

# **FIRST HORIZON ADVISORS, INC. PART 2A FORM ADV FIRM BROCHURE**

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[www.firsthorizon.com](http://www.firsthorizon.com)



## **CORPORATE RETIREMENT PLAN SERVICES / OTHER INVESTMENT ADVISORY SERVICES / FINANCIAL PLANNING**

**This brochure provides information about qualifications and business practices of First Horizon Advisors, Inc. If you have any questions about this brochure, please contact us at 901-818-6065 or 1-800-300-0987. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. First Horizon Advisors, Inc. is registered with the SEC as a registered investment adviser.**

**Additional information about First Horizon Advisors, Inc. is available on the Securities and Exchange Commission website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

References to First Horizon Advisors, Inc. as a “registered investment advisor” or as being “registered” does not imply a certain level of skill or training.

## **(Item 2) MATERIAL CHANGES**

At least annually, we will provide you a summary of the material changes made to our Firm Brochure or a complete copy of the updated Firm Brochure. At any time, you can request a complete copy of the brochure by contacting us at 901-818-6065 or 1-800-300-0987. This section describes the material changes made to our Firm Brochure since the last update of the Firm Brochure in April 2022.

### SUMMARY OF MATERIAL CHANGES

(Item 4) Services, Fees and Compensation – Compensation, Financial Benefits and Conflicts of Interest – Investment Professional Compensation has been revised to add the following:

On occasion, the Advisor provides incentive compensation to an FA or IAR when employed by the Advisor. These incentives can include one or more of the following:

- forgivable draw which allows the FA or IAR to receive a pay-out even if the pay-out does not exceed the draw
- one-time upfront payment
- fixed pay-out percentage of production for a set time period

If an FA or IAR meets certain annual minimum requirements for growth of revenue and the amount of assets serviced by the IAR or FA, he/she will be eligible to participate in a deferred compensation program sponsored by First Horizon Corporation (“FHC”), the parent company of First Horizon Bank. Under this program, the FA or IAR is awarded FHC restricted stock units based upon the FA’s or IAR’s contribution to annual revenue growth in the sale of wealth management products and services, including the investment management services described in this Brochure.

Employees of the Advisor who supervise FAs and IARs are eligible to receive quarterly and annual bonuses. Quarterly bonuses are based upon a net-profit margin calculation which includes the revenue and expenses associated with the offer and sale of wealth management products and services, including revenue received from the investment management services described in this Brochure. The annual bonus is based upon revenue associated with the offer and sale of wealth management products and services, including revenue received from the investment management services described in this Brochure, as well as other factors.

(Item 12) Brokerage Practices has been revised to add the following:

NFS has agreed to pay First Horizon Advisors, Inc. a portion of the account transfer fees (ACAT) charged to an Account. If an Account custodied at NFS incurs margin interest, a portion of the margin interest charged to the Account is paid to First Horizon Advisors, Inc.

<b>(Item 3) TABLE OF CONTENTS</b>	<b>Page Number</b>
(Item 1) Cover Page	1
(Item 2) Material Changes	2
(Item 3) Table of Contents	3
(Item 4) Advisory Business	4
(Item 5) Fees and Compensation	6
(Item 6) Performance Based Fees	10
(Item 7) Types of Clients	10
(Item 8) Methods of Analysis, Investment Strategies and Risk of Loss	10
(Item 9) Disciplinary Information	14
(Item 10) Other Financial Industry Activities and Affiliations	15
(Item 11) Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	16
(Item 12) Brokerage Practices	17
(Item 13) Review of Accounts	19
(Item 14) Client Referrals and Other Compensation	19
(Item 15) Custody	19
(Item 16) Investment Discretion	20
(Item 17) Voting Client Securities	20
(Item 18) Financial Information	20

#### **(Item 4)      ADVISORY BUSINESS**

First Horizon Advisors, Inc. (formerly known as FTB Advisors, Inc.) is the successor-in-interest to First Tennessee Advisory Services, Inc. (“FTAS”). FTAS was organized in 2007 as a wholly owned subsidiary of First Tennessee Bank National Association, now known as First Horizon Bank (the “Bank”). The Bank is a wholly owned subsidiary of First Horizon Corporation (“FHC”), a financial services holding company. FHC is a publicly held company. On June 3, 2013, FTAS merged with and into its affiliated broker-dealer, First Tennessee Brokerage, Inc., and the combined entity was renamed FTB Advisors, Inc. In October 2019, FTB Advisors, Inc. changed its name to First Horizon Advisors, Inc.

Our services are provided by a Financial Advisor (“FA”), Investment Advisor Representative (“IAR”) or a member of our Investment Services team (collectively, “Investment Professionals” or “IPs” and each an “Investment Professional” or “IP”).

Investment management services provided by the Advisor include the following:

- Managed Account Solutions Program (“MAS Program”) including the following account options:
  - First Horizon Advisors Model Portfolio Accounts
  - Adviser Model Managed Accounts
  - Adviser Directed Unified Managed Accounts
  - Separately Managed Accounts
  - Fund Strategist Portfolio Accounts
  - WealthBuilder Model Accounts
- Corporate Retirement Plan Services
- Other Investment Advisory Services
- Financial Planning Services.

