

**NORTHSTAR**



**ASSET MANAGEMENT**

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**Form ADV Part 2A Brochure**

**March 30, 2020**

This brochure provides information about the qualification and business practices of NorthStar Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (484) 342-4201. 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.

*3/30/2019*

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**Item 2 - Material Changes**

Northstar's previous Brochure was dated March 30, 2019. The material changes made to this Brochure since the last annual update are as follows:

Item 4- Advisory business has been updated to reflect that NorthStar may engage in fiduciary services for plans subject to ERISA.

**Item 3 - Table of Contents**

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#### **Item 4 – Advisory Business**

NorthStar Asset Management, LLC (“NorthStar” or the “Firm”) is an SEC registered Investment Adviser since June of 2000. As of December 31, 2019, NorthStar managed approximately \$426,423,351 of which \$354,228,671 was managed on a discretionary basis.

NorthStar specializes in the individual management of portfolios for private clients, foundations, and corporations on either a discretionary or non-discretionary basis.

NorthStar is an employee-owned investment advisory firm directly owned by the partners of the Firm. NorthStar’s only business is providing investment advisory services based on the individual needs of its clients.

NorthStar is guided by the philosophy that both the creation and preservation of wealth is best attained through a growth bias and the Firm believes that asset allocations as well as specific holdings within a portfolio are best determined by matching client objectives with their individual circumstances and risk tolerances. Investment objectives are achieved through the purchase of individual stocks and bonds, mutual funds and other unitized investment products.

NorthStar does not participate in any wrap fee programs.

#### **ERISA Fiduciary Services**

Services may be provided as a fiduciary of specifically designated ERISA plans based on applicable definitions (contained in ERISA Section 404(a), IRC §4972, the Investment Company Act of 1940 and state laws). In performing the following services, NorthStar will act as a fiduciary as defined by ERISA Section 3(21) or ERISA Section 3(38).

The services provided could include: Investment Advice to the Plan Sponsor, Preparation of the Investment Policy Statement (IPS), Investment Menu Design, Selection of a Qualified Default Investment Alternative (QDIA), Performance Monitoring, Performance Reports and Participant Advice.

#### **Item 5 - Fees and Compensation**

Fees for investment management are tiered and calculated as a percentage of assets under management. Fees generally range from 1.00 % to .70% on an annual basis and are paid quarterly, in advance, based on the account’s closing market value for the current quarter. Under certain circumstances fees may be negotiated and the Firm has existing agreements for certain legacy accounts where fees are lower than the published fee schedule. NorthStar does not currently have or require a minimum household size or impose a minimum fee.

In addition, some employees and their family members have accounts which pay a discounted fee or for which the fee has been waived entirely.

When valuing a security for billing, NorthStar uses that security’s closing price or reported Net Asset Value as provided by an independent third party or custodian NorthStar believes to be reliable.

Fee Schedule Effective 09/01/2018

Assets Under Management	Fee
First \$2,000,000	1.00%
Next \$3,000,000	0.80%
Assets over \$5,000,000	0.70%

Fees are generally debited directly from client accounts, except in certain circumstances where clients are billed directly.

Important information about the deduction of management fees:

- Authorization for NorthStar to deduct fees directly from the client’s account is provided within NorthStar’s standard Advisory Agreement;
- While advisory fee deductions are not included on NorthStar statements, clients will receive a statement from the custodian which shows specific holdings as well as fee deduction; and
- Clients are responsible for reviewing the accuracy of the fees being billed, as the custodian will not do so.

Clients or NorthStar may cancel the investment management agreement by providing 30 days’ written notice to the other party. Upon such notification, fees paid in advance will be prorated subject to the provisions within the agreement and any unearned fees returned.

Purchase and sale transactions of individual securities involve custodial charges including but not limited to agency commissions and transaction fees. These fees are charged to the client by the client’s custodian and NorthStar receives no portion of these fees. All fees paid to NorthStar for investment advisory services are separate and distinct from fees and expenses charged by mutual funds, exchange-traded funds and notes (ETFs), and other investment products that clients may hold in their accounts. Such fees and expenses are described in fund or ETF prospectuses. They will generally include a management fee and other fund or ETF expenses.

