



**DAVIDSON**  
INVESTMENT ADVISORS

**Part 2A Appendix 1 of Form ADV:  
*Wrap Fee Program Brochure***

8 Third Street North  
Great Falls, MT 59401

800-332-0529

[www.davidsoncompanies.com/dia](http://www.davidsoncompanies.com/dia)

April 25, 2024

**This wrap fee program brochure provides information about the qualifications and business practices of Davidson Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 800-332-0529 or [DavidsonInvMarketing@dadco.com](mailto:DavidsonInvMarketing@dadco.com).**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser with the Securities and Exchange Commission does not imply any specific level of skill or training.**

**Additional information about Davidson Investment Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by our firm's CRD number, which is 110552.**

## Item 2 Material Changes

In accordance with regulatory requirements, Davidson Investment Advisors, Inc. must provide its clients with a summary of material changes to Form ADV Part 2A-1 Wrap Fee Program Brochure (the “Brochure”). The following material change was reflected in our most recent filing dated April 25, 2024:

- ***Intermediate Municipal Fixed Income Strategy Portfolio Manager Update.*** Effective March 25, 2024, Stephen Frahm, co-Portfolio Manager of the Intermediate Municipal Fixed Income strategy, departed Davidson Investment Advisors. Robert De Meulenaere, CFA®, has retained his role as co-Portfolio Manager of the strategy. Additionally, Cheryl Page, CFA®, CFP®, Peyton Studebaker, and H. Barrow Turner, III have assumed co-Portfolio Manager roles on the strategy, bringing over 70 years of collective municipal fixed income experience to the team by way of Davidson Investment Advisors’ acquisition of Caprin Asset Management in March 2023.

### Item 3 Table of Contents

Item 2	Material Changes.....	2
Item 3	Table of Contents.....	3
Item 4	Services, Fees and Compensation .....	5
	DISCRETIONARY PROGRAM.....	6
	NON-DISCRETIONARY PROGRAM.....	10
	ADDITIONAL FEE INFORMATION .....	11
	SCOPE OF SERVICES AND APPLICABLE STANDARDS OF CARE .....	14
	CUSTODY.....	16
Item 5	Account Requirements and Types of Clients.....	16
	MINIMUM ACCOUNT REQUIREMENTS .....	16
	TYPES OF CLIENTS.....	16
Item 6	Portfolio Manager Selection and Evaluation.....	17
	CALCULATION AND REVIEW OF PERFORMANCE.....	17
	PORTFOLIO MANAGEMENT BY RELATED PERSONS .....	17
	PERFORMANCE-BASED FEES .....	17
	METHODS OF ANALYSIS – DISCRETIONARY PROGRAM.....	17
	INVESTMENT STRATEGIES – DISCRETIONARY PROGRAM .....	18
	METHODS OF ANALYSIS – NON-DISCRETIONARY PROGRAM.....	19
	RISK OF LOSS.....	19
	VOTING CLIENT SECURITIES.....	22
Item 7	Client Information Provided to Portfolio Managers.....	23
Item 8	Client Contact with Portfolio Managers .....	23
Item 9	Additional Information .....	23
	DISCIPLINARY INFORMATION .....	23
	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	23
	CODE OF ETHICS AND PERSONAL TRADING .....	24
	PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS .....	25
	GENERAL BROKERAGE PRACTICES.....	25
	BROKERAGE PRACTICES – DISCRETIONARY PROGRAM.....	26
	BROKERAGE PRACTICES – NON-DISCRETIONARY PROGRAM.....	26
	REVIEW OF ACCOUNTS.....	27
	CLIENT REFERRALS.....	27

OTHER COMPENSATION .....	28
FINANCIAL INFORMATION.....	29

## Item 4 Services, Fees and Compensation

Davidson Investment Advisors, Inc. ("Davidson Investment Advisors" or "the Firm") is a Securities and Exchange Commission ("SEC")-registered investment adviser. The Firm is wholly owned by D.A. Davidson Companies, a financial services holding company. Davidson Investment Advisors has been conducting business since 1975 with its headquarters in Great Falls, Montana.

Caprin Asset Management ("Caprin") operates as a division of Davidson Investment Advisors. Caprin offers fixed income portfolio management services for both institutional and individual clients. For information about Caprin's services, please see Caprin's Form ADV Part 2A Firm Brochure, which can be found at [www.dadavidson.com/Disclosures](http://www.dadavidson.com/Disclosures).

The purpose of this Wrap Fee Brochure ("Brochure") is to describe and disclose the services, fees, potential conflicts of interest, and other information clients should consider regarding the wrap fee programs ("Program" or "Programs") offered by Davidson Investment Advisors. The term "wrap fee" means Davidson Investment Advisors charges clients a single fee based on the market value of assets in the client's account for advisory and trade execution services. The wrap fee covers investment advice or counsel provided by Financial Professionals, the execution of client transactions, custody services at D.A. Davidson & Company ("D.A. Davidson", a related person and broker-dealer subsidiary of D.A. Davidson Companies), account servicing, monitoring, rebalancing, and performance reporting, in addition to other standard services.

Davidson Investment Advisors offers a Discretionary Program account, where a client appoints and authorizes Davidson Investment Advisors to make investment decisions with respect to the assets in a client's account, including the authority to buy, sell or hold securities and the timing of these actions without notice to the client (the "Discretionary Program"). For clients, or other members of a client's household, that have a Discretionary Program account, Davidson Investment Advisors offers a Non-Discretionary Program account, where a client appoints the Firm to provide investment advice and recommendations as to the assets in a client's account, but the client retains full authority over the investment decisions, including the authority to buy, sell or hold securities and the timing of those actions (the "Non-Discretionary Program"). The Firm may offer the Non-Discretionary Program to a client not having a Discretionary Program account on an exception basis to legacy relationships and/or with supervisory approval.

The information contained herein is current as of the date of this Brochure and is subject to change at the Firm's discretion. Please retain this Brochure for your records.

Not all Programs and investment strategies are appropriate for each client. Each Program is designed to meet differing investment needs of clients and have different levels of services, administration, structure, fees, and expenses. A Davidson Investment Advisors Financial Professional or D.A. Davidson Financial Professional (each a "Financial Professional") will work with clients to recommend an investment strategy that is in the client's best interest based on both the client's Investment Profile (as defined below) and the client's other needs and preferences. The Financial Professional will present the investment strategy to the client that identifies the specific investment strategy recommended to the client along with the proposed asset allocation and description of investments to be held in the account. If the client wishes to proceed, the client will enter into a written Advisory Agreement, which contains specific terms applicable to the client's advisory relationship with Davidson Investment Advisors (including custody, brokerage, and administrative services). In addition, the

client will receive a written confirmation (called a "Written Confirmation of Instruction") upon the opening of their investment advisory account(s), which outlines the selected Program, fee schedule and other account information. The ultimate decision regarding the investment strategy selected is that of the client.

Discretionary management begins once the client is invested in the agreed upon investment strategy.

If the client informs the Firm of any material changes to the information in their Investment Profile, the Financial Professional will evaluate the updated information and make changes or recommendations as appropriate to help ensure the investment strategy is in line with the client's investment profile and other of their needs and preferences. The Financial Professional is also responsible for annually contacting the client to assess whether there are any updates to the client's information that would impact their selected investment strategy. The client is responsible for promptly communicating any material changes to their Investment Profile to the Firm.