The MAS Program is a wrap account program which includes the various investment management account options identified above. The Advisor is the MAS Program sponsor and Envestnet Asset Management, Inc. and its affiliates (“Envestnet”) provide certain investment management and administrative services for the MAS Program. The Advisor provides portfolio management services for certain account options within the MAS Program and receives a portion of the wrap fee for its services. MAS Program clients receive a separate wrap fee brochure which describes the MAS Program account options and other important information including the fees the Advisor receives for providing services to the wrap accounts. For First Horizon Advisors Model Portfolio Accounts, the Advisor will typically purchase and sell the same securities at the same time for all accounts utilizing the same investment strategy. When providing Other Investment Advisory Services, the Advisor will take into consideration individual client needs such as the client’s tax situation and holdings outside of the client’s account.

All IPs provide these services.

Corporate Retirement Plan Services (“CRP Services”) are provided to pension and savings plans including ERISA plans, government plans, and church plans. CRP Services include:

- search and recommendations of investment managers for management of plan assets
- recommendations of investment options to be used for the plan
- assistance in selection of plan service providers
- ongoing review and reporting concerning selected investment managers and investment options
- employee education and plan enrollment services
- benchmarking service to help determine plan costs vs. that of peer plans
- assist in the preparation of investment policy statement
- search and recommendation of Qualified Default Investment Alternative (“QDIA”)

The Advisor may also provide discretionary investment management services to a plan.

The client enters into an agreement with the Advisor which describes specific CRP Services to be provided to the client. These services are provided by certain FAs who are designated as Corporate Retirement Specialists.

Other Investment Advisory Services are provided on a discretionary or non-discretionary basis. Unless otherwise specified in the client agreement, these services involve providing ongoing investment advice. Services available include a review of the current investment portfolio and a consultation to understand the current financial situation, investment objectives and recommendations for the client to consider. The client agreement identifies the specific services to be provided to a client. The Advisor develops an investment policy for the client or reviews an existing investment policy in order to recommend an appropriate asset allocation. Additional services include the selection of securities or managers, monitoring of portfolio risk adjusted performance, progress towards or changes in objectives as well as providing performance reporting and economic updates. Where the Advisor recommends investment managers for an account, the arrangement will be provided through a sub-manager relationship with the Advisor. Under a sub-manager arrangement, the Advisor has authority to terminate a sub-manager and to replace the current sub-managers with another sub-manager. These services are provided by FAs and IARs.

Other Investment Advisory Services and CRP Services are tailored to meet the specific needs of a client. These needs are often outlined in a written investment policy statement or similar documentation for the account or identified in the agreement between the client and the Advisor for the services. A client can impose restrictions on investing in certain types of securities.

Total assets managed on a discretionary basis as of December 31, 2022, were \$8,541,711,931. Total assets managed on a non-discretionary basis were \$2,759,240,063 as of December 31, 2022.

Financial Planning. Certain FAs provide financial planning services to their clients. These services include the following steps:

- The FA will provide you with the necessary tools or documents to assist you in gathering your financial information and defining your short and long term goals. The FA can assist you in this process.

- After the information has been received the FA will organize and review the data using software licensed from a third-party.
- Your FA may contact you to verify the accuracy of the data and allow you to validate the assumptions and information you have provided.
- Using the software, the FA will analyze the data and assumptions provided, and review alternative strategies or courses of action to meet your immediate and long-term goals and objectives. This is usually an interactive process with your FA which involves you and your FA reviewing and discussing potential outcomes, and risks and assumptions for the alternative strategies.
- Based upon the strategy selected, the FA will make recommendations to implement the strategy. The recommendations may include investment portfolio allocations, life insurance coverage, disability insurance coverage, education funding options; and estate planning strategies. The strategy and plan recommendations will be provided to you in written or electronic form.

The plan recommendations will be based upon the information you provided your FA. You should validate all information and assumptions you provide us in preparing your financial plan. A change in any information provided in the data gathering process could result in a change in your plan recommendations.

You will make all decisions regarding implementing your plan. FAs will identify products and services that are available from the Advisor or its affiliates to implement the plan recommendations. **However, you are under no obligation to purchase services or products through the Advisor or its affiliates to implement the plan recommendations.** If you chose to implement any recommendations by using products or services available from the Advisor or its affiliates, your FA will receive compensation from your purchase of the products or services. Please see (Item 5) – Fees and Compensation - Compensation, Financial Benefits and Conflicts of Interest.

## **(Item 5) FEES AND COMPENSATION**

### Fees for Advisory Services

*Other Investment Advisory Services and CRP Services* may be provided for a fixed fee and may include a one-time review of an existing plan or portfolio, and subsequent recommendations concerning investment options or plan service provider changes. This fee is stated in the agreement between the client and the Advisor, and is negotiable. The factors considered in determining the fee include the estimated time involved, scope of the services requested, and resources utilized to deliver services. Fixed consulting fees for Other Investment Advisory Services are typically billed to the client upon completion of the services.

Services that include ongoing or periodic monitoring, review and/or performance reporting of investment managers or investment options and meetings with the client or a plan's responsible party(ies) are provided for an annual fee based upon the market value of the plan or account assets. Annual fees for these services range from .25% to 1.25%, but are negotiable. When these services are provided to fixed income portfolios, the fees will range from .10% to 1.25%, but are negotiable. The factors considered in determining the fee include the number of managers involved, total plan

or account assets, and resources required to provide the services. These fees are billed quarterly in arrears, and are calculated based upon the value of the plan or account assets as of the last business day of the quarter or the average value of the plan assets during the quarter. The value of the plan or account assets for purposes of calculating the fee is determined by the custodian or as otherwise agreed to by the client and the Advisor in the services agreement.

Fees for CRP Services may include both a fixed fee and an annual asset based fee. Fees for CRP Services are billed directly to the client unless the client elects and the plan allows to have the fees billed to the Plan and deducted from Plan account(s). Fees for Other Investment Advisory Services are typically deducted from the custody account.

