



# Understanding our fees, charges and other compensation

May 2020

## **Important information about**

How we are paid by you

Payments we receive from third parties

How your Financial Professional is compensated

Conflicts of interest resulting from our compensation structures

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Trustmont reserves the right to change its program, fees and payment(s) (or payment structures) at any time.

# Introduction:

**About Trustmont Group:** Trustmont Financial Group, Inc. is registered with the Securities and Exchange Commission (SEC) and member of the Financial Industry Regulatory Authority (FINRA). Trustmont Advisory Group, Inc. is a Registered Investment Advisor with the U.S. Securities and Exchange Commission (SEC). Trustmont Financial Group, Inc. and Trustmont Advisory Group, Inc. are managed by the same individuals. Trustmont operates across the United States in all 50 states.

Trustmont boasts a network of individuals, referred to as “financial professionals”, who offer brokerage services, investment advisory services, or both, depending on their licenses. Some of Trustmont’s financial professionals are investment advisor representatives (IARs) of Trustmont Advisory Group, Inc. or a non-affiliated third-party investment advisor. Trustmont sometimes refers to these specific financial professionals as “financial advisors” or “advisors.” For more information on the distinctions between our brokerage and advisory services, please review the Customer Relationship Summary (or Form CRS) available at [www.trustmontgroup.com](http://www.trustmontgroup.com).

Trustmont’s financial professionals are independent contractors. Our financial professionals operate throughout the U.S. and often market services under their own business name. Some of the investment products offered may include various securities products, including mutual funds, exchange-traded products, variable annuities, variable life insurance, municipal fund securities, alternative investments and general securities such as stocks and bonds.

This guide summarizes important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. Additional information about Trustmont and its financial professionals is available on FINRA’s website at <http://brokercheck.finra.org>. Information related to our advisory practices can be found in our Form ADV at [www.trustmontgroup.com](http://www.trustmontgroup.com).

## About our fees, charges and other compensation—general

Our goal is to make sure our clients are informed about the costs of the various investment products and services that we offer. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive from us.

### Brokerage services

In brokerage relationships, investors pay transaction-based fees in connection with the products and services they receive, such as buying and selling stocks, bonds, Exchange Traded Products (ETPs), mutual funds, annuity contracts and other investment products. Transaction-based fees are based on a number of factors, including:

- Underlying product selection
- Size of your transaction and/or overall value of your account
- Frequency with which you trade

It is important to consider that while a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs involved.

### **Distinction between holding products directly with sponsor or in a brokerage account**

Exchange-traded securities (i.e. stocks, bonds, ETPs) are only available for purchase in a brokerage account maintained at our custodian, Royal Bank of Canada (RBC). RBC and Trustmont Financial Group share responsibilities with respect to your account. Your account statements and confirmations are sent to you by RBC.

Other securities, including mutual funds, variable annuities, and alternative investments, may be owned in either a brokerage account or directly held with the product sponsor (“directly held”). With a directly held account, Trustmont purchases the investment directly with the product sponsor, which is responsible for sending you confirmations and account statements.

In a brokerage account, you can hold several different types of securities, which can be more efficient because all the securities are included on one statement and you receive one Form 1099. With a directly held account, you may only hold products issued by that product sponsor. Brokerage accounts typically have annual maintenance fees and fees for transactions and other services (see Client Fee Listing on page 18), while directly held accounts typically do not charge such fees, which makes directly held accounts less expensive.

While there are important differences between brokerage and directly held accounts, we do not require your financial professional to open a particular type nor do we incentivize our financial professionals to open one type over the other. Please ask your Trustmont financial professional which purchasing method is best for you.

### **Cash brokerage and margin brokerage accounts**

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm, RBC. This is generally referred to as a “margin loan”. The portion of the purchase price that is loaned you is secured by securities in your account, also referred to as “collateral”. You will incur interest costs as a result of your margin activity. While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes.

A margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship with us. For more information on our margin brokerage services, please ask your Trustmont financial professional.

### **Cash sweep program**

Brokerage accounts at our clearing firm, RBC, include a cash sweep program feature. This program permits you to earn a return on uninvested cash balances in your brokerage account by allowing cash balances to be automatically “swept” into a “Cash Sweep Vehicle”, until such balances are otherwise

required to satisfy obligations arising in your account. These Cash Sweep Vehicles include interest-bearing deposit accounts. Trustmont benefits from deposits to your account before cash balances are swept into the cash sweep vehicle. The benefit is generally in the form of income at the prevailing market rates on overnight investments.