**Other Advisory Services.** In addition to the Programs described in this Brochure, Davidson Investment Advisors also offers the following advisory services:

- Subadvisor to other investment advisers or broker-dealers, with full investment and trading discretion. This includes participation in wrap fee programs sponsored and administrated by D.A. Davidson (a related person and broker-dealer subsidiary of D.A. Davidson Companies) and unaffiliated parties (the "Sponsors").
- Model provider to other investment advisers or broker-dealers for equity strategies. As a model portfolio provider, Davidson Investment Advisors monitors and updates the model portfolios; the investment advisers or broker-dealers are then responsible for implementing the model portfolios for their clients and for adjusting the model portfolio as recommended by Davidson Investment Advisors. The Firm does not have any trading authority over the third-party investment adviser's clients' assets invested in such model portfolios.
- Investment adviser to the Davidson Multi-Cap Equity Fund (the "Fund"), which is a fund of the Advisors Series Trust ("Trust"). The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company with multiple series. U.S. Bank Global Fund Services acts as the Fund's administrator and provides accounting and transfer agency services.

For a complete description of these additional advisory services and fee arrangements offered by our Firm, clients should refer to our [Form ADV Part 2A: Firm Brochure](#). To receive a copy of the firm brochure, contact us at 800-332-0529 or [DavidsonInvMarketing@dadco.com](mailto:DavidsonInvMarketing@dadco.com), or visit our website at [www.dadavidson.com/Disclosures](http://www.dadavidson.com/Disclosures).

### **DISCRETIONARY PROGRAM**

The Discretionary Program offered by Davidson Investment Advisors includes portfolio management, investment advice, consulting services, performance reporting, and related account services. Davidson Investment Advisors retains all discretion regarding the portfolio construction, changes to the portfolios, timing and parameters for implementation, execution, monitoring and rebalancing.

Davidson Investment Advisors offers four primary investment strategies: Equity Income, Multi-Cap Equity, Intermediate Taxable Fixed Income, and Intermediate Municipal Fixed Income.

**Portfolio Construction and Composition.** Davidson Investment Advisors can use a variety of investments, including stocks, bonds, mutual funds, and ETFs, among others, to build a portfolio of diversified holdings

appropriate for clients enrolled in the Discretionary Program; the Firm will use all or a subset of these investments to construct the client's portfolio. The Firm can provide diversification through exposure to different asset classes (such as equities, fixed income, and alternative investments).

More information on the methods of analysis for investment strategies undertaken in the Discretionary Program is provided in Item 6 below under Portfolio Manager Selection and Evaluation.

**Monitoring and Rebalancing.** Davidson Investment Advisors reviews the portfolios quarterly and considers whether, based on market fluctuations and other factors, adjusting the asset allocations and investment selections is appropriate. Once changes are deemed appropriate, they are implemented to the client's Discretionary Program account at the Firm's discretion without prior notice to the client (including regarding the timing of these changes).

**Reasonable Investment Restrictions.** Subject to the agreement with Davidson Investment Advisors, the Firm may implement reasonable restrictions on the securities or types of securities held in the client's Discretionary Program account upon request, including directing Davidson Investment Advisors to not purchase or liquidate certain securities in their account. Each request for an account restriction must be communicated in writing to Davidson Investment Advisors and will be considered in accordance with the Firm's policies and procedures and must be approved by Davidson Investment Advisors in its sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. If the request for restrictions is deemed reasonable by Davidson Investment Advisors, the Firm will select replacement securities as appropriate. Note that restrictions placed on an account may positively or negatively affect account performance and may cause the account to perform differently (including worse) than a like account with no restrictions. Restrictions cannot be placed on securities issued by pooled investment vehicles held in a client's account (e.g., mutual funds, exchange traded funds, etc.).

**Tax Overlay Service.** For taxable accounts that select Davidson Investment Advisors' Tax Overlay service, the Firm will seek to harvest the tax losses in a client's Discretionary Program account to the extent consistent with the selected investment strategy. The Firm will strategically sell relevant securities in your account with unrealized losses. When Davidson Investment Advisors sells this security, it may enable the client to offset taxes on both capital gains and a limited amount of ordinary income. When implementing the Tax Overlay service, Davidson Investment Advisors will harvest tax losses with respect to securities it has recommended, and not necessarily based on other positions in the Discretionary Program account. The Firm will review the positions in the client's account for tax losses on a quarterly basis; the Firm may change this frequency from time to time without notice. Davidson Investment Advisors' goal is not to maximize overall losses either in the client's account or across all of a client's accounts (managed by the Firm or elsewhere), as the Firm will not necessarily sell all securities with unrealized losses in a particular client account and will also not necessarily sell securities with the greatest aggregate losses in a particular client account. Davidson Investment Advisors will only sell those securities with unrealized losses that it determines are appropriate to be sold at the time. Proceeds from positions sold to harvest losses will be held in cash or an ETF until "wash sale" windows expire.

**Client-Directed Tax Harvesting.** For taxable accounts Davidson Investment Advisors, will also accept instructions to harvest a specific amount of tax losses or gains, subject to such limitations and procedures as the Firm may establish from time to time. Instructions to harvest tax losses must be provided in writing in the manner prescribed by the Firm. Davidson Investment Advisors will reasonably attempt to fulfill these

instructions but may determine that a request is not feasible for a variety of reasons, including but not limited to, the size of the request. Any proceeds from such tax loss sales will be held in cash and will not be reinvested in substitute securities, unless otherwise instructed, which may affect the performance of the account.

***Tax-Aware Transition Service.*** For new accounts coming under Davidson Investment Advisors' management, the Firm offers a Tax-Aware Transition service, whereby Davidson Investment Advisors facilitates tax-optimal transitions of legacy security positions into target investment strategies. This service includes discretionary implementation of trades to maintain with reasonable precision the specified asset allocation of the selected investment strategy, while realizing capital gains associated with legacy positions over multiple (generally 2-3) tax years.

***Additional Information Regarding Tax-Related Services.*** If clients and/or their spouse have other taxable or non-taxable accounts, and the client holds in those accounts any of the securities held in your Davidson Investment Advisors managed account, clients should not buy any security sold at a loss for a period of at least 30 days before or after the Firm sells those same securities as part of a tax-related service offered by the Firm to avoid the possible application of the "wash sale" rules. Clients are responsible for monitoring their (and their spouse's) accounts both under and outside of Davidson Investment Advisors' management to ensure that transactions in the same security or a substantially similar security as the one traded in the client's account managed by the Firm do not create a wash sale.

A wash sale is the sale at a loss and purchase of the same security or substantially similar security within 30 days of each other. If a wash sale transaction occurs, the IRS may disallow or defer the claimed loss for tax reporting purposes. More specifically, the wash sale period for any sale at a loss consists of 61 calendar days: the day of the sale, the 30 days before the sale, and the 30 days after the sale. The wash sale rule has the effect of disallowing or postponing losses on a sale if a replacement security is bought within these time periods. If a client has multiple household accounts under Davidson Investment Advisors' management, the Firm will not monitor other household accounts, nor will it monitor any accounts for members of a client's household maintained outside the Firm's management, to ensure that transactions in the same security or a substantially similar security do not create a wash sale. For more information on the wash sale rule, please read IRS Publication 550.