*Financial Planning.* There is no charge for financial planning services provided by your FA. After completion of your plan, the FA may recommend to you that you purchase products or services from the Advisor or its affiliates to implement your plan. If you chose to implement any recommendations by using products or services available from the Advisor or its affiliates, your FA will receive compensation from your purchase of the products or services from the Advisor or its affiliates. Please see “Compensation, Financial Benefits and Conflicts of Interest” below for additional information concerning compensation and financial benefits related to our services.

*Other Charges and Expenses.* The fees charged for investment management services do not cover certain charges associated with securities transactions in clients’ accounts such as brokerage commissions, mark-ups or mark-downs. In addition, the client will pay a ticket charge for each transaction executed for the client’s account. The amount of the ticket charge is described in the investment management agreement between the client and Advisor. See (Item 12) Brokerage Practices below. The fees also do not include the internal charges and fees imposed by mutual funds and closed-end funds, unit investment trusts, exchange-traded funds (“ETF”) or real estate investment trusts. These fees and charges include operating expenses, management fees, and redemption fees, 12b-1 fees and other fees and expenses. These fees and charges are described in the appropriate prospectus, offering document, or other regulatory filings concerning the investment.

The fees do not cover custody fees that are charged to clients by the custodian. A custodian may charge a minimum account fee. The fees do not include brokerage fees or other transaction costs. See (Item 12) Brokerage Practices below. Clients will be charged for specific account services, such as transfers, and for other optional services elected by clients. Fees do not include account service fees such as individual retirement account trustee or custody fees, tax-qualified retirement plan account fees or termination fees for retirement accounts.

### Compensation, Financial Benefits, and Conflicts of Interest

*Investment Professional Compensation.* An FA or IAR’s compensation depends upon the products and services that the IP sells. Our compensation plans are subject to change at any time.

Compensation for an FA or IAR is based upon total fees, commissions and other revenue paid to the Advisor for products and services the FA or IAR sells. This is referred to as the “production”. The FA or IAR is paid a percentage of their total production each month. This is referred to as the “pay-out”. The pay-out rate increases as the FA’s or IAR’s total production increases over the compensation period. Some FAs work as a team. In this case, the pay-out rate does not change.

Members of the team determine the amount of the total pay-out each team member will receive. An FA or IAR receives a minimum guaranteed draw. The FA or IAR receives a pay-out as described above only if the pay-out exceeds the monthly draw.

Certain costs that the firm incurs to support an FA, an FA team, or an IAR are deducted from the total production. However, these charges will be waived if the FA, FA team; or, IAR meets a specified production level.

On occasion, the Advisor provides incentive compensation to an FA or IAR when employed by the Advisor. These incentives can include one or more of the following:

- forgivable draw which allows the FA or IAR to receive a pay-out even if the pay-out does not exceed the draw
- one-time upfront payment
- fixed pay-out percentage of production for a set time period

If an FA or IAR meets certain annual minimum requirements for growth of revenue and the amount of assets serviced by the IAR or FA, he/she will be eligible to participate in a deferred compensation program sponsored by First Horizon Corporation (“FHC”), the parent company of First Horizon Bank. Under this program, the FA or IAR is awarded FHC restricted stock units based upon the FA’s or IAR’s contribution to annual revenue growth in the sale of wealth management products and services, including the investment management services described in this Brochure.

Employees of the Advisor who supervise FAs and IARs are eligible to receive quarterly and annual bonuses. Quarterly bonuses are based upon a net-profit margin calculation which includes the revenue and expenses associated with the offer and sale of wealth management products and services, including revenue received from the investment management services described in this Brochure. The annual bonus is based upon revenue associated with the offer and sale of wealth management products and services, including revenue received from the investment management services described in this Brochure, as well as other factors.

*Investment Services* team members receive a salary and bonus. The bonus is not based upon the products sold to clients.

*Diamond Circle.* Each year, we hold a conference that recognizes our highest producing IPs. The conference includes training sessions, an awards banquet, and travel and related expenses for attendees. We establish the criteria for attendance, including the number of invitees and the required production level for the awards. The conference is not a reward for the sale of any specific product or service.

For more information concerning compensation of FAs and IARs related to Trust Division referrals and First Horizon Bank referrals, please see (Item 10) Other Industry Activities or Affiliations – First Horizon Bank Trust Division and First Horizon Bank.

*Conflicts of Interest.* Your FA or IAR or receives compensation from the Advisor when you obtain advisory services as described in this brochure. The amount of this compensation is based upon

the fee charged for the services. Therefore, your FA or IAR takes into consideration this compensation arrangement when your fee is negotiated. Your IP separately negotiates fees for each advisory account that is opened. Therefore, negotiated fees for the same type of services will vary by client and by IP. Advisor addresses this conflict of interest through this disclosure and the Account reviews as described in (Item 13) Review of Accounts.

*Brokerage and Advisory Accounts.* Most of our IPs provide both brokerage services and investment advisory services. Your IP will orally disclose whether they provide both services or just investment advisory services. There are important differences in the services you receive and the fees you will pay depending upon which type of account you open. When recommending the type of account and services to you, your IP will consider your trading activity, desire for account monitoring, information and reporting requirements, and other information. When you open a brokerage account, we will receive compensation based upon the product we sell you. This is called “transaction based compensation”. When you open an advisory account, you pay an ongoing fee based upon the value of the account. The fee is paid quarterly. Due to the difference in how we are paid for these services and whether your IP is an IAR or an FA, your IP has a financial incentive to recommend one type of account over the other type of account. An advisory account is a fee based account which results in ongoing quarterly revenue credited to an FA’s or IAR’s production. Brokerage accounts result in revenue credited to the FA’s production at the time the transaction is executed. Some brokerage products also pay ongoing fees known as trail fees, which will be credited to the FA’s production on a monthly or quarterly basis. An IAR does not offer brokerage services or insurance products. Therefore, your IAR has an incentive to recommend an advisory account rather than refer you to an FA or third-party to consider other products or services that may meet your financial needs. The Advisor addresses this conflict of interest through this disclosure and the Account reviews as described in (Item 13) Review of Accounts.