NorthStar does not purchase mutual funds with front or back-end loads, or which pay distribution fees. In the event such a mutual fund is transferred into an account, it is evaluated and may be held, for example to convert a short-term capital gain into a more favorably taxed long-term capital gain, or to defer the tax recognition of that gain to another year.

#### **Item 6 - Performance-Based Fees and Side-By-Side Management**

Performance based fees may potentially represent a conflict of interest. NorthStar does not receive performance-based fees.

## **Item 7 - Types of Clients**

NorthStar generally provides investment advice to individuals, trusts/estates/charitable organizations, foundations and corporations. Prior to accepting and opening an account for a client, NorthStar must determine that there is a fit between the client's goals and objectives and NorthStar's philosophy and decision-making process. NorthStar does not currently have or require a minimum household size or impose a minimum fee.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

NorthStar's security analysis methods include fundamental, asset allocation and research.

NorthStar's main sources of information include financial newspapers/magazines, data services, inspections of corporate reports and activities, research materials prepared by others, corporate rating services, company filings (including annual reports, prospectuses and other SEC filings) and company press releases.

NorthStar's investment advisory services include portfolio structuring, monitoring and researching of all portfolio positions, making changes to the portfolio, providing account evaluations, and periodically conducting conferences. NorthStar utilizes a strategy of holding securities that have a growth bias, often overweighting exposures to industry sectors growing faster than the overall economy, and companies within all sectors with some combination of growth in revenues, earnings per share, dividends (or the ability to begin to pay a dividend), and overall financial strength. Our goal is to invest profits in other securities with better underlying values. Lower-quality securities are only purchased when adequate and reliable information is available, and the quantity purchased is generally limited to a minor part of the portfolio for those investors whose individual goals will tolerate such investments.

Fundamental analysis involves an examination of the fundamental financial condition and competitive position of a company. NorthStar analyzes the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The Firm also screens for companies with strong fundamentals whose shares may be trading below recent levels due to circumstances or negative investor sentiment which may be temporary in nature, and therefore provide an attractive opportunity to consider for purchase. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Asset allocation optimization involves an analytical measure whereby the firm seeks to balance risk and reward by apportioning portfolio assets among various asset classes according to an individual's objectives, time horizon and risk tolerance. While NorthStar believes that this diversification affords clients an added level of protection from overexposure to any one asset class, it also subjects portfolios to multiple asset classes that may prove volatile during a given period.

### *Risks*

Investing in securities markets involves the risk of loss that clients should be prepared to bear. These risks include, but are not limited to:

- Market Risk - The risk to a specific investment or portfolio that the value declines due to general market conditions not specifically related to a particular security. Examples include real or perceived adverse market conditions now or in the future, changes in the outlook for earnings and changes in interest rates or currency.
- Interest-Rate Risk - The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.
- Inflation Risk - The risk of loss of purchasing power due to rising prices of goods and services.
- Credit Risk - The possibility that a debt issuer may not be able to repay you for your investment principal or interest owed to you.
- Reinvestment Risk - The risk that an investor faces when an investment matures, that one may have to find a new place to invest that money and that there might not be a similarly attractive investment available.
- Business Risk - Often referred to as company risk, this is the risk of owning one or only a few investments in specific companies. This risk includes competition, technological obsolescence of the company's products or systems, reductions in the market demand and pricing for the company's products (such as reduced pricing for oil and natural gas), regulatory changes which make the company's business model no longer competitive (and in some cases permissible), management missteps, cybersecurity risk, and fraud whether real or perceived.
- ETF and Mutual Fund Risk - When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You may also incur brokerage costs when purchasing ETFs. Investors may also be liable for taxes and other fund level gains as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities at a profit that cannot be offset by corresponding losses.
- Leverage Risk - This risk comes from using debt to fund investments. As debt must be repaid regardless of investment performance, leverage has the potential to significantly increase (multiply) your losses or gains.
- Liquidity Risk - The risk that your investment cannot be converted into cash when you would like or that such investment must be discounted significantly to effectuate a sale.
- Political Risk – The risk an investment's returns could suffer as a result of political changes or instability in the US or abroad. Instability affecting investment returns could stem from a change in government, legislative bodies, taxation, foreign policy or military control.
- CyberSecurity Risk - With the increased use of technology, NorthStar is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive

information, corrupting data, or causing operational disruption. Cyber incidents impacting NorthStar have the ability to cause disruptions and impact business operations, potentially resulting in the inability to transact business, financial losses, violations of applicable privacy and other laws, regulatory fines, penalties or reputational damage. While NorthStar has established a business continuity plan and risk management systems intended to identify and mitigate cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, NorthStar cannot control the cybersecurity plans and systems put in place by third party service providers and issuers in which client portfolios invest. As a result, clients could be negatively impacted.