Whether Davidson Investment Advisors' tax-related services are effective in reducing a client's overall tax liability will depend on the client's entire tax and investment profile, including purchases and dispositions in the client's (or their spouse's) accounts outside of Davidson Investment Advisors' management, the nature of the client's investments (e.g., taxable or nontaxable) and their respective holding period (e.g., short-term or long-term). Davidson Investment Advisors will monitor only the account(s) opting into the tax-related service to determine if there are unrealized losses for purposes of determining whether to harvest losses. Transactions in any account other than a client's account, any accounts outside of the Firm's management, or even additional Davidson Investment Advisors-managed accounts may affect whether a loss is successfully harvested. Moreover, in determining whether and how to harvest tax losses, the Firm relies on various assumptions about the tax posture of a typical investor, which assumptions may or may not correspond with the client's actual circumstances.

Davidson Investment Advisors does not employ tax professionals and has not and will not provide tax advice to clients. No employee of Davidson Investment Advisors is qualified or permitted to provide tax advice. Clients



should consult a tax professional for specific tax advice and specifically regarding the tax consequences of investing with Davidson Investment Advisors and engaging in tax-related services based on their particular circumstances. No feature of, interaction with, description of, or action taken in accordance with the Firm’s management, including tax-related services, represents a tax strategy in the context of a client’s individual tax situation and should not replace or supplement the advice of a personal tax advisor. Davidson Investment Advisors is not responsible for ensuring that clients accurately report the trading activity in their account to the IRS or any other relevant taxing authority. The Firm is not responsible to clients for the tax consequences of any transaction in a managed account. Davidson Investment Advisors makes no warranties or guarantees that the tax consequences described herein or in any materials provided to clients in respect to your managed account will be achieved. The Firm also makes no warranty or guarantee that the IRS or other relevant taxing authorities will not challenge the tax consequences of its trades, nor that any such challenge will not be successful. If the IRS is successful in its claim that one or more transactions executed pursuant to the Program were wash sale transactions, any loss recognized on such transactions may be deferred or disallowed, and clients may be subject to the imposition of interest and penalties on such transactions.

**Fees and Compensation.** The specific fee a client will pay is set forth in their Statement of Investment Selection, or as indicated in any amendment thereof. A client pays Davidson Investment Advisors an asset-based fee, which is an ongoing fee based on the market value of the assets in the account (including cash and cash equivalents) on the last day of the preceding quarter (the “Discretionary Fee”). The Discretionary Program Fee is negotiable and determined based upon a number of factors. Davidson Investment Advisors will take into consideration the value of the assets across accounts in one household participating in one or more Programs, subject to certain restrictions, the services expected to be provided to the clients, the types of assets being deposited into the account participating in the relevant Program, the composition of the account (i.e. whether the account holds or mostly holds equity securities or fixed income securities), and the nature of the client relationship. In general, the greater the value of assets a client has invested through one or more Programs when the fee is established, the lower the fee will be. However, because the Discretionary Fee is individually negotiated, not all clients with the same amount of assets will be charged the same fee in the same program. Allowing Davidson Investment Advisors to determine the Discretionary Fee creates a conflict of interest because the Firm is incentivized to increase their compensation by setting a higher fee for client’s account.

Following is a typical annual fee schedule for the Discretionary Program, based on total advisory household value. However, as indicated above, the Discretionary Program Fee is negotiable.

<b>Advisory Household Value</b>	<b>Fee Rate</b>
Less than \$2.5mm	1.00%
\$2.5mm - \$10mm	0.90%
\$10mm - \$20mm	0.75%
\$20mm+	negotiable

*Note: There are exceptions to the above fee construct for a limited number of clients based on legacy relationships and/or supervisory approval.*

## NON-DISCRETIONARY PROGRAM

**Account Composition.** For clients, or other members of a client's household, that have a Discretionary Program account, Davidson Investment Advisors offers a non-discretionary advisory account in which clients can hold certain assets such as the Fund or legacy holdings that clients wish to retain. Neither Davidson Investment Advisors nor its Financial Professionals has investment discretion and may not buy or sell securities in connection with the account without the client's consent. The client enters into an agreement with the Firm for the provision of advisory, custody, brokerage and administrative services.

**Limited Monitoring.** The client has sole discretion and makes the final decision whether to accept or reject any specific recommendation to purchase or sell securities. Davidson Investment Advisors is responsible for reviewing the account at least annually to assess whether the investments in the client's account are suitable.

**Client-Directed Tax Harvesting.** For taxable accounts Davidson Investment Advisors will also accept instructions to harvest specific tax losses or gains, subject to such limitations and procedures as the Firm may establish from time to time. Instructions to harvest tax losses must be provided in writing in the manner prescribed by the Firm. Davidson Investment Advisors will reasonably attempt to fulfill these instructions for Discretionary Program accounts but may determine that a request is not feasible for a variety of reasons, including but not limited to, the size of the request. Any proceeds from such tax loss sales will be held in cash and will not be reinvested in substitute securities, unless otherwise instructed, which may affect the performance of the account.

Davidson Investment Advisors does not employ tax professionals and has not and will not provide tax advice to clients. No employee of Davidson Investment Advisors is qualified or permitted to provide tax advice. Clients should consult a tax professional for specific tax advice and specifically regarding the tax consequences of investing with Davidson Investment Advisors and engaging in Tax Harvesting based on their particular circumstances. No feature of, interaction with, description of, or action taken in accordance with the Firm's management, including the Tax Overlay service, represents a tax strategy in the context of a client's individual tax situation and should not replace or supplement the advice of a personal tax advisor. Davidson Investment Advisors is not responsible for ensuring that clients accurately report the trading activity in their account to the IRS or any other relevant taxing authority. The Firm is not responsible to clients for the tax consequences of any transaction in a managed account. Davidson Investment Advisors makes no warranties or guarantees that the tax consequences described herein or in any materials provided to clients in respect to your managed account will be achieved. The Firm also makes no warranty or guarantee that the IRS or other relevant taxing authorities will not challenge the tax consequences of its trades, nor that any such challenge will not be successful. If the IRS is successful in its claim that one or more transactions executed pursuant to the Program were wash sale transactions, any loss recognized on such transactions may be deferred or disallowed, and clients may be subject to the imposition of interest and penalties on such transactions.

**Fees and Compensation.** A Non-Discretionary Program client's Statement of Investment Selection will set forth the actual compensation the client will pay to Davidson Investment Advisors (the "Non-Discretionary Fee").

Clients with assets in the Firm's's Non-Discretionary Program pay an annual advisory fee of 0.20% of assets under management, with a maximum fee of \$250 annually. This ongoing fee is based on the market value of

the assets in the account on the last day of the preceding year. If applicable, the value of Davidson Multi-Cap Equity Fund shares, which the Firm advises, is excluded from fee calculations.

### **ADDITIONAL FEE INFORMATION**

**How Advisory Fees are Charged.** Unless Davidson Investment Advisors has agreed otherwise (in writing), the Discretionary Fee is calculated and charged quarterly, in advance, payable on the first day of each calendar quarter. This quarterly fee is calculated based on the market value of the assets in the account (including cash and cash-equivalents) on the last business day of the prior quarter, the portion of the applicable Discretionary Fee rate based on the 90 days in the quarter, and a 360-day year. The value of assets held in the Discretionary Program account will be determined in good faith by the Firm to reflect their fair market value. The initial billing period begins when an Advisory Agreement is signed by the client and accepted and executed by Davidson Investment Advisors. If this occurs after the start of a quarterly billing period, the initial or partial quarter fee will be prorated based on the number of days remaining in the current calendar quarter. Discretionary Fees are automatically debited from the client's account and billed in accordance with the terms set forth in the client's Advisory Agreement. Clients may alternatively choose to be invoiced. Discretionary Fees may be paid with other billing arrangements if agreed upon separately.