*Sponsor Payments.* Custodians, mutual fund companies, investment advisors, and other service providers or product providers that provide products or services to First Horizon Advisors, Inc. (collectively, “Sponsors”) will provide certain financial benefits to the Advisor and/or an IP.

Sponsors will provide educational training or marketing support to the Advisor and its IPs. Sponsors will contribute to the cost of conferences or meetings attended by some or all of the IPs. Such conferences and meetings include educational and training sessions as well as promotion of the other services provided by Advisor. Some Sponsors will bear the expense for an IP to attend due diligence trips at the Sponsors’ offices or other locations. All or a portion of the costs of certain client events will be paid for by a Sponsor. Products and services provided by the Sponsors help the Advisor and its IPs to manage and administer client accounts. The Advisor and the IPs will use such products and services for advisory accounts as well as other types of accounts and products offered by the Advisor. Sponsors pay for occasional meals and entertainment for and provide promotional items to IPs. These benefits help build relationships which could lead to sales of the Sponsor’s products or services to you. We address this conflict of interest through this disclosure and the Account reviews as described in (Item 13) Review of Accounts.

See (Item 12) – Brokerage Practices below for information concerning financial benefits related to our clearing arrangement with National Financial Services, LLC (“NFS”).

**(Item 6) PERFORMANCE BASED FEES**

The Advisor does not charge any performance based fees which are based on a share of capital gains or capital appreciation of the assets of a client.

**(Item 7) TYPES OF CLIENTS**

The Advisor's investment advisory services are available to individuals, high net worth individuals, municipalities, financial institutions, pension and profit sharing plans, charitable organizations, corporations, or other business entities, trusts or estates.

The minimum value of an account to obtain Other Investment Advisory Services is \$100,000. The Advisor may in its sole discretion, waive the account opening minimum and accept an account with a lower market value. In the circumstances where an account has dropped to a value below the minimum, the Advisor may terminate the advisory services agreement.

**(Item 8) METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Methods of Analysis – Investment Strategies.

*Investment Philosophy.* Our investment philosophy is built around providing independent and objective needs based advice. We strive to diversify investments across asset classes, geographic regions, management styles and ownership structures. We use a top down approach designed around our client's goals, objectives and risk tolerance. This approach considers relevant constraints as determined by the Investment Policy Statement or other account governing documents. These may include liquidity needs and timing of expected cash flow events as well as any constraints or legal considerations.

*Investment Strategies.* The Advisor's Investment Committee ("IC") sets the broad investment policy based on the firm's investment philosophy. Considerations include asset sub-class selection, creation and maintenance of a working list of investments, purchase and sale guidelines, and rebalancing guidelines. The Advisor has identified five factors that it believes to be a framework for market evolving trends. Those factors are the macroeconomic background, the trend of the market, liquidity conditions, market psychology, and fundamental valuations.

Annually, the IC reviews capital market assumptions from industry sources. Based on this review, our strategic asset allocations and holdings may be modified. The Advisor does not advocate market timing.

*Investment Selection.* To achieve proper diversification, the Advisor considers various investment categories including separate account managers, no-load mutual funds, individual large capitalization stocks, individual investment grade bonds, ETFs, as well as hybrid mutual funds, factor based funds, real assets, hedge products and other alternative investment products.

The Advisor utilizes current economic, market and behavioral data as well as both internal and external sources for macro and micro-economic input, sector, industry, and individual security analysis. We also utilize third-party software program(s) and research tools. We consider mutual

funds, ETFs, separate account managers and their performance, style, and risk adjusted return measures. This data is used in the analysis of portfolios and their holdings.

*Initial Selection of Mutual Funds.* The Advisor's analysis includes both quantitative and qualitative criteria. We seek experienced managers with a competitive performance record, stable operations, and reasonable expenses. A second layer of evaluation includes performance against relevant benchmarks and peer groups including annualized, calendar year, and rolling returns. A style analysis is performed looking for a history of consistency in the fund's investment philosophy and style purity. Risk adjusted return measures based on Modern Portfolio Theory are also reviewed for comparison to peers. Qualitative analysis may include firm history, financial stability, service standards, regulatory infractions, and manager turnover.

*Ongoing Oversight.* As part of the regular due diligence, the Advisor will review many of the factors listed above to identify unfavorable trends over time. If an unfavorable trend has been identified, the IC will initiate an analysis to determine what actions, if any, need to be taken. The IC may consider opportunity costs and tax implications before initiating such changes.

*Fixed Income.* An IP constructs customized portfolios with individual bonds utilizing guidelines adopted by the IC. The fixed income process is focused on issue selection. Working from the client Investment Policy Statement, the IP will select securities that meet the established quality, duration, and maturity criteria. If permitted by the Investment Policy Statement for the account, the IP may also use ETFs, mutual funds, or individual preferred securities and other diversifying securities meeting quality and liquidity requirements. The structure of the portfolio will be adjusted from time to time based on the evaluation of current and expected interest rates, economic conditions, monetary policy, fiscal policy, and inflation.