Our investment process is designed with an awareness of the risks listed above; however, it is impossible to eliminate all of these risks when investing. While individual portfolio structuring can take many of these risks into consideration, there can be no assurance of success in investing or that NorthStar's attempts to address these risks will prove to be successful.

### **Item 9 - Disciplinary Information**

Neither NorthStar nor any of its employees have any disciplinary history to report.

### **Item 10 – Other Financial Industry Activities and Affiliations**

Mr. Putnam is director of the Pennsylvania Warehousing and Safe Deposit Company and serves as Chairman of the Board of Touchpoint, Inc. While interests in these businesses are held by certain clients of Northstar that are family members of founders of these firms, security interests in these businesses are not available to other NorthStar clients.

### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

NorthStar has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and the fiduciary duty owed to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading and the dissemination of non-public information, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, pre-clearance procedures, among other things. All supervised persons at NorthStar must acknowledge the terms of the Code of Ethics annually and as amended.

Officers, directors, and employees of NorthStar may trade for their own accounts in securities that are recommended to and/or purchased for NorthStar's clients. The Code of Ethics is designed to ensure that the personal securities transactions, activities, and interests of the employees of NorthStar will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of NorthStar clients. As the Code of Ethics permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee



trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between NorthStar and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis. In such circumstances, the affiliated and client accounts will receive securities at a total average price. NorthStar will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions would be explained on the order documentation.

It is NorthStar's policy that the firm will not engage in any principal transactions or cross trades for client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

A complete copy of NorthStar's Code of Ethics is available to clients and prospective clients upon request by contacting NorthStar's CCO directly.

## **Item 12 - Brokerage Practices**

While clients of NorthStar may use a custodian of their choice, NorthStar generally recommends the use of Charles Schwab as NorthStar has the ability to aggregate ("block") client trades. Aggregating trades generally results in better execution. While clients have the ability to direct brokerage to a custodian of their choice, NorthStar is required to disclose that by directing brokerage, NorthStar may not be able to include directed accounts in aggregated (block) trades in order to achieve the most favorable execution of client transactions. The inability to aggregate trades may result in higher commissions or smaller discounts on client transactions with directed brokers.

In addition, clients are advised that the custodial landscape is currently in a state of flux as custodians, in an effort to compete, move toward lower or, in some cases like Charles Schwab, no trading commissions. However, there is a cost to executing and settling trades. As a result, custodians are establishing a wide and everchanging range of service offerings, direct expenses and indirect opportunity costs in an effort to remain profitable. Clients are therefore encouraged to consult with their Northstar financial advisor and evaluate all of the costs, expenses and services provided by their selected custodian.

Regardless of the custodian selected, any discounted commission rate available to the client for directed brokerage will be dependent upon the client's ability to negotiate such discounts with the custodian they select. Clients may pay more to direct brokerage so they should periodically review the terms of their custodial arrangements to ensure that such arrangements meet their needs and are competitive in the market in relation to the services offered. In designating a custodian, clients should also take into account services other than trade execution they require.

As the firm utilizes the brokerage services of its clients' custodians, clients who maintain accounts with custodians other than Schwab will not be able to participate in block trades with other accounts at Schwab. Certain clients may also utilize NorthStar advisory services on a non-discretionary basis. As non-discretionary accounts require NorthStar obtain client consent prior to trade execution, there will be

a delay in executing or blocking trades for non-discretionary accounts that does not exist for discretionary accounts.

### Trade Errors

If it appears that a trade error has occurred, NorthStar will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors or breaches of investment guidelines and restrictions occur, NorthStar's error correction procedure is designed to ensure that clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. NorthStar has discretion to resolve a particular error in any manner that is consistent with the above-stated policy.