Unless Davidson Investment Advisors has agreed otherwise (in writing), the Non-Discretionary Fee, is calculated and charged annually, in advance, payable on the first day of each calendar year. This annual fee is calculated based on the market value of assets in the account (including cash and cash-equivalents) on the last business day of the prior calendar year. The value of assets held in the Non-Discretionary Program account will be determined in good faith by the Firm to reflect their fair market value. The initial billing period begins when an Advisory Agreement is signed by the client and accepted and executed by Davidson Investment Advisors. If this occurs after the start of a year, the annual fee will be prorated based on the number of days remaining in the calendar year. Non-Discretionary Fees are automatically debited from the client's account and billed in accordance with the terms set forth in the client's Advisory Agreement. Clients may alternatively choose to be invoiced. Non-Discretionary Fees may be paid with other billing arrangements if agreed upon separately. The Non-Discretionary Fee is waived for clients: (i) that also have assets in the Discretionary Program or (ii) are only invested in the Fund.

**Services Covered by the Advisory Fees.** The Advisory Fees cover investment advice provided by Financial Professionals, portfolio management services, the execution of client transactions, D.A. Davidson's custody services, account servicing, reporting, monitoring, rebalancing and other services.

**Service Fees and Expenses NOT Covered by the Advisory Fees.** In addition to the Advisory Fees described above, a client may incur other fees and expenses related to the management and servicing of their account. These other fees and expenses include exchange fees, electronic fund and wire transfer fees, margin interest, transfer taxes, redemption fees imposed by a mutual fund company in relation to trading deemed to be excessive, certain fees in connection with the establishment, administration, or termination of retirement or profit-sharing plans or trust accounting, or other costs or fees imposed under applicable laws or regulations. In addition, in connection with the purchase of certain types of securities (such as securities traded over the counter and fixed income securities), the client will bear the cost of any mark-ups, mark-downs and spreads charged by market-makers and dealers.

For accounts with a margin debit, Davidson Investment Advisors charges a fee on the gross value of securities in the account and the client also pays the margin interest on the debit balance in the account.

***Investment Fees and Expenses NOT Covered by the Advisory Fees.*** All Advisory Fees paid to the Firm for investment advisory services provided are in addition to the fees and expenses clients incur with respect to investments held in the accounts, including for assets invested in bank deposit accounts, money market funds, mutual funds, ETFs, and other pooled investments. These fees and expenses are described in each fund's (or other vehicle's) prospectus or offering document and will be borne directly or indirectly by their shareholders. These fees can include fund management fees, administrative fees, omnibus and sub-transfer agent fees, other fund expenses, and potentially a 12b-1 Fee or other marketing, shareholder servicing and distribution charges. By investing in these types of securities, a client is essentially paying multiple layers of fees and expenses on the assets invested.

When investing in mutual funds, including money market funds, a 12b-1 fee may be assessed, depending on the fund selected. 12b-1 fees are sales charges that are incorporated into the expense ratio of the fund. As a matter of the Firm's policy, any new purchases of mutual funds must be in an advisory share class that does not impose a 12b-1 Fee, where such a share class is available. Davidson Investment Advisors does not guarantee clients will always be invested in the most favorable share class offered by a mutual fund company or that more favorable share classes will be made available in advisory accounts. In no case does Davidson Investment Advisors receive compensation from mutual fund companies in which client assets are invested. For client accounts custodied at D.A. Davidson, in the event the Firm receives a 12b-1 Fee in relation to an existing mutual fund position in an advisory account, the Firm will pass on and rebate the fee to the client.

***Termination of the Advisory Relationship.*** Either clients or the Firm may terminate participation in a Program upon ten business day's written notice to the other. Davidson Investment Advisors may also place restrictions on client's account (i) automatically upon notification to the Firm of client's death, or the death of all authorized persons on the account (including trustees), (ii) should a client's balance fall below the minimum balance due to client-initiated withdrawals, or (iii) if a client fails to update or provide any required documentation. In the event Davidson Investment Advisors or a client terminates an account, any prepaid, unearned fees will be refunded. The number of days remaining in the billing period after the effective date of the termination will be considered in determining the amount of any fee reimbursement due to a client. Upon termination, the account assets will no longer be managed and the account will be automatically converted to a custody-only brokerage account at D.A. Davidson until the client transfers the assets to another provider or makes other arrangements with the Firm.

***Purchasing Like Services Outside of an Advisory Relationship.*** The products and services provided to a client in connection with an advisory account at Davidson Investment Advisors may be separately available to a client outside of the advisory account. Clients are cautioned that, depending on factors such as: the level of fees charged by the executing broker-dealer, the amount of trading activity in the client's account, the value of the client's account, the types of securities held in the client's account, the client's investment strategy, and the level of service sought by the client, the aggregate cost of the client's advisory account may be higher than if the client had selected the services separately. In addition, fees charged by Davidson Investment Advisors may be higher or lower than the fee charged by another firm that offers comparable advisory services.

A client could also invest in a mutual fund directly or through an unaffiliated broker-dealer without Davidson Investment Advisors' services. In that case, the client would not receive the ongoing investment advisory services offered by the Firm through its programs, which are intended, among other things, to assist the client in determining which mutual funds or other securities are most appropriate in considering the client's financial condition and objectives. Moreover, the mutual fund purchased directly by the client may also impose an initial or deferred sales charge. Taking such information into consideration, each client should carefully review and evaluate their investment objectives and risk tolerance, the investment advisory services provided by Davidson Investment Advisors and other firms, and the costs and expenses charged by such firms, before determining whether to open an advisory account and participate in a Program.

**Consolidating Statements and Mailings.** Clients should notify their Financial Professional if they wish to consolidate custodial statements for multiple account at the same mailing address. Program accounts held directly by client, or for the benefit of a spouse, parent, child, or anyone else residing at the same address as the client, qualify for statement consolidation. Clients may also request a single combined quarterly performance report per mailing address. By consolidating statements and quarterly performance reports, clients allow the Firm to share client's Program account performance information with others at the client's mailing address. Consolidating statements and quarterly performance reports does not authorize others at the client's mailing address to conduct transactions in a client's account.

**Additional General Fee Information.** Davidson Investment Advisors may modify a client's existing fees and/or add additional fees or charges by providing the client thirty (30) days prior written notice. Different fee schedules have been in effect over time, which may have reflected fees that are higher or lower than those currently stated.

Davidson Investment Advisors, at its discretion, may group certain related client accounts for the purposes of achieving the minimum account size requirements (described under Item 5 below) and determining the annual fee rate.

Discounts not available to our advisory clients, may be offered to family members and friends of associated persons of our Firm.

**Rollovers and Transfers.** Davidson Investment Advisors makes more money when a client increases their assets managed by the Firm, including through rollovers from workplace retirement plans or IRAs at other financial services companies into IRAs with the Firm ("rollovers or transfers"). When a client engages in a rollover or transfer to an advisory IRA (or other account), Davidson Investment Advisors will receive compensation in connection with the investments held in the IRA. These payments create an incentive for the Firm and its Financial Professionals to recommend rollovers and transfers. Financial Professionals do not make recommendations to roll assets out of a plan or transfer assets from an IRA, but rather provide investors who are eligible to withdraw their benefits from workplace retirement plans or IRAs at other financial services companies with educational materials to help them determine whether or not to complete a roll out or transfer and confirm that such determination was made independently without the Financial Professional's recommendation.