The Advisor will monitor the credit quality of account holdings utilizing third-party research and system monitoring tools. If a security drops below an investment grade rating, the firm will assess the long term implications and take appropriate action as necessary.

*Equities.* Equities are screened for initial selection and monitored for continued inclusion in portfolios using quantitative analysis tools provided by third-party research firms. These tools employ multifactor analysis, including variables such as profitability, valuation, operating efficiencies, relative risk, manipulation of reported earnings, relative analyst sentiment, and corporate governance.

### Investment Risks.

*Risk of Loss.* Investing in securities involves risk of loss of principal that a client should be prepared to bear.

*Asset Allocation and Diversification.* Account performance depends upon allocation of assets among various asset classes and the selection of the underlying investments. There is a risk that the asset allocation, selection of asset classes and the underlying investments will cause the Account's performance to lag relevant benchmarks or result in losses. While allocation to multiple asset classes can reduce risk, diversification cannot completely eliminate risk. Asset allocation and diversification do not guarantee a profit or protect against loss.

*Model Risk.* Models may be similar to other model portfolios used by other investment managers. In the event of a market disruption this may result in simultaneous trading in the market by investment managers which accelerate reduction in liquidity or repricing. This can also reduce the effectiveness of a model as more investment managers seek to capitalize on market inefficiencies.

*Disruption in Financial Markets.* Political instability, terrorism, widespread disease including pandemics and epidemics and natural or environmental disasters can be highly disruptive to the economies and the markets. Market disruptions may result in increased volatility, trading disruptions and other events which can negatively affect the value of investments held in your Account.

*Cybersecurity Risk.* Companies, markets, investment companies, including ETFs and mutual fund companies, and service providers, like us, and NFS, use a significant amount of technologies in our/their day to day functions. As a result, these entities and those individuals who use these services, or have investments in these companies, are subject to a number of cybersecurity risks. Cybersecurity risks include, but are not limited to, compromised company, employee or client data, disruption of services, corruption or loss of data, inability to perform services (e.g. trading, valuation, issuance of reports, communications), and financial losses.

*Legislative and Regulatory Risk.* Investments in your Account may be adversely affected by new laws or changes to existing laws or regulations. Changes to laws or regulations can impact the securities markets as a whole, specific industries, and individual issuers of securities.

*Other risks* may include:

- Underperforming a benchmark
- Reinvestment risk
- Inflation risk
- Not meeting financial objectives such as, retirement income and college financing
- Liquidity risk
- Political risk
- Environmental risk
- Corporate governance risk

Investing in individual equities introduces idiosyncratic, or specific company risks to an investor's portfolio. The portfolios are reviewed on an ongoing basis to determine if quantitative and/or qualitative changes warrant selling a stock from the portfolio holdings.

*Equity investments* will experience volatility and market fluctuations. While diversification may mitigate these risks, extreme fluctuations can result in a loss of principal. In a volatile market, if a sale of securities is necessitated by an unforeseen event, a loss of principal can result.

*Fixed Income* investments include a wide range of securities with an equally wide range of risk levels. Risk in fixed income securities comes from several sources including default risk, interest rate risk, inflation risk, currency risk and liquidity risk.

*ETFs.* An ETF is a fund that trades on an exchange, similar to stocks, and often seeks to track an index (e.g., S&P), commodity (e.g., oil, natural gas, gold, etc.), or a basket of assets like an index

fund. As a result, ETFs often do not have the objective to outperform what they are tracking. However, some ETFs are actively managed and do not seek to track a certain index or basket of assets. ETFs may also have unique risks depending on their structure and underlying investments. ETFs may trade at a premium (above) or discount (below) to their net asset value (“NAV”), and may also be affected by the market fluctuations of their underlying investments.

*Default risk* is the risk that the issuer of the bond does not make good on its obligation to pay periodic interest payments or principal at maturity. Obligations of investment grade corporations (and state and local governments) are not free from default risk, but that risk is viewed as being lower. Below investment grade bonds, i.e., junk bonds, are considered speculative in nature.

*Interest Rate Risk.* Fixed Income securities also have interest rate risk; their market prices fluctuate up and down inversely with the prevailing interest rates. Notes and bonds purchased when interest rates are low can lose market value if interest rates rise prior to their maturity dates. As with stocks, if a sale of the bond is necessitated by an unforeseen event, a loss of principal can result. The longer the maturity of the bond held, the greater the interest rate risk, all else being equal.

*Inflation Risk.* The inflation risk associated with bonds is twofold: the potential loss of purchasing power plus the potential for inflation to result in higher market rates of interest. As explained above, this causes the market price of a bond to decline.

A portfolio manager can attempt to mitigate fixed income risks by including the use of high credit quality bonds, and investing in bonds with short to intermediate terms.

*Alternative securities* often carry liquidity risk as well as the risk of loss of principal. Liquidity risk is an inability to sell the security in a timely fashion should cash needs arise.

### Financial Planning.

When considering various strategies for your financial plan your FA will utilize software that conducts Monte Carlo simulations. The simulations will yield different results depending upon variables inputted, and the assumptions in the underlying calculation. The assumptions include rates of return and standard deviations of the portfolio model associated with each asset class. The assumed rates of return are based upon historical rates of return and standard deviations for certain time periods for the benchmark indices comprising the asset classes in the model portfolio. Since the market data used to generate these rates of return changes over time, your results will vary over time.

Monte Carlo Analysis is a mathematical process used to implement complex statistical methods that chart probability of certain financial outcomes at certain times in the future. The charting is accomplished by generating hundreds of possible economic scenarios that could effect performance of your investments.