### **Correcting trading errors**

We have procedures for resolving trading and other errors that occur from time to time. Trustmont maintains an error account to facilitate handling trading and other errors. Gains attributable to trading errors will be offset by losses attributable to other errors in this error account. At the end of the calendar month, any net gains in the error account are distributed to us.

### **Account minimums and activity requirements**

Some types of brokerage accounts may impose minimum investment amounts, which precludes purchases under that amount. Purchase minimums can vary by issuer, but they are common in mutual funds (typically between \$250 - \$1000), annuities (typically \$5,000 – 10,000), and alternative investments (typically between \$2,500 - \$5,000). These requirements are detailed in the account agreement(s) you receive when you open your brokerage account.

Our financial professionals may establish their own minimum account balance requirements for the brokerage accounts they service. Minimum asset requirements are disclosed to you orally by your Trustmont financial professional.

### **Incidental brokerage services, recommendations and account monitoring**

When our financial professionals make a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonable available alternatives, and based on your stated investment objective, risk tolerance, time horizon, liquidity needs, tax status, and any other financial information you provide us. You may accept or reject any recommendation. We encourage you to carefully consider your investment objective and risk tolerance before accepting the recommendations we provide you. Please immediately let us know if your life circumstances, investment objectives, or risk tolerance change so we may customize our recommendations to your current profile.

You are responsible to monitor the investments in your brokerage account, and we encourage you to do so regularly. We are under no obligation to provide on-going monitoring of your brokerage account. If you prefer ongoing monitoring of your account or investments, you should speak with your Trustmont financial professional about whether an advisory services relationship is more appropriate for you.

From time to time we may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to educational resources, sales and marketing materials, performance reports, asset allocation guidance, and/or periodic brokerage account reviews. When we offer these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holding in your brokerage account, they do not contain specific investment recommendations, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your

request, we will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to provide advice or reporting.

### **Limitations on investment recommendations**

Although many of our financial professionals offer both brokerage and investment advisory services, some offer only brokerage services and others offer only investment advisory services. When you are discussing services with your Trustmont financial professional, please ask what capacity the financial professional is acting or will be acting—as a broker-dealer registered representative and/or an investment advisor representative—when providing services to you. You should also ask if there are limitations on the products or services your financial professional may offer by virtue of any of the following:

- **Limited product shelf:** There are thousands of recommended investment products on the market and Trustmont does not offer all of them for sale to clients. Moreover, the scope of products and services we offer may be more limited than what is available through other financial service firms. Trustmont and our financial professionals offer recommended investment products only from investment sponsors with whom Trustmont has entered into selling and distribution agreements. Other firms may offer products and services not available through Trustmont, which presents a conflict since you are not able to purchase those products or services through Trustmont. We disclose this conflict to you and mitigate it by maintaining a robust offering of products and services.
- **Restrictions based on licensing:** A financial professional's ability to offer individual products and services depends on his/her licensing. A financial professional holding a Series 6 license is limited to providing mutual funds, 529 plans, unit investment trusts ("UITs") and variable annuity contracts. A financial professional holding a Series 7 license can offer all of the investments a Series 6 representative can offer as well as individual stocks, bonds, exchange traded products ("ETPs"), alternative investments (real estate investment trusts (REITs), limited partnerships (LPs), and private equity. A financial professional may also hold either the Series 65 or 66 licenses, or have attained a certification such as the Certified Financial Professional® certificate, which enables them to offer advisory services.

You should ask your financial professional about the investment products or services he/she is licensed or qualified to sell and his/her ability to service investments that you transfer to Trustmont from another firm. You should also review the licenses held by your financial professional by visiting the FINRA BrokerCheck system at <http://brokercheck.finra.org>. Licensing presents a conflict in that financial professionals have an incentive to offer you products or services that correspond to their licensing. We disclose this conflict to you and mitigate it by reviewing recommendations made to you by your financial professional to ensure these recommendations are in your best interest.

### **How we are compensated**

We receive direct and indirect compensation in connection with your account(s). Direct compensation is taken directly from the specific account. Indirect compensation is compensation paid in ways other than directly from the account and may impact the value of the associated investments in your account. Some of the ways we receive direct revenue from clients:

- Commissions charged to clients in connection with the purchase or sale of equities, fixed income products and other investments
- Markups and markdowns charged to secondary market transactions of debt securities
- Sales loads, commissions or fees for various financial products, such as mutual funds, alternative investment funds, and annuities

Some of the ways we receive indirect revenue:

- Mutual fund companies pay recordkeeping and account servicing fees for processing services we provide in accounts held at Trustmont Financial Group.
- For some alternative investment funds that are managed by third-party and affiliated investment advisers, we receive fees for distribution, shareholder services or solicitation services, or a combination of the three.
- Companies that issue investment products (e.g. mutual funds and insurance companies) pay for educational programs and seminars for our financial professionals and clients.