**Client Referrals.** Davidson Investment Advisors pays referral fees to independent third parties and firms (each, a "Promoter," and collectively, "Promoters") for introducing clients to the Firm. Whenever Davidson Investment Advisors pays a referral fee, the Firm requires that the Promoter provide the prospective client with a copy of this Brochure and a separate disclosure statement at the time of solicitation that includes the following information: the Promoter's name and relationship with Davidson Investment Advisors; the fact that the Promoter is being paid a referral fee; the amount of the referral fee; the conflict of interest created by the referral fee; and whether the Advisory Fees paid to Davidson Investment Advisors by the client will be increased above the Firm's previously agreed fees in order to compensate the Promoter. In practice, the Advisory Fees paid to the Firm by clients referred by Promoters are not increased as a result of any referral.

D.A. Davidson Financial Professionals who recommend a client participate in Davidson Investment Advisors' wrap fee program will receive compensation as a result of that recommendation. The amount of compensation received is made in Davidson Investment Advisors' sole discretion and is based upon the client's Fee and the level of client service provided by the D.A. Davidson Financial Professional.

### **SCOPE OF SERVICES AND APPLICABLE STANDARDS OF CARE**

**Advisers Act Fiduciary Duty.** As a registered investment adviser, Davidson Investment Advisors is subject to a fiduciary duty under the Investment Advisers Act of 1940 (the "Advisers Act"), which includes both a duty of care and a duty of loyalty (referred to in this Brochure as the "Advisers Act Fiduciary Duty"). This means that the Firm is required to act in the client's best interest when providing investment advice and managing client accounts. The duty of care requires, among other things, for Davidson Investment Advisors to seek best execution and to provide advice that is in the client's best interest based on the client's investment objectives, risk level, investment time horizon, financial information, and other circumstances (collectively, client's "Investment Profile") or mandate. The duty of loyalty requires the Firm to eliminate or mitigate material conflicts of interest with clients, and to provide full and fair disclosure of such conflicts of interest. The duties also require Davidson Investment Advisors to provide ongoing monitoring of Programs' accounts and its recommendations of Programs' accounts.

**Special Rules for Retirement Accounts.** When it comes to retirement and other qualified accounts, including employer-sponsored plans ("plans"), individual retirement accounts ("IRAs"), SEP IRAs, SIMPLE IRAs, Keogh plans, Coverdell educational savings accounts, and other similar accounts (collectively, "retirement accounts") our fiduciary status is highly technical and dependent on the particular services Davidson Investment Advisors is providing. The Firm is subject to an additional fiduciary obligation under Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") and/or the Internal Revenue Code (the "Code"), which are laws governing retirement accounts (such fiduciary obligations referred to in this Brochure as the "DOL Fiduciary Duty"). These laws limit the types of products and services the Firm can offer and provide when the Firm acts as a fiduciary to client's retirement accounts.

Any discussions to open, rollover or transfer assets to a Davidson Investment Advisors' retirement account are not reasonably intended to be viewed or construed as an individualized/personalized suggestion for a client to take a particular course of action with respect to their retirement accounts ("General Information and Education"), and may also include:

- General Information and Education about the financial markets, asset allocations, financial planning illustrations and the advantages and risks of particular investments;
- General Information and Education materials about issues and alternatives that should be considered when deciding whether to roll out or transfer retirement account assets to the Firm;
- Transfers of retirement assets held at a financial service company other than the Firm (including directly with an investment product sponsor);
- Recommendations about investments in accounts that are not retirement accounts (i.e., taxable accounts);
- Transactions clients enter into without a recommendation from Davidson Investment Advisors or that are contrary to, or inconsistent with, their recommendation;
- Ongoing recommendations of securities or other transactions or discretionary investment advice, except as otherwise agreed to in writing in any applicable agreements or disclosures;
- Recommendations or investment advice that the Firm provides to clients with respect to an account that they have at the Firm, which clients choose to implement in another account or at another financial services company without the Firm's written consent; and
- Recommendations that are not fiduciary "investment advice" as defined in Department of Labor regulation section 2510.3-21 (i.e., investment advice for a fee or other compensation rendered on a regular basis pursuant to a mutual understanding that such advice will serve as a primary basis for client's investment decision, and that will be individualized to the particular needs of client's retirement account).

***The Best Interest Standard and Reasonable Compensation.*** The best interest standard under both the Advisers Act Fiduciary Duty and the DOL Fiduciary Duty does not require that Davidson Investment Advisors guarantee the performance of any investment or that client's investment objectives will be achieved. In addition, the Firm may provide recommendations and take actions in connection with the accounts of other clients that may differ from the recommendations and services provided to client. There may be times when Davidson Investment Advisors is legally prohibited from making a recommendation that may be otherwise considered to be in client's best interest, such as due to insider trading. Client understands any recommendations the Firm makes will reflect the information client provides to the Firm about their investment objectives, risk level, investment time horizon, financial information and other circumstances and Davidson Investment Advisors will not be responsible for any information client omits or fails to provide, including changes thereto. The Firm's recommendations and advice will also reflect any limitations client imposes, including through applicable investment restrictions and guidelines. Clients are responsible for notifying Davidson Investment Advisors if their investment objectives, risk tolerance and financial circumstances change. Davidson Investment Advisors will not be responsible for clients' decision to invest or transfer their IRA; clients assume the risk of such decisions.

Reasonable compensation under the DOL Fiduciary Duty has been determined based on the compensation paid or received in an arm's-length transaction considering the nature and extent of all services (including products, features and benefits) provided. This standard does not require Davidson Investment Advisors to offer its services at the lowest cost, or for the least compensation, in the marketplace, or that it offers its services to

clients at the same or lower cost or compensation levels than it offers to other clients, including similarly situated clients. Certain clients may have negotiated lower fees and compensation for their accounts than those that apply to client's Program account. By entering into an agreement with Davidson Investment Advisors, client agrees that they believe the fees and other compensation payable for the Firm's services are reasonable in light of the totality of the services provided. If client decides not to use all or some of the services made available, client agrees the Firm has no obligation or responsibility to reduce or lower its fees and compensation during the period those services are available. If client wants to change the services the Firm makes available to them or have any concerns regarding the level of fees their retirement account pays or Davidson Investment Advisors' compensation, clients should contact the Firm immediately.

## **CUSTODY**

Client assets are held in custody at D. A. Davidson & Co., a related person and qualified custodian.

Clients will receive account statements directly from D. A. Davidson & Co. That statement is the official record of your account and the assets contained in it. As noted under Item 9 and the Review of Accounts-section below, Davidson Investment Advisors also delivers statements and reports to clients on the performance of their account. We urge you to compare the information contained in the Davidson Investment Advisors quarterly account statements and other reports to the information contained in your official statements for the same period. In the event of a discrepancy between official account statements and other reports or statements for the holdings and transactions shown, the client's official account statement shall prevail.