The Monte Carlo simulation uses at most 1000 scenarios to determine the range of outcomes resulting from asset allocation choices and underlying assumptions regarding rates of return and volatility of certain asset classes. Some of these scenarios will assume favorable financial market returns, consistent with some of the best periods in investing history for investors. Some scenarios

will conform to the worst periods in investing history. Most scenarios will fall somewhere in between.

The outcomes using Monte Carlo simulation represent only a few of the possible outcomes. Since past performance and market conditions may not be repeated in the future, your investment goals may not be fulfilled by following advice based on the projections.

#### **(Item 9) DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any disciplinary events that would be material to a client's evaluation of the Advisor and its investment staff or the integrity of the Advisor's management.

UITs. The Financial Industry Regulatory Association (FINRA) alleged that the Advisor violated FINRA Rule 2010 by failing to apply sales charge discounts to certain eligible purchases of Unit Investment Trusts ("UITs") from June 2010 to May 31, 2015. The allegations also included failure to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases (NASD Rule 3010 and FINRA Rule 2010).

The Advisor entered into an Acceptance, Waiver, and Consent with FINRA on December 3, 2015, without admitting or denying the allegations. The firm identified and reimbursed all customers for discounts which had not been applied plus interest on such amounts prior to entering into the consent, and paid a fine in the amount of \$125,000 to FINRA.

Variable Annuities. FINRA alleged that the Advisor failed to implement an adequate supervisory system and procedures designed to reasonably ensure suitability in its Multi-share Class Variable Annuity ("VAs") sales, including L-share contracts. FINRA also alleged that during the relevant period, January 2013 – December 2014, the firm failed to establish, maintain, and enforce an adequate supervisory system and Written Supervisory Procedures ("WSPs") related to the sale of Multi-share Class VAs, and that the firm failed to provide sufficient training to their registered representatives and principals on the sale and supervision of Multi-share Class VAs. FINRA alleged that the WSPs and training materials failed to sufficiently provide registered representatives and principals guidance or suitability considerations for sales of different VA share classes. FINRA alleged that because of the lack of sufficient training and guidance, registered representatives did not have the tools to present potential purchases with a side-by-side comparison of the fees and surrender charges or other information detailing the potential impact of the increased fee if the L-share contract was held by the customer for a long term. FINRA also alleged that the firm failed to establish, maintain, and enforce WSPs or provide sufficient guidance or training to registered representatives and principals on the sale of long term income riders with Multi-share Class VAs, particularly the combination of L-share contracts with long-term riders.

On November 2, 2016, the Advisor entered into an Acceptance, Waiver, and Consent with FINRA without admitting or denying the allegations. A fine of \$250,000 was paid to FINRA.

FINRA Matter No. 202006674001. FINRA found that the firm failed to supervise a registered representative and to supervise the electronic communications of its associated persons. A

registered representative formerly employed by the firm engaged in an undisclosed outside business activity. This business activity was an investment club conducted through an outside brokerage account that the registered representative did not initially disclose to the firm. FINRA found that when the representative later disclosed the account to the firm, the firm did not sufficiently investigate the activity in the account. FINRA also found that the firm did not properly investigate emails sent to and from the registered representative's firm email address, resulting in a determination that from February 2014-February 2017, the firm failed to establish, maintain and enforce written supervisory procedures with respect to the review of electronic communications.

On April 13, 2022, FINRA accepted a Letter of Acceptance, Waiver, and Consent submitted by the firm in which the firm accepted these findings without admitting or denying them. The firm consented to a censure and a fine of \$175,000.

#### **(Item 10) OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Some executive officers and members of the IC are registered representatives of First Horizon Advisors, Inc.

First Horizon Advisors, Inc. provides brokerage services and custody services for certain client accounts through its clearing arrangement with NFS. Under this arrangement, the client will pay applicable commissions and fees for these services in addition to the fees charged for advisory services. When a client directs its brokerage services to First Horizon Advisors, Inc., the client forgoes any benefits in price or quality of execution obtained when a manager for an advisory account has discretion to select the executing broker for account transactions. First Horizon Advisors, Inc. regularly monitors execution price and quality of trades for its accounts. Please see Item 12 – Brokerage Practices for more information concerning conflicts of interest related to our clearing arrangement with NFS.

The Advisor provides investment advisory services to Bank customers at Bank financial center locations. The Bank or its holding company provides certain support services to the Advisor, including accounting, payroll, legal and administration services.

First Horizon Bank Trust Division. The Bank provides custody services through its Trust Division. A client executes a separate agreement with the Bank for custody services and is charged a separate custody fee.

The Advisor provides investment management services to First Horizon Bank Trust Division. Investment management accounts are available through the Trust Division (“Agency Accounts”), and have similar strategies as advisory accounts described in this brochure. Agency Accounts are established by entering into a separate Investment Management Agreement with the Trust Division. Fees and expenses for an Agency Account will be more or less than those accounts described in this brochure. For Agency Accounts, different account opening minimums apply. Agency Accounts are administered and serviced at Trust Division locations by Trust Division personnel. IPs do not provide investment management services to Agency Accounts. The Trust Division will compensate an FA or IAR for referring a client to the Trust Division if the Trust Division opens an account, including an Agency Account, for the client. Such compensation will

be based upon the fees the Trust Division receives from the trust account and it is credited to the FA's or IAR's production.

First Horizon Bank. From time to time, the Bank will compensate an IP for referring advisory or brokerage customers to the Bank for certain financial products and services. Such compensation may be cash or non-cash compensation, and the compensation is paid by the Bank. Non-cash compensation may include prizes, travel, entertainment, and gift cards.