### **How your Trustmont financial professional is compensated**

We pay our financial professionals cash compensation based upon production. The production payout is a percentage (called a payout or grid rate) of the product-related revenue (called production) that each financial professional generates with respect to the clients he or she services, minus certain adjustments if applicable. The payout rate or grid rate ranges from 50% to 92% and is based upon a rolling twelve-month average.

We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our financial professionals, including reducing and/or denying production payout at our discretion for any reason.

The standard compensation structure creates financial incentives for financial professionals to encourage clients to purchase multiple products and to choose a payment structure for products that generate greater compensation.

### **Compensation from the purchase and sale of investment products**

In general, our financial professions are compensated from the following sources of revenue:

- Commissions charged to clients in connection with the purchase, or sale, of equities, fixed income products and other investments
- Sales loads, commissions and 12b-1 fees for various financial products such as mutual funds, annuities, alternative investments.

### **Non-cash compensation**

We receive (and our financial professionals also receive) non-cash compensation from mutual funds companies, annuity providers, insurance vendors. This type of compensation includes the following:

- Occasional gifts up to \$100 per vendor per year
- Occasional meals, tickets or other entertainment of reasonable and customary value
- Sponsorship support of educational or training events (which include educational events financial professionals arrange for clients and prospects) and seminars, and/or payment of

expenses related to training and education for our financial professionals which can (and often do) include a non-training component of the event.

The receipt of non-cash compensation creates an incentive for financial professionals to recommend certain products over others. We address these conflicts of interest by maintaining policies and procedures on the suitability and supervision of the products and service we offer to you, and by disclosing our practices to ensure you make a fully informed decision.

# About our fees, charges and other compensation—by product

The section that follows offers an overview of the compensation Trustmont Financial Group receives for the wide variety of products that our clients typically purchase in a brokerage account with Trustmont. Some of this compensation is paid to Trustmont by clients and other compensation is paid to Trustmont by third parties. If you believe that a product we provide is not covered in this guide, please contact your Trustmont financial professional. Many of the descriptions that follow refer to a prospectus or offering documents.

## **Annuities and Insurance**

### **Fixed, fixed indexed, single premium immediate and deferred income annuities**

#### **Description**

- Fixed annuities are contracts issued by insurance companies that guarantee a fixed interest rate for a specified period of time
- Fixed indexed annuities are contracts issued by insurance companies where the returns are based upon the performance of a market index, such as the S&P 500. The principal investment is protected from losses in down markets, subject to the solvency of the issuer, while gains add to the annuity's returns
- Single premium immediate annuities are contracts issued by insurance companies that are purchased by the client with a single investment for which income payments begin within one year of the contract date
- Deferred income annuities are contracts issued by insurance companies that are purchased by the client with a single investment or multiple investments for which income payments begin after one year of the contract date

#### **Fees and charges paid directly by clients**

Typically, fixed annuities do not have upfront sales loads or ongoing expenses. The insurance company's costs are built into the interest rate paid on the contract. However, depending on the terms of the annuity, you can pay additional annual fees, including premium taxes and fees for any optional riders selected. Optional riders are provisions that may be added to an annuity contract to increase or limit benefits the contract otherwise provides. Annual fees are generally deducted from the annuity contract value. If the annuity is surrendered before a designated period of time, the client will generally have to pay the insurance company a surrender fee specified in the contract (the amount is reduced over time and generally lasts 5-10 years). All amounts payable to the insurance company are disclosed in the annuity contract.

#### **Compensation we receive from third parties**

We receive commissions for the sale of an annuity from the insurance company issuing the annuity. The client does not pay Trustmont directly.

Insurance companies pay us:



- A commission in the first year, and
- Trailing (ongoing) commissions, if any, for each year the client owns the contract
- The amount of compensation that Trustmont receives can vary depending upon, among other factors: (1) the duration of the annuity; (2) the age of the client; (3) the amount invested in the annuity; (4) the chosen share class and/or; (5) the commission option selected by your Trustmont financial professional. Insurance companies allow the financial professional to choose among various commission structures, which generally provide that when there is a higher first-year commission, there will be a lower or \$0 trail commission (and vice versa)
- The amount of commissions and trails paid to us vary by product type and by insurance carrier

Please ask your Trustmont financial professional for more information on the various commission and trail structures.