## **Item 5 Account Requirements and Types of Clients**

### **MINIMUM ACCOUNT REQUIREMENTS**

Davidson Investment Advisors accounts are subject to certain minimum account size requirements. Minimum account sizes vary by Program and may vary depending on the type of portfolio selected for the client's account. A minimum of \$100,000 of assets is required to participate in the Discretionary Program's equity strategies. A minimum of \$250,000 of assets is required to participate in the Discretionary Program's fixed income strategies. A minimum of \$50,000 of assets is required to participate in the Discretionary Program's multi-asset portfolio solutions. A minimum of \$250 of assets is required to participate in the Non-Discretionary Program. These account minimums may be higher or lower under certain circumstances and depending on the portfolio selected. Please refer to the Investment Strategies section below for a detailed description of the investment strategies.

If client's account falls below the minimum for the Program or portfolio, the Financial Professional may recommend a different portfolio or that the advisory account be closed.

### **TYPES OF CLIENTS**

Davidson Investment Advisors offers its services, including the wrap fee services, to all types of current or prospective clients, including, but not limited to: individuals; banks or thrift institutions; pension and profit sharing plans; trusts; estates; charitable organizations; corporations or other business entities; and registered investment companies.



## Item 6 Portfolio Manager Selection and Evaluation

Davidson Investment Advisors serves as Wrap Program sponsor and portfolio manager. All investment strategies discussed below are managed internally by the Firm's Investment Team. The investment strategy is recommended by the Financial Professional for a particular client as described in Item 4 above.

### CALCULATION AND REVIEW OF PERFORMANCE

Davidson Investment Advisors prepares and presents composite performance in conformance with the Global Investment Performance Standards (GIPS®). Davidson Investment Advisors is independently verified on annual basis; verification assesses whether (1) the Firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the Firm's policies and procedures are designed to calculate and present composite performance in compliance with the GIPS standards. The Firm's annual verification is performed by TSG (formerly The Spaulding Group, Inc.).

GIPS performance is based on time-weighted-return methodology. Time-weighted performance is often used as an industry standard to compare investment managers as it measures the compounded rate of growth, while removing the distorting effects caused by the inflow or outflow of funds in a portfolio.

A client's actual individual account performance is available to clients in a quarterly performance report.

### PORTFOLIO MANAGEMENT BY RELATED PERSONS

As previously noted, all portfolios are managed internally by the Firm's Investment Team.

### PERFORMANCE-BASED FEES

Davidson Investment Advisors, Inc. does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation of the client's assets) in its Wrap Program.

### METHODS OF ANALYSIS – DISCRETIONARY PROGRAM

The Investment Team process leverages one team, with shared responsibility for investment strategy construction, changes to investment strategies, timing, and parameters for implementation, and monitoring and rebalancing the strategies. They conduct due diligence building investment strategies based on an evaluation of the capital markets, current and projected macroeconomic and other conditions and performance of investments over time.

Davidson Investment Advisors utilizes three primary methods of analysis for its investment strategies:

**Fundamental Analysis.** Davidson Investment Advisors attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the issuer itself) to determine if the security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements.

**Quantitative Analysis.** Quantitative analysis uses complex mathematical models and statistics to analyze past events to make investment decisions about security performance (or larger market movements) in the future.

**Qualitative Analysis.** Qualitative Analysis involves the analysis of unquantifiable information, such as management decisions, to evaluate investment opportunities in the company's securities.

## INVESTMENT STRATEGIES – DISCRETIONARY PROGRAM

Davidson Investment Advisors offers the following core investment strategies in the Discretionary Program:

**Equity Income Strategy.** The Equity Income strategy invests in U.S.-traded equities and ETFs, and its primary investment objectives are capital appreciation and income generation. The strategy is actively managed and invests in high-quality companies with solid balance sheets, ample cash flow and a strong competitive position generating attractive return on capital. Key to the investment strategy is our focus on Dividend Power -- looking beyond current dividend yield to include a company's future capacity for dividends. Using a multivariate appraisal process, we assess value across three dimensions (Asset Value, Dividend Power, and Growth Value) to uncover quality companies underappreciated by the broader market.

**Multi-Cap Equity Strategy.** The Multi-Cap Equity strategy invests in U.S.-traded equities and ETFs, and its primary investment objective is capital appreciation. The strategy is actively managed and unconstrained by market capitalization and style classifications. As fundamental investors, we are cognizant of cyclical and secular dynamics, and focus on profitable companies with attractive return on capital, cash flow and growth prospects. We take active industry positions, with relative position sizes commensurate with risk. Our holdings are diversified by economic sector and adjusted based on where we view the greatest market opportunities.

**Intermediate Taxable Fixed Income Strategy.** The Intermediate Taxable Fixed Income strategy's primary investment objectives are capital preservation and income generation. The strategy invests in a variety of securities, including U.S. Treasury bonds, corporate bonds, government agency bonds, mortgage-backed securities, and ETFs. The strategy is actively managed and focuses on the intermediate portion of the yield curve. We invest in investment grade or higher issues with maturities ranging from one to ten years. We perform fundamental credit analysis and monitor issuers and credit trends daily. We believe that fixed income assets are best managed actively with respect to duration and credit exposures, as we monitor, anticipate, and respond to changes in the broad economy and the interest rate environment.

**Intermediate Municipal Fixed Income Strategy.** The Intermediate Municipal strategy's primary investment objectives are capital preservation and tax-exempt income generation. The strategy invests in general obligation and revenue bonds of various municipalities across the U.S., as well as ETFs. The strategy is actively managed and focuses on the intermediate portion of the yield curve, purchasing investment-grade issues with maturities ranging from one to fifteen years. Emphasis is placed on purchasing issues with predictable income and principal stability, while managers also remain aware of resiliency to credit stress, changing interest rates, and market volatility. Given the tax-sensitive nature of the asset class, attention is also paid to the management of portfolio turnover and the opportunity to realize gains or losses as advantageous for clients, as well as Alternative Minimum Tax and state tax considerations.

Davidson Investment Advisors also offers the custom and multi-asset portfolio management in the Discretionary Program, which includes, but is not limited to, asset allocation services. We tailor portfolios to client specifications regarding exposure to various asset classes (including, but not limited to, equities, fixed income securities, international securities, alternative investments, and private equity), as well as desired portfolio characteristics (such as quality parameters or cash flow projections). Such specifications may be outlined in an institutional client's Investment Policy Statement (IPS), a document that aligns the objectives of an organization with its financial goals to ensure financial assets support organizational objectives.

For all investment strategies, securities selected for inclusion in client portfolios are monitored using Bloomberg and other available data. Davidson Investment Advisors focuses on long-term investing; ultimately, a portfolio position may be sold once the security has become fully priced by the market, a more favorable investment alternative becomes available, the fundamentals of the issuer deteriorate, or catalysts for growth identified in the due diligence process fail to develop.

### **METHODS OF ANALYSIS – NON-DISCRETIONARY PROGRAM**

As described under Item 4 above, for clients, or other members of a client's household, that have a Discretionary Program account, Davidson Investment Advisors can offer a non-discretionary advisory program account in which clients can hold certain assets such as the Fund or legacy holdings that clients wish to retain. In the Non-Discretionary Program, a Financial Professional advises the client on these holdings and monitors the account. Davidson Investment Advisors uses a customized approach to recommendations and methods analysis depending upon the client's investment circumstances. In the Non-Discretionary Program, the client is ultimately responsible for the actual implementation of their assets. The use of leverage, including margin, may be used if directed by the client.

The client should ask Davidson Investment Advisors for information about their investment strategies, philosophies, and methods of analysis and investing techniques that may be used in formulating recommendations to the client in the Non-Discretionary account, bearing in mind, the client has sole discretion, and makes the final decision whether to accept or reject any specific recommendation made by Davidson Investment Advisors.