Your IP may refer you to the Bank if you are interested in applying for a line of credit secured by your advisory account. All credit decisions for this product are made by the Bank. Your FA or IAR will not be compensated for this referral. To pledge your securities as collateral for this line of credit, you will enter into an Account Control Agreement ("ACA") with the Bank and First Horizon Advisors, Inc. Under the terms of the ACA, you agree that you will not withdraw assets from your advisory account except with prior approval of the Bank. The ACA also states that if the Bank provides First Horizon Advisors, Inc. a notice of "exclusive control", First Horizon Advisors, Inc. will follow instructions of the Bank with respect to your advisory account instead of instructions from you or your IP.

Securities Issued by First Horizon Corporation (FHC). First Horizon Bank, the parent company of the Advisor, is a wholly owned subsidiary of FHC. The Advisor does not make recommendations to buy or sell FHC securities.

**(Item 11) CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Code of Ethics and Personal Trading.

The Advisor has adopted a Code of Ethics (the "Code") which establishes standards of fiduciary conduct for its employees, including standards that apply to personal securities transactions. The Code requires compliance with policies concerning use and disclosure of non-public information and maintaining the confidentiality of customer information.

The Code also requires that certain officers of the Advisor and employees who have access to non-public information concerning purchases and sales of securities for client accounts or recommendations for such purchases or sales ("Access Persons") report their personal securities transactions. Advisor receives reports of transactions and an annual holdings report for each Access Person. These persons are not permitted to:

- acquire securities in an IPO or private placement without obtaining prior approval from the designated compliance officer;
- execute a transaction for their own account until any orders for the same security for an advisory client's account has been executed or withdrawn;
- recommend a security transaction for an advisory account without disclosing certain personal interests in such securities;
- receive prior approval from the designated compliance officer to serve as a director of a publicly traded company;

- purchase or sell any security designated by the Chief Investment Officer (CIO) or designee during any black-out period as determined by the CIO or designee.

The purpose of the prohibitions described above is to avoid any benefit an Access Person may obtain from trading in a security prior to execution of a trade in the same security for a client's account. You may obtain a copy of the Advisor's Code of Ethics by contacting us at 901-818-6065 or 1-800-300-0987.

#### Interest in Client Transactions.

Cash awaiting investment in an Account that is custodied with NFS will be invested in a money market fund ("Mutual Fund") available through a sweep investment program provided by NFS. Account balances held in the Mutual Funds are included in the calculation of the fee charged to your account. NFS receives fees from certain Mutual Funds for providing shareholder services, sub-accounting or other services to such Mutual Funds. NFS has agreed to pay to First Horizon Advisors, Inc. a portion of such fees it receives. The fee First Horizon Advisors, Inc. receives is based upon the average net assets of the accounts invested in the Mutual Funds through NFS.

See also (Item 12) Brokerage Practices and (Item 5) Fees and Compensation for more information concerning financial benefits we receive from NFS.

#### **(Item 12) BROKERAGE PRACTICES**

First Horizon Advisors, Inc. does not have any arrangements with broker-dealers whereby it directly obtains research or other products or services in connection with client securities transactions.

For accounts invested solely in individual fixed income securities, the Advisor will select a broker-dealer to execute trades. Fixed income transactions are generally executed by the broker-dealer on a net basis, which means the execution costs (e.g., commissions) are included in the purchase or sale price of the securities. The Advisor maintains a list of Approved Brokers for these transactions. In evaluating broker-dealers, the Advisor will consider, among other things, the financial strength and stability, trading expertise, inventory of fixed income securities, and settlement capabilities. For fixed income transactions, the Advisor will allocate orders across all accounts in equal proportions.

For all other accounts, the Advisor does not select broker-dealers to execute security transactions. The Advisor requests that a client direct brokerage for transactions to a specified broker-dealer. We will recommend that a client use First Horizon Advisors, Inc. or the First Horizon Bank Trust Division for execution and custody services. Orders for transactions will be aggregated for accounts that direct brokerage through First Horizon Advisors, Inc. or through First Horizon Bank Trust Division.

Aggregating orders for client accounts may provide lower execution costs per share than by trading on an individual account basis.

When a client directs brokerage to First Horizon Advisors, Inc., the First Horizon Bank Trust Division or another broker-dealer, the client may not receive benefits in price or quality of execution obtained when the investment adviser has discretion to select the execution broker. In addition, by referring a client to the Trust Division or First Horizon Advisors, Inc. for these services, the Trust Division or First Horizon Advisors, Inc. will receive compensation for the execution and custody services they provide to clients.

The Advisor has a conflict of interest in recommending that a client use NFS for clearing and custody services for an account. The pricing that First Horizon Advisors, Inc. has negotiated with NFS for clearing and custody services is based upon First Horizon Advisors, Inc. maintaining certain asset levels in certain types of brokerage accounts, and on annual trade volumes. We address this conflict of interest by monitoring trade execution and through account reviews as described in (Item 13) Review of Accounts below. NFS provides financial assistance to First Horizon Advisors, Inc. in the form of credits to First Horizon Advisors, Inc. on the fees and charges billed to First Horizon Advisors, Inc. under its clearing agreement with NFS.

An account custodied at NFS may be invested in mutual funds or ETFs which pay shareholder servicing, 12b-1 fees or administrative services fees to the Advisor in connection with investment of the Account in shares of the mutual funds or ETFs (“Mutual Fund Fees”). The Advisor has instructed NFS to rebate the Mutual Fund Fees back into the Accounts that generated the Mutual Fund Fees.

