA discretionary authority over client accounts.

The client approves the account custodian to be used. SA does not receive any portion of the transaction fees or commissions paid by the client to the account custodian or an executing broker-dealer.

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## **Voting Client Securities**

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### **Proxy Voting**

SA has adopted written proxy-voting policies and procedures. Clients, including The BeeHive Fund, generally grant SA the exclusive right to vote proxies on their behalf. SA has delegated the responsibility to vote these proxies to an unaffiliated proxy-voting service provider. To the extent that a client retains proxy-voting authority or has specific instructions regarding proxy voting, SA documents this consideration in the investment management agreement between SA and the client. SA proxy-voting procedures are available upon request by any client or prospective client. A client may also request in writing a record of how SA has voted proxies relating to his securities.

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### **Conflicts of Interest**

Because the proxy-voting service provider votes most client proxies based on the recommendations of a neutral third party, it is unlikely that a conflict of interest will arise. If a matter to be voted upon involves a potential conflict of interest, SA contacts the client to describe the conflict presented. Once the client has been consulted, SA requests the proxy-voting service to vote the proxy in accordance with the instructions of the client.

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## **Financial Information**

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This item is not applicable.

## Brochure Supplement

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### Education and Business Standards

SA considers relevant business experience to be one of the most important criteria in selecting persons to provide investment advice to and research for its clients. SA does not have specific hiring guidelines but generally requires at least a college degree. SA seeks to hire personnel whose educational and professional backgrounds are compatible with the functions that they perform. Absent suitable business experience, SA seeks to entrust investment advisory and research responsibilities to personnel with academic backgrounds, including advanced training, that reflect the skills and intelligence necessary to perform the assigned functions.

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### Professional Designations

Some of the individuals described in this brochure supplement have earned professional designations that are required to be explained in further detail.

The certified financial planner professional certification, administered by the CFP Board, seeks to identify those individuals who are qualified to help their clients develop and implement plans to achieve their financial goals. CFP® professionals must pass the CFP® examination, meet the experience requirement, submit to a background check, and pass the CFP Board's fitness standards. To renew the CFP® certification each year, one must pay a certification fee, submit a renewal application, and confirm adherence to the CFP Board's code of ethics and standards of conduct. Continuing education is required every two years.

The CFA charterholder professional designation is sponsored by CFA Institute. To earn a CFA charter, a candidate must pass the three CFA examinations, achieve qualified professional work experience, submit reference letters, apply to become a charterholder, apply to become a regular member of CFA Institute, and complete a professional conduct statement. Charterholder membership must be renewed each year.

A certified public accountant holds a license to provide accounting services directly to the public. The minimum standard requirements to become a certified public accountant in the State of New York include passing the certified public accountant examination, 150 semester units of academic credit from an accredited institution, and one year of work experience. Continuing professional education is required to maintain licensure.

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## **Educational Background and Business Experience**

### **William G. Spears**

Born 1938

Harvard Business School, MBA

Princeton University, BA with Honors in Politics

Member, New York Society of Security Analysts

CFA® Charterholder

Mr. Spears has been the chairman, a portfolio manager, and a manager of SA since its inception. From 1999 to 2006, he was a founder, a principal, and a portfolio manager for Spears Grisanti & Brown LLC, an investment advisory firm registered with the Securities and Exchange Commission. Mr. Spears has been involved in the securities industry throughout his business career.

### **Robert M. Raich**

Born 1969

Columbia Business School, MBA

Arizona State University, BS with Honors in Accounting

Certified Public Accountant

Mr. Raich has been the president, a portfolio manager, and a manager of SA since its inception. Since 2001, he has also served as the president and the chief investment officer of Abacus & Associates Inc. Mr. Raich began his career at Price Waterhouse LLP and has held several senior positions in public accounting, wealth management, and private industry.

### **John V. Raggio**

Born 1984

University of Richmond, BA

Certificate in Investment Banking from New York University

CFA® Charterholder

Mr. Raggio joined SA in 2008 and is a principal, a portfolio manager, and a manager. From 2006 to 2008, he was a portfolio associate at Bank of New York Mellon.

### **Paul F. Pfeiffer**

Born 1949

New York University Stern School of Business, MBA

University of Washington, BA

Mr. Pfeiffer joined SA in 2009 and is a principal, a portfolio manager, and a manager. From 2002 to 2009, he was a partner and a lead manager at MB Investment Partners, Inc. From 1998 to 2002, Mr. Pfeiffer was a partner, an equity analyst, and a portfolio manager at Eagle Growth Investors LLC. From 1977 to 1997, he was a partner, an equity analyst, and a portfolio manager at McCowan Associates Inc., an affiliate of Goldman Sachs & Co. Mr. Pfeiffer began his career in 1972 as an equity analyst at Goldman Sachs.

**James E. Breece**

Born 1982  
Kenyon College, BA  
CFA® Charterholder

Mr. Breece joined SA in 2010 and is a principal, a portfolio manager, and a manager. From 2005 to 2009, he has served in a similar capacity with Abacus & Associates Inc. After graduating from college, Mr. Breece served as a research consultant for Mr. Spears in his capacity as a private investor.

**Robert P. Morgenthau**

Born 1957  
Amherst College, BA

Mr. Morgenthau joined SA in 2011 and is a principal, a portfolio manager, and a manager. From 2002 to 2011, he was a founder and the chief executive officer of NorthRoad Capital Management LLC, an investment advisory firm registered with the Securities and Exchange Commission. From 2001 to 2002, Mr. Morgenthau was the president of private advisory services for Bank of America. From 1990 to 2000, he was a managing director of Lazard LLC and a member of the supervisory board of its parent company. From 1982 to 1990, Mr. Morgenthau worked for Shearson Lehman Hutton, rising to the position of senior vice president.

**Alina M. Carlson**

Born 1989  
St. Lawrence University, BA  
Certified Financial Planner

Ms. Carlson joined SA in 2016 and is a client service and planning manager. From 2011 to 2016, she was a client administration associate at The Permal Group, now called EnTrust Global. There she coordinated the onboarding and maintenance of funds and direct client accounts.

**Emanuel Weintraub**

Born 1965  
University of Pennsylvania, BA with Honors in Anthropology  
Member, New York Society of Security Analysts  
CFA® Charterholder

Mr. Weintraub joined SA in 2020 and is a principal and portfolio manager. From 2004 to 2019, he was a founder, president, and portfolio manager at Integre Asset Management, LLC, an investment advisory firm registered with the Securities and Exchange Commission. From 1998 to 2003, Mr. Weintraub was an analyst and then a portfolio manager at Neuberger Berman LLC. He has been involved in the securities industry throughout his business career.

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**Disciplinary Information**

This item is not applicable.

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**Other Business Activities**

Mr. Raich is employed by Abacus & Associates Inc. Abacus and Associates Holdings, LLC, an entity affiliated with Abacus & Associates Inc., owns a member interest in SA.

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**Additional Compensation**

This item is not applicable.

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**Supervision of SA Personnel**

Mr. Raich supervises all SA personnel. Because the vast majority of clients grant discretionary authority to SA, SA personnel render investment advice primarily by effecting transactions in client accounts rather than by recommending transactions to clients for their approval. Questions relating to the supervision of SA personnel may be addressed to Mr. Raich, the president of SA, at 212.230.9813.