### **RISK OF LOSS**

Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal. The following provides information on specific types of investment risks depending on the type of underlying investments.

**Risks for all forms of analysis.** Securities analysis methods rely on the assumption that the entities whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis becomes compromised by inaccurate or misleading information.

Investing in any security involves risk of loss that clients should be prepared to bear.

**Fundamental Analysis Risk.** This method of analysis presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

**Quantitative Analysis Risk.** A risk in using quantitative analysis is that the models used are based on assumptions that may prove to be incorrect.

**Qualitative Analysis Risk.** A risk of using qualitative analysis is that our subjective judgment proves to be incorrect.

**Technical Analysis.** Technical analysis involves the use of statistical data, and trends in that data, to identify trading opportunities. Technical analysis does not consider the underlying financial condition of a company, or the intrinsic value of its securities. This type of analysis presents a risk in that a poorly managed or financially unsound company may underperform regardless of larger movements in the market.

**Cyclical Analysis.** This form of technical analysis involves studying cycles in the economy and financial markets. In this type of technical analysis, the movements of a particular stock are measured relative to the overall market in an attempt to predict the price movement of the security. The risk most commonly associated with this analysis is that the overall measurement is incorrect.

**Asset Allocation.** A risk of an incorrect asset allocation decision is that the client does not participate in a sharp increase in a particular security, industry, or market sector. Another risk is that the ratio of equities, fixed income, and cash holdings will change over time due to security value and market movements and, if not corrected (i.e., through rebalancing), will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** A common risk of mutual funds and/or ETF analysis is that, as with other securities investments, past performance does not guarantee future results. A manager who has been successful in identifying profitable opportunities among mutual funds may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a mutual fund or ETF, managers of different funds held by the client may purchase the same security, creating concentrated exposure for the client to that security and increasing the risk to the client if that security were to fall in value. There is also a risk of a manager deviating from the stated investment mandate or strategy of the mutual fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Interest Rate Risk.** Fluctuations in interest rates cause investment prices to fluctuate. For example, bond market values have an inverse relationship to changes in interest rates. Rising interest rates cause bond market values to decline and declining interest rates cause market values to rise. Generally, the longer a bond's maturity, the greater the interest rate risk and the higher its yield. Similarly, equities may also suffer from a rising interest rates.

**Market Risk.** Market risk is the risk of investment losses in a client's account due to a variety of reasons outside of Davidson Investment Advisors' control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, epidemic, pandemic, or social events, independent of the intrinsic valuation of one or more securities in the client's account.

**Inflation Risk.** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation. Inflation risk is the risk of inflation exceeding or eroding the return of an investment in the client's account.

**Currency Risk.** Among other risks, investments in non-U.S. securities are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk. Currency risk could lead to a loss to a client, for example, when the proceeds from the sale of the non-U.S. security, which may be in a devaluing foreign currency, are converted to a relatively stronger U.S. dollar.

**Reinvestment Risk.** This is the risk that future proceeds from investments have to be reinvested at a potentially lower rate of return (i.e., due to reductions in interest rates). This relates primarily to client account investments in fixed income securities.

**Business Risk.** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of potential profitability than an electric company, which generates its income from a steady stream of customers who buy electricity of the prevailing macroeconomic environment.

**Liquidity Risk.** Liquidity is the ability to readily convert a security into cash. Securities in a client's account are more liquid if many individuals are interested in buying or selling them. For example, Treasury bills are highly liquid, while real estate properties are relatively illiquid. Liquidity risk is therefore the risk that a client will not be able to promptly sell a security due to a limited market for that instrument.

**Financial Risk.** Excessive borrowing to finance a business' operations may create a degree of stress on the firm to the point of jeopardizing its profitability, and potentially triggering a default on one or more outstanding loans. Depending on the circumstances, such a development could lead to a declining value in the company's securities, or even its bankruptcy.

**Global Economic Risk.** National and regional economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country, region or market might adversely impact issuers in a different country, region, or market. Changes in legal, political, regulatory, tax and economic conditions may cause fluctuations in markets and securities prices around the world, which could negatively impact the value of an account's investments. Major economic or political disruptions, particularly in large economies, may have negative global economic and market repercussions. Additionally, events such as war, terrorism, natural and environmental disasters and the spread of infectious illnesses or other public health emergencies may adversely affect the global economy and the markets and issuers in which an account invests. These events could reduce consumer demand or economic output, result in market closure, travel restrictions or quarantines, and have a significant impact on the economy. Such events could materially increase risks, including market and liquidity risk, and significantly reduce account values.

**Cybersecurity Risk.** Client portfolios are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events that include, but are not limited to, gaining unauthorized access to digital systems, misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially result in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

**Technology Risk.** The Firm's investment offerings are dependent upon various computer and telecommunication technologies, many of which are provided by or are dependent on third parties. The successful operation of our Firm could be severely compromised by system or component failure,

telecommunication failure, power loss, a software-related system crash, unauthorized system access or use (such as “hacking”), computer viruses and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. It is not possible to provide comprehensive and foolproof protection against all such events, and no assurance can be given about the ability of applicable third parties to continue providing their services. Any event that interrupts such computer and/or telecommunication systems or operations could have a material adverse effect on the Firm. Such a material effect may have a heightened impact on the investment strategies, given the automated nature of the services provided.

## **VOTING CLIENT SECURITIES**

Davidson Investment Advisors does not vote proxies on behalf of clients in the Non-Discretionary Program. Clients retain the responsibility to vote proxies relating to securities in their accounts.

Davidson Investment Advisors votes proxies for client accounts in the Discretionary Program. Client may retain the right to vote proxies for their own accounts, or direct the Firm to vote a proxy in a particular manner, so long as the client timely notifies the Financial Professional.

Davidson Investment Advisors has engaged a third-party Proxy Service Vendor to provide proxy voting administrative duties and proxy voting recommendations from another third-party Proxy Advisory Firm (“Proxy Advisor”). The Proxy Advisor recommendations are pre-populated into the Proxy Service Vendor’s electronic voting platform and are automatically executed pursuant to the Proxy Advisor’s recommendations. However, the Firm reserves the right to exercise its own judgment on a case-by-case basis, to serve its clients’ best interests once it has determined that such a vote would not involve an identified firm-related conflict of interest. In these situations, Davidson Investment Advisors will vote in favor of proxy proposals that enhance the independence of board membership, against measures that promote anti-takeover defenses, and for incentive compensation that would align management interests with shareholder interests, including stock-based compensation and restricted stock award programs. Corporate governance issues, however, are diverse and continually evolving and these general policies may not be relevant in some circumstances.

An Investment Adviser Proxy Voting Committee (the “Committee”), with members including senior personnel from Davidson Investment Advisors and other D.A. Davidson Companies’ subsidiaries, meets periodically. The Committee monitors the Firm’s overall adherence to and effectiveness of the Firm’s proxy voting policies and procedures. It reviews the rationale for some proxy votes that are not covered by the policies and procedures, or that present a potential conflict of interest. It also reviews the internal controls and independence of the third-party vendors on no less than an annual basis. The Committee periodically reviews policies and procedures and provides advice for revisions thereof.

A summary of Davidson Investment Advisors’ proxy voting policies and procedures can be found on the Internet at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures) or a copy of the policies can be mailed, free of charge, at client's request to the following address: Davidson Investment Advisors, Compliance Department, 8 Third Street North, Great Falls, MT, 59401.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact Davidson Investment Advisors by telephone, email, or in writing.