IRA Accounts are charged an annual IRA maintenance fee by NFS. NFS has agreed to pay a portion of such maintenance fee to First Horizon Advisors, Inc. NFS has also agreed to pay First Horizon Advisors, Inc. a portion of the account transfer fees (ACAT) charged to an Account. If an Account custodied at NFS incurs margin interest, a portion of the margin interest charged to the Account is paid to First Horizon Advisors, Inc.

The expense ratio of the mutual fund share class is considered when selecting a mutual fund for your account. Not all share classes of a mutual are available to an account. Share classes, share class expenses, and eligibility for investment in a share class change frequently. We periodically review the mutual fund share classes to determine if a share class with a lower expense ratio is available for our accounts. If so, when reasonably practical, we will exchange the existing share class in an account for a share class with a lower expense ratio.

When a client utilizes one or more separate account managers, the Advisor will recommend that the client use the First Horizon Bank Trust Division as custodian. The relationship between the First Horizon Bank Trust Division and the Advisor is disclosed to the client.

In the event of a trade error on the part of the Advisor, the Advisor will correct the error by executing the appropriate trades for the client’s account and for the Advisor’s account. The Advisor will reimburse the client’s account for any market loss incurred as a result of the error. In the event the trades executed for the Advisor’s account to correct an error results in a gain for the Advisor’s account, the Advisor will retain such gain.

### **(Item 13) REVIEW OF ACCOUNTS**

Account Reviews. For Other Advisory Services, the Advisor has designated certain employees as “Advisory Account Reviewers.” Each account is reviewed by an Advisory Account Reviewer prior to account opening to confirm that recommendations for the account are consistent with the client’s investment objectives and risk tolerance. At least annually, the IP meets with his/her clients to determine if there have been any changes in the client’s investment objectives which require a change in the client’s portfolio.

For CRP Services, mutual funds and managers are reviewed with the client in accordance with the consulting agreement.

For Financial Planning, the Advisor reviews a sample of financial plans where a client has implemented plan recommendations through the Advisor or its affiliates. All FAs who provide financial planning are CFP® professionals.

Reports. For CRP Services accounts, written reports will be provided as described in the consulting agreement with the client.

For Other Investment Advisory Services, all clients receive a written quarterly performance report from the account custodian with a breakdown of investments held, gains, losses, and current market value. Clients will receive a quarterly performance report from the Advisor if such report is described in the investment management services agreement with the client.

Financial planning does not involve custody of assets. You will receive a copy of your plan in written or electronic form.

### **(Item 14) CLIENT REFERRALS AND OTHER COMPENSATION**

The Bank pays a referral fee to Bank personnel for referring a client to the Advisor. If certain Bank employees refer a client to the Advisor and the client opens an advisory account, the Advisor will pay a portion of the advisory fees it receives from the advisory account to the Bank employee who referred the account. In accordance with the Investment Advisers Act of 1940, the Advisor will pay a referral fee to third-parties who enter into a written agreement with the Advisor to refer or introduce advisory clients to the Advisor.

Please see (Item 10) Other Financial Industry Activities and Affiliations above for more information concerning referral fees paid to IPs by First Horizon Bank and First Horizon Bank Trust Division.

### **(Item 15) CUSTODY**

The Bank provides custody services to clients through its Trust Division. Under the SEC rules, we are deemed to have custody of accounts held by the First Horizon Bank Trust Division. All accounts custodied by the First Horizon Bank Trust Division will receive account statements, at least quarterly, from the First Horizon Bank Trust Division. Clients should carefully review these account statements. The Advisor does not provide a separate statement for these accounts.

The Advisor is deemed to have custody over a client's assets when it is authorized to directly debit a client's account for payment of the Advisor's fees. The Advisor has custody of client accounts if the client has executed a standing letter of authorization that permits the Advisor to make distributions to third-parties from the client's account.

Financial planning services do not involve custody of client assets.

**(Item 16) INVESTMENT DISCRETION**

The Advisor's authority to execute transactions for a client account without the client's prior approval or to hire or terminate an investment manager without the client's prior approval will be obtained in writing from the client. This authority is described in the investment management agreement between the Advisor and the client.

Financial planning services do not include the authority to execute transactions for a client account.

**(Item 17) VOTING CLIENT SECURITIES**

Your investment advisory agreement will state whether or not we will vote proxies related to the securities holdings in your account.

The Advisor has adopted proxy voting guidelines and procedures. These guidelines and procedures are designed to ensure that proxies are voted in a manner that maximizes shareholder value and avoids conflict of interest between us and our clients. The Advisor has contracted with Institutional Shareholder Services, Inc. ("ISS") to provide policy recommendations, research, vote proxies, and assist with the administration and record keeping related to proxy voting. Using these guidelines, ISS will make recommendations on how to vote proxies. Generally, the Advisor will vote in accordance with ISS' voting recommendations. However, we reserve the right to vote in a different manner if we believe it is in the best interest of our clients to do so. Where a conflict of interest exists, we will contact the client, disclose the conflict, and obtain the client's consent or direction to vote the proxy. Although we do not make recommendations concerning FHC securities, a conflict of interest arises if a proxy vote involves a transaction with FHC or its affiliates.

Clients can contact us at 901-818-6065 or 1-800-300-0987 to obtain a copy of our proxy voting guidelines or for more information about voting proxies.

First Horizon Bank Trust Division votes proxies for securities held in the Agency Accounts.

**(Item 18) FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about their financial condition. The Advisor has no financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.