#### **Compensation your financial professional receives**

- Your Trustmont financial professional receives a portion of the commission paid to us by the insurance companies based on the grid rate applicable to them.

#### **Additional disclosures**

For more information, please refer to the applicable annuity contract.

### **Variable Annuities**

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#### **Description**

- Variable annuities are contracts issued by insurance companies into which the buyer makes a lump-sum payment or series of payments. In return, the insurer agrees to make periodic payments beginning immediately or at some future date. The client's premiums are paid to the issuing insurance company
- At the client's direction, the insurer allocates the client's premium payments to investment options, such as sub-accounts (which are similar to mutual funds) or directly into the general account of the insurance company that manages the portfolios. The value of the account during the accumulation phase and the payments after annuitization vary, depending on the performance of the investment options chosen. Variable annuities can be issued individually or as group annuities
- Group variable annuities are contracts issued by insurance companies to businesses or other eligible organizations, often as funding vehicles for qualified and nonqualified retirement plans

#### **Fees and charges paid directly by clients**

Clients purchase the annuity and, depending on the terms and share class of the annuity, pay additional annual fees as follows:

##### *Mortality risk and expense charge ("M&E")*

- This is a yearly charge that compensates the insurance company for insurance risks it assumes under the annuity contract.

##### *Administrative fee and annual maintenance fee*

- This yearly charge covers recordkeeping and other administrative expenses. This may be charged as a flat account maintenance fee or as a percentage of the account value.
- Annual maintenance fees are not generally charged when the contract value reaches a specified level of value.

#### *Investment management fees and expenses*

- These fees and expenses are paid to the firm that manages the investment portfolios and may include affiliates of the insurance company
- These vary depending on which investment portfolios the client chooses

Annual fees are generally deducted from the annuity contract value.

Optional riders are provisions that may be added to an annuity contract to increase or limit benefits the contract otherwise provides.

#### *Fees for optional features*

- The client will be charged additional fees if they select optional contract features, such as a stepped-up death benefit or a living benefit
- The fees for some benefits may continue after the optional feature ceases to provide a benefit

#### *Contingent Deferred Sales Charge (“CDSC” or “surrender charge”)*

- If you withdraw money from a variable annuity within a certain period after a purchase payment (typically within seven years), the insurance company usually will assess a “surrender charge”, which is a type of sales charge
- Generally, the surrender charge is a percentage of the amount withdrawn, and declines gradually over a period of several years, known as the “surrender period”
- The surrender period typically starts when the client makes an investment (this can be the initial investment or any additional payments the client makes to the contract)

#### *Premium taxes*

- Several states impose a premium tax on variable annuity purchase either at the time of purchase or at annuitization
- The insurance company is responsible for paying this tax and may pass this cost onto the client

### **Compensation we receive from third parties**

We receive commission for the sale of an annuity from the insurance company issuing the annuity. The client does not pay Trustmont directly.

#### *Insurance companies pay Trustmont:*

- A commission in the first year, and
- Generally trailing (ongoing) commissions for each year the client owns the contract
- The amount of compensation that we receive can vary depending upon among other factors; (1) the duration of the annuity; (2) the age of the client; (3) the amount invested in the annuity; (4) the chosen share class and/or; (5) the commission option selected by the financial professional. Insurance companies allow the financial professional to choose among various commission

structures, which generally provide that when there is a higher first-year commission, there will be a lower of \$0 trail commission (and vice versa)

Trustmont offers two variable annuity share classes (B and C) on our platform. Please ask your Trustmont financial professional to explain the different upfront and trailing commission structures of each.

#### **Compensation your financial professional receives**

- Your Trustmont financial professional receives a portion of the commission paid to us by the insurance companies based on the grid rate applicable to them.

#### **Additional disclosures**

For more information, please refer to the applicable variable annuity contract and prospectus. Also refer to our Variable Annuity Disclosure document and the Morningstar Annuity Expenses Analysis Report.