**Conflicts of Interest.** Davidson Investment Advisors and its supervised persons have various conflicts in relation to voting client proxies, which may include personal investments, outside activities, personal relationships, and management of investment accounts for or on behalf of publicly traded companies. Davidson Investment Advisors believes, however, that its retention of the Proxy Service Vendor, use of the Proxy Advisor Firm recommendations, its adherence to its proxy voting policies and procedures and oversight by the Proxy Voting Committee help to ensure proxies are voted in the best interest of the Firm's clients.

**Class Action Notices.** Davidson Investment Advisors will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 7 Client Information Provided to Portfolio Managers**

As described in Item 4 above, Financial Professionals are responsible for gathering client's Investment Profile (i.e., investment objectives, risk tolerance, time horizon, financial information, and other circumstances) as well as their liquidity needs and any reasonable restrictions the client wishes to impose upon the management of the account.

Davidson Investment Advisors, including its portfolio managers, has access to clients' information, including personal and account information when managing clients' assets.

## **Item 8 Client Contact with Portfolio Managers**

Davidson Investment Advisors does not place any restrictions on clients who wish to contact or consult with portfolio managers managing their accounts. The Firm also encourages clients to discuss their accounts with their Financial Professional, if applicable, as the Financial Professional serves as the communication conduit between the client and the portfolio manager.

## **Item 9 Additional Information**

### **DISCIPLINARY INFORMATION**

Davidson Investment Advisors does not have any events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management, including any legal, financial, or disciplinary events that require disclosure.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Davidson Investment Advisors is a wholly-owned subsidiary of D.A. Davidson Companies, a financial services holding company with other subsidiaries: D.A. Davidson & Co. (referred to in this Brochure as D.A. Davidson) and D.A. Davidson Trust Company. D.A. Davidson is dually registered as a broker-dealer with FINRA (Financial Industry Regulatory Authority) and a registered investment adviser with the SEC and is also a qualified custodian. D.A. Davidson Trust Company is a federal savings bank.

**D.A. Davidson.** Client assets are held in custody at D. A. Davidson and all transactions for wrap fee accounts managed in Davidson Investment Advisors' Programs are executed through D.A. Davidson. This creates a conflict of interest because the fees for managing and trading client accounts are all retained by D.A. Davidson Companies.

Additionally, D.A. Davidson Financial Professionals may refer clients to Davidson Investment Advisors in its capacities as independent investment adviser for the wrap programs described in this Brochure and as an investment adviser participating in D.A. Davidson's advisory programs as described in the D.A. Davidson 2A Wrap Fee Brochure. D.A. Davidson Financial Professionals have an incentive to recommend a Program or an investment manager that is affiliated with D.A. Davidson because the entire client fee is retained by D.A. Davidson Companies. Often the D.A. Davidson Financial Professional remains the client's financial advisor for the Davidson Investment Advisors wrap fee account and is compensated for the referral on an ongoing basis.

Many D.A. Davidson Financial Professionals are also registered representatives of D.A. Davidson in its capacity as a broker-dealer. When acting as a broker-dealer, these financial professionals provide brokerage and related services to clients, including in relation to the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, life insurance policies and annuities, and other products. These broker-dealer recommendations and any subsequent implementation are separate and distinct from the Firm's advisory services. See the D.A. Davidson Regulation Best Interest Disclosure at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures) for more information about D.A. Davidson's Brokerage Services.

**Davidson Funds.** As previously disclosed in "Advisory Business" (Item 6) and "Fees and Compensation" (Item 4) of this Brochure, the Firm is the investment adviser to the Davidson Multi-Cap Equity Fund, a fund of the Adviser Series Trust, an investment company registered under the Investment Company Act of 1940. Non-Discretionary Program accounts are permitted to hold shares of the Fund; however, Discretionary Program accounts are typically not permitted to do so. Holding the Fund in a Davidson Investment Advisors account presents a conflict of interest by having the potential to retain more compensation in D.A. Davidson Companies. However, the value of client assets invested in the Fund, whether held in a Discretionary or Non-Discretionary account, are excluded from Advisory Fee calculations. As a result, Davidson Investment Advisors only earns the underlying Fund management fees and not an Advisory Fee for assets invested in the Fund.

For additional information, the Fund's Prospectus and Statement of Additional Information are available online at: [www.davidsonmutualfunds.com](http://www.davidsonmutualfunds.com). Prospective investors should review these documents carefully before making any investment in the mutual fund.

## **CODE OF ETHICS AND PERSONAL TRADING**

Davidson Investment Advisors has adopted a Code of Ethics ("Code") which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

The Firm's Code establishes rules of conduct for all employees and is designed to govern personal securities trading activities in the accounts of employees, among other things. The Code is based upon the principle that Davidson Investment Advisors and its employees owe a fiduciary duty to its clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid: (i) serving their own



personal interests ahead of clients (ii) taking inappropriate advantage of their position with the Firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by calling us at 800-332-0529.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

As a general practice, Davidson Investment Advisors does not engage in principal transactions.

The Firm's employees are allowed to invest in the same securities recommended to or owned by clients. However, in order to avoid conflicts of interest, all Davidson Investment Advisors employees are required to receive prior approval to trade in personal security accounts.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees 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.

**D.A. Davidson & Co. Participation in Client Transactions.** As previously noted, Davidson Investment Advisors may recommend D.A. Davidson & Co., a related party and broker-dealer, as the qualified custodian for many Davidson Investment Advisor clients. Subject to the requirements of applicable law, D.A. Davidson & Co. may act as principal, buying securities for itself from, or selling securities it owns to, an advisory client, but only on a case-by-case basis with advance written authorization from the client, and when it is in the best interest of a client to do so.

D.A. Davidson & Co.'s policy prohibits agency cross transactions for advisory clients, but in rare cases exceptions may be granted. An agency cross transaction is a transaction in which D.A. Davidson & Co. acts as broker for the party or parties on both sides of the transaction. However, no cross transactions may be made in ERISA-covered or IRA advisory accounts. For additional information regarding D.A. Davidson & Co.'s principal trading and agency cross transaction policies, please refer to D.A. Davidson & Co.'s Wrap Fee Program Brochure. You may also request a copy by calling us at 800-332-0529.

### **GENERAL BROKERAGE PRACTICES**

For clients, Davidson Investment Advisors will determine: (1) which securities are bought and sold; (2) the total amount of such purchases and sales and whether a client's transaction should be aggregated with those of other clients; and (3) the broker through which transactions will be executed (with the exception of directed brokerage arrangements, as described later in this section).

**Best Execution.** Davidson Investment Advisors has the obligation to seek best execution when it places trades with broker-dealers. Best execution entails the efficient placement of orders, clearance, settlement, and the overall quality of execution as well as the cost of the transaction.

**Directed Brokerage.** Client accounts managed by Davidson Investment Advisors which originate through both the Discretionary and Non-Discretionary Programs are directed brokerage accounts to D.A. Davidson, an affiliated broker-dealer. This creates a conflict of interest by keeping all potential compensation in D.A. Davidson Companies. Not all advisers require their clients to direct brokerage. By directing brokerage clients may be unable to achieve most favorable execution of client transactions, which may cost clients more money.

However, when Davidson Investment Advisors executes transactions in exchange-traded securities and mutual funds via