### Soft Dollars

"Soft dollars" are generated when an investment advisor has entered into an agreement with an executing broker to receive a portion of the commissions generated by the advisor's client trades. The soft dollars allocated to the investment advisor are then used to purchase items or services from the broker-dealer. This presents a potential conflict of interest in that the investment advisor has a fiduciary duty to its clients to obtain best execution. Effective April 1, 2019 Northstar will no longer be engaged in Soft Dollar transactions

### Other Financial Benefits

NorthStar receives without cost from Charles Schwab computer software and related systems support that allow NorthStar to better monitor and manage client accounts. NorthStar may receive the software and related support without cost because NorthStar renders investment management services to clients that maintain assets at this institution. The software and related systems support may benefit NorthStar, but not its clients directly. In fulfilling its duties to its clients, NorthStar endeavors at all times to put the interests of its clients first. Clients should be aware, however, that NorthStar's receipt of economic benefits from a broker/dealer/custodian creates a conflict of interest since these benefits may influence NorthStar's willingness to accept one broker/dealer/custodian over another that does not furnish similar software, systems support or services.

Specifically, NorthStar may receive the following benefits from Charles Schwab:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services NorthStar traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### **Item 13 - Review of Accounts**

As part of its ongoing process, NorthStar accounts are regularly reviewed by a portfolio manager of the Firm. When actions are pending or if market or security-specific circumstances warrant, accounts will be reviewed more frequently as deemed necessary by the Investment Committee. Each portfolio manager has the responsibility to act in the best interests of their clients and to provide investment advice in the client's best interests and consistent with the client's objectives.

Ongoing contact with the client is maintained by each portfolio manager and his/her assistant, providing the client an opportunity to update their investment objectives and goals and to implement or modify any reasonable restrictions on the management of the account.

In addition to any NorthStar statement, statements and confirmations are sent directly to clients from the 3<sup>rd</sup> party custodians. Clients are encouraged to compare their custodial statements with NorthStar's statements and to promptly notify NorthStar of any discrepancies.

### **Item 14 - Client Referrals and Other Compensation**

NorthStar does not receive compensation for referring clients to other service providers nor does NorthStar pay any outside third party for client referrals.

### **Item 15 - Custody**

Client assets must be held at an independent third-party broker-dealer or custodian (a qualified custodian) of their choosing and not at NorthStar. Clients will receive monthly statements and trade confirmations directly from these financial institutions. Clients should review these statements carefully as they report important information regarding their managed account.

NorthStar's Advisory Contract authorizes NorthStar to deduct client fees directly from the client's account at the custodian and to remit these fees directly to NorthStar. Such fee deductions will be reported to the client by the qualified custodian directly within the client's periodic custodial statement.

While NorthStar will issue appropriate instructions to the custodian of the client's account in connection with settlement of portfolio transactions, NorthStar shall not have any responsibility with respect to collection of income, reclamation of withheld taxes, physical acquisition or safekeeping of the assets of the account. All such duties of collection, physical acquisition and safekeeping shall be the sole obligation of the Client or the client's qualified custodian.

NorthStar may also obtain custody in the event an employee of the firm is granted Power of Attorney, is named Trustee on a client's account or allows clients to establish standing letters of authorization. To the extent the firm obtains custody, the firm will disclose its assets under custody and undergo any independent third-party review as required.

**Item 16 - Investment Discretion**

Clients of NorthStar may engage the firm on either a discretionary or non-discretionary basis. Clients generally grant the firm discretionary investment management authority which allows NorthStar to select securities and to execute transactions based on the client's objectives without the client's consent.

Clients may request that we impose reasonable restrictions on investing in certain securities. In these situations, NorthStar will consider the request provided that it is reasonable and in the best interest of the client.

NorthStar obtains discretion by asking the client to sign a Discretionary Advisory Contract.

**Item 17 - Voting Client Securities**

NorthStar maintains Proxy Voting Policies and Procedures (the "Proxy Policy") to ensure that it exercises appropriate voting authority with respect to securities held by clients that have granted NorthStar proxy voting authority. The Proxy Policy and information on NorthStar's proxy voting record is available upon request from NorthStar's CCO. Clients are encouraged to contact their portfolio manager regarding any questions they may have related to NorthStar's policy or voting record.

**Item 18 - Financial Information**

NorthStar does not solicit client fees for services more than 90 days' advance and, therefore, has no financial disclosures to provide.