## **Mutual Funds**

### **Mutual Funds**

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#### **Description**

- Mutual funds are open-end investment vehicles designed to invest in a group of assets in accordance with stated investment objectives
- All mutual funds are offered for sale through a prospectus, which you should read prior to investing in a fund.
- Many mutual funds offer several classes of shares that represent an interest in the same portfolio of securities. The principal difference among the classes is the fees and expenses charged by the mutual fund. Fees and expenses in a mutual fund reduce the net asset value of the fund and the investment return. Additionally, not all share classes are available for all account types and/or programs.
- For more information, please refer to the fund prospectus.

Please ask your Trustmont financial professional for more information regarding the different fees and expenses related to each share class. You may also refer to FINRA's Mutual Fund Expense Analyzer located at [https://tools.finra.org/fund\\_analyzer/](https://tools.finra.org/fund_analyzer/)

#### **Fees and charges paid directly by clients**

Some mutual funds share classes have an upfront sales charge or a Contingent Deferred Sales Charge (CDSC), also known as a surrender charge or back-end sales charge. Sales charges are paid to Trustmont, with a portion paid to your financial professional, for services provided that result in the sale of a mutual fund.

#### *Upfront sales charge*

- Upfront sales charges can range from 0.00% - 5.75% and are described in the prospectus. Many mutual funds allow for a reduction or waiver of the upfront sales charge due to breakpoint discounts based on the amount of transaction and rights of accumulation. In addition, some purchase may qualify for a sales charge waiver based on the type of account and/or certain qualifications within the account. You should contact your Trustmont financial professional if you believe you are eligible for sales charge waivers. Requirements for a reduction or waiver of upfront sales charges are detailed in the prospectus.

#### *Back-end sales charge*

- These are sales charges that are applied upon redemption of mutual fund shares within a specified number of years (varies by prospectus)
- These sales charges are also referred to as a Contingent Deferred Sales Charge, or CDSC. These charges generally range from 1% -5.5%, but typically are 1% for C shares. These charges can be reduced or eliminated based on how long the shares are held and as described in the prospectus.

#### *No load and institutional fund charge*

- No load and institutional fund share classes will be subject to commissions in lieu of the no load and institutional fund charge.

#### *Redemption fee*

- Mutual funds may charge clients a redemption fee, typically between 0.25% - 2% on shares redeemed shortly after purchase. Trustmont does not receive this compensation. Details can be found in the fund prospectus.

### **Compensation we receive from third parties**

#### *12b-1 fees*

- Annual 12b-1 fees are paid by the fund and paid to us out of fund assets under a distribution and servicing arrangement to cover distribution expenses and sometimes shareholder service expenses that we may provide on the fund's behalf. Shareholder servicing fees are paid to respond to investor inquiries and provide investors with information about their investments.
- Like other fees and expenses in a mutual fund, 12b-1 fees will reduce investment returns. The exact amount varies, among funds and share classes but is disclosed in the applicable fund prospectus. The typical ranges of 12b-1 fees in mutual funds we offer are as follows:
  - A shares: 0.00% - 0.50% (most frequently 0.25%)
  - C shares: 0.25% - 1.00% (most frequently 1.00%)

### **Compensation your financial professional receives**

- Depending on the type of mutual fund and share class you buy, your Trustmont financial professional receives a portion of the commissions (for no load funds), sales charges and 12b-1 fees paid to Trustmont based on the grid rate applicable to them.

### **Additional disclosures**

For more information, please refer to the applicable mutual fund prospectus.

## Buying direct

Many mutual funds may be purchased directly from the issuer without using the clearing firm. Depending upon the issuer, fees may vary between buying direct and buying through the clearing firm. Please ask your Trustmont financial professional which purchasing method is best for you.

## Marketable Securities

The attached schedule details the charged to you and received by us and your Trustmont financial professional

### Equity securities

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#### Description

Equity securities include common stock

#### Fees and charges paid directly by clients

Clients pay a commission based on the quantity of shares purchased or sold and their corresponding stock prices. The commission your Trustmont financial professional charges for a transaction is at their discretion, but the following maximum allowable commission rates are as follows: For transactions of less than \$1000 principal amount (quantity times price), the maximum allowable commission is \$50 excluding fees. For transactions of the equal to or greater than \$1000 principal amount (quantity times price), the maximum allowable commission is 2%, excluding fees. We have a \$50 minimum transaction fee.

#### Compensation your financial professional receives

Your Trustmont financial professional receives a portion of the commission Trustmont receives based on the grid rate applicable to them.

### Exchange Traded Products (ETPs) and Closed-End Funds

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#### Description

- Exchange-traded products (ETPs) are types of securities that track underlying securities, an index, or other financial instruments. ETPs trade on exchanges similar to stocks meaning their prices can fluctuate from day-to-day and intraday. However, the prices of ETPs are derived from the underlying investments that they track
- A closed-end fund is a type of investment company product with a fixed number of shares that is listed on an exchange. Closed end funds carry built-in operating expenses that affect the fund's return.
- For more information please refer to the fund prospectus or applicable offering document

#### Fees and charges paid directly by clients

Clients typically pay a commission in connection with purchase or sale of ETPs and closed-end funds. The commission your Trustmont financial professional charges for a transaction is at their discretion, but the following maximum allowable commission rates are as follows: For transactions of less than \$1000 principal amount (quantity times price), the maximum allowable commission is \$50 excluding fees. For

transactions of the equal to or greater than \$1000 principal amount (quantity times price), the maximum allowable commission is 2%, excluding fees. We have a \$50 minimum transaction fee.

### **Compensation your financial professional receives**

Your Trustmont financial professional receives a portion of the commission Trustmont receives based on the grid rate applicable to them.

## **Unit Investment Trusts (UITs)**

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### **Description**

A UIT is an SEC-registered investment company that invests in a fixed, diversified group of professionally selected securities according to a specific investment strategy. Unlike open end mutual funds, the securities within the UIT's portfolio generally are not actively traded and instead maintain more of a buy and hold approach to investing. As a holder of a UIT, you own a portion of the securities in the trust.

UITs have a set termination date where the portfolio securities are sold and the proceeds are paid to investors. Prior to the UIT's termination, a holder may redeem shares by tendering back to the sponsor. The amount received will be based on the current value at the date of redemption, which may be less than the original amount invested. UIT sponsors continuously offer new series of UITs, which makes it possible for investors to purchase a new series of the UIT upon expiration of the current UIT.

In brokerage accounts, you typically pay either a front-end sales charge or a combination of front-end and deferred sales charges. The deferred sales charge is usually deducted from your account in periodic installments. We receive a portion of that sales charge from the provider sponsoring the UIT. The trust sponsor may also charge a "creation and development" fee (C&D) to compensate for the costs of organizing and offering the portfolio.

UITs have built-in operating expenses that affect their return. Details on the operating expenses and organizational fees are included in each UIT's prospectus.

- For more information, please refer to the fund prospectus.

### **Compensation your financial professional receives**

Your Trustmont financial professional receives a portion of the sale charge Trustmont receives based on the grid rate applicable to them.

## **Taxable fixed income**

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### **Description**

-Taxable fixed income securities include:

- Corporate bonds
- US Treasuries
- Federal agency bonds
- Mortgage-backed securities
- Zero-coupon bonds
- High-yield and emerging market securities

- Convertible securities
- Brokered Certificates of Deposits (CDs)
- Preferred securities
- Commercial paper

#### **Fees and charges paid directly by clients**

- For taxable fixed income securities purchased or sold in the secondary market, clients pay a markup (in the case of a purchase) or a markdown (in the case of a sale), which generally consists of: (1) the financial professional's sales credit (effectively a commission) that varies depending on the bond type and duration and/or (2) the markup or markdown (if any) that the RBC trading desk has included as part of the transaction. The maximum allowable markup or markdown will not exceed 3% including other charges.

#### **Compensation your financial professional receives**

Your Trustmont financial professional receives a portion of the sales credit Trustmont receives based on the grid rate applicable to them.

### **Municipal securities**

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#### **Description**

Municipal securities are bonds issued by states, cities, counties and other governmental entities to raise money, typically for general governmental needs or special projects.

#### **Fees and charges paid directly by clients**

Clients pay a markup (in the case of a purchase) or a markdown (in the case of a sale) which generally consists of (1) the financial professional's sales credit (effectively a commission) that varies depending on the bond type and duration and/or (2) the markup or markdown (if any) that the clearing firm's trading desk has included as part of the transaction. The maximum allowable markup or markdown will not exceed 3% including other charges.

#### **Compensation your financial professional receives**

Your Trustmont financial professional receives a portion of the sales credit Trustmont receives based on the grid rate applicable to them.

### **Alternative investments**

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#### **Alternative investments**

Trustmont offers alternative investment solutions that can include non-traded real estate investment trusts (non-traded REITs), private equity offerings, real estate private placement funds, and oil and gas programs.

These products are classified as "alternative" because they are unlike traditional brokerage securities, such as stocks, and bonds, and are generally not traded on an exchange. In some cases, alternative

investments have a negative correlation to traditional investments and are used to further diversify portfolios beyond the traditional asset classes to help manage risk.

Alternative investments are generally illiquid long-term investments (7-10+ years) and a secondary trading market typically does not exist. For this reason, converting an alternative investment to cash prior to liquidation is extremely difficult and may not be possible. In some cases, it may be difficult to determine the current value of the asset. Units or shares of these types of investments may fluctuate in value. Therefore, at the time of redemption, they may be worth more or less in value than the original amount invested. Most of these offerings are sold by prospectus or offering memorandum, which contain more complete information including risks, costs and expenses. Investors should read these carefully before investing.

Additionally, these investments contain fees and expenses that are higher than those of other investment types. These products are complex, risky, and not appropriate for everyone. For this reason, there are heightened investor qualification requirements for purchases. There also could be a less expensive or less complicated product that is similarly appropriate for you.

When you invest in an alternative investment, the product sponsor pays us a sales charge or commission, which we share with your financial professional. In addition to this sales charge, you will also be responsible for paying additional expenses relating to the organization and operation of the investment. As much as 12-15% of your investment can go to pay for these expenses (which includes the sales charge). A complete description of these expenses can be found in the product prospectus. Your Trustmont financial professional receives a portion of the sales charge Trustmont receives based on the grid rate applicable to them.

If you are interested in these products, please contact your Trustmont financial professional.



# Conflicts of interest

Conflicts of interest arise as a consequence of the firm's interests and our relationships with multiple clients, and vendors with whom we conduct business. Our regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations to you.

We are committed to taking appropriate steps to identify, mitigate, and avoid conflicts of interest to ensure we act in your best interest when providing brokerage recommendations to you.

Examples of conflicts of interest that arise as a result of our compensation structures are described below:

## **Financial advisor compensation**

Securities rules allow for us and our financial professionals to earn compensation when we provide brokerage services to you. However, the compensation that we and our financial professionals receive from you varies based upon the product you purchase, which may create a financial incentive to recommend investment products that generate greater compensation or feature on-going residual or "trail" payments. This may be an incentive for financial professionals to recommend products that have on-going payments as well as those with higher fees.

Our financial professional's payout schedule increases with production levels. As a result, financial professionals have an incentive to provide brokerage recommendations that result in selling more investment products. Our compensation schedule may create an incentive for financial professionals to recommend that you buy and sell, rather than hold investments.

Brokerage accounts, unlike advisory accounts, do not feature an on-going fee based on assets under management. Where your brokerage account has minimal activity and generates few commissions, financial professional may be incentivized to recommend you transition your brokerage account to an advisory account to generate on-going revenue. We have controls established to identify and mitigate this risk.

## **Non-cash compensation**

When vendors decide to contribute toward training and educational programs, in some instances the contributions per vendor may be significant. Financial professionals do not receive a portion of these payments. However, financial professionals' receipt of non-cash compensation such as occasional gifts, meals or entertainment and/or their attendance and participation in educational or training forums, and the increased exposure to vendors who sponsor these events, may lead financial professionals to recommend the products of those vendors as compared to those vendors that do not provide non-cash compensation or sponsor such events.

### **Rollovers from an employer-sponsored retirement plan to a Trustmont IRA**

When, based on the recommendation of a Trustmont financial professional, you roll over assets of an employer-sponsored retirement plan (such as a 401(k), 403(b), 457(b), profit sharing or defined benefit pension plan) to a Trustmont IRA, a conflict of interest exists due to the financial benefit for Trustmont and its financial professionals resulting from transferring the plan assets. You are responsible for evaluating the investment and non-investment considerations for moving such assets (versus continuing to hold them in your employer-sponsored retirement plan), such as those identified in the IRA Acknowledgement Form.

## Client Fee Listing as of April 1, 2020



Below is a list of fees that may be charged to your account(s) with Trustmont Financial Group, Inc. that are custodied at RBC Correspondent Services, a division of RBC Capital Markets, LLC (RBC CS). The list of fees does not include customer handling, commissions or any other trade related fee as those fees are disclosed on each trade confirmation. With the exception of fees that are "pass through", "at cost", "prorated", "interest charged", or that provide a range as a guideline, the fee listed is the highest amount that will be charged for the service provided. Fees may change at any time as permitted by applicable regulations and the terms of the clearing agreement between Trustmont Financial Group, Inc. and RBC CS.

Fee Name	Total Fee Amount
Account Pledge	\$200.00
Alternative Investment— Transaction fee	\$150.00
Alternative Investments— Maintenance fee	\$100.00
American Depository Receipt (ADR) Pass Through Fee	Pass through <sup>1</sup>
Annual Account Fee	\$50.00
Automated Clearing House (ACH) Stop Payment Fee	\$20.00
Bank Wire – Domestic	\$20.00
Bank Wire – Foreign	\$75.00
Cashless Stock Option Exercise	Please refer to the Employee Stock Option Exercise Form
Direct Registration System (DRS) Transfer Fee (Incoming)	\$25.00
Direct Registration System (DRS) Transfer Fee (Outgoing)	\$25.00
Dividends & Reorgs – Coupons Received for Collection (per shell or issue)	\$10.00
Dividends & Reorgs – Charge for Late Instructions on Expiring Items	\$15.00
Duplicate Tax Documents (Paper copies)	\$1.25
Duplicate Confirm (Paper copies)	\$1.25
Duplicate Statement (Paper copies)	\$1.25
Deposit / Withdrawal at Custodian (DWAC) Fee	Ranges from \$25.00 to \$150.00 <sup>2</sup>
Escheatment	\$125.00
Extensions	\$10.00
Globe Tax Basic Services	3% of recovered withheld tax; maximum of \$200 per occurrence <sup>3</sup>
Investment Access Account Related Fees	Please refer to the Investment Access Account Agreement <sup>4</sup>
Investment Access Annual Account Fee	\$125.00 <sup>5</sup>
Legal Deposit / Transfer	\$60.00
Non-Sufficient Funds (NSF) Fee	\$30.00
Non-Transferable Security Custody	\$2.00 per position, per month

Fee Name	Total Fee Amount
Outgoing IRA ACAT Fee	\$120.00
Outgoing Non-IRA ACAT Fee	\$95.00
Overnight Check	\$10.00
Partial Transfer	\$25.00 per transfer
Physical Certificate Reject Fee	\$200.00
Physical Certificate (Non-DRS Eligible and DRS Eligible Securities)	\$650.00
Prepayment Fee	Interest Charged <sup>6</sup>
Retirement – Custodial Qualified retirement closing fee	\$50.00 + Prorated Annual Fee
Retirement – Custodial Qualified retirement plan annual fee	\$75.00 per employee account + \$5.00 per additional participant
Retirement – Custodial Qualified retirement plan set up fee	\$25.00 per employee account + \$5.00 per additional participant
Retirement – IRA Annual Account Fee	\$35.00
Retirement – IRA Account Closing Fee	\$120.00
Retirement – Self-trusted plan annual fee (one plan / paired plan)	\$150.00 / \$250.00
Retirement – Self-trusted plan closing fee (one plan & paired plan)	Prorated Annual Fee
Retirement – Self-trusted plan set up fee (one plan / paired plan)	\$200.00 / \$300.00
Returned Check	\$30.00
Rule 144 / Restricted Stock Deposit Fee	\$95.00
Safekeeping Fee	\$50.00
Security Transfer Fee – International	\$140.00
Transfer Agent Fees	At Cost
Transfer on Death Account Change Fee	Fee Waived
Transfer on Death Account Distribution Fee	Fee Waived
Transfer on Death Account Set-Up Fee	Fee Waived
Voluntary Non-Physical Reorg	\$40.00
Voluntary Physical Reorg	\$45.00

### Notes:

- 1) ADR pass through fees are outlined in the ADR prospectus.
- 2) DWAC is determined by the transfer agent, but typically ranges from \$25.00 to \$150.00.
- 3) Clients who hold or purchase Canadian, Irish, or Japanese securities are automatically enrolled in this service. Clients may opt-out at any time by contacting their Financial Professional. Global Tax Full Services are also available at an additional cost. Please contact your Financial Professional if you would like to opt-out or sign up for Global Tax Full Services. Fees & jurisdictions covered are subject to change at any time.
- 4) The Investment Access Account application contains a fee schedule that outlines fees related to an Investment Access Account (checking related fees, wire transfer and ACH fees, and VISA gold check card fees).
- 5) The annual fee is waived for accounts over \$200,000.
- 6) The calculation to determine the interest is:  $\$25.00 + (\text{Actual Prepay Amount} \times \text{Interest Rate} \times (\text{Days to Settlement}) / 360 \text{ days})$ . The interest rate is equal to RBC's Base Lending Rate plus a sliding scale of percentages according to the size of the actual prepay amount. Please contact your Financial Professional for RBC's Base Lending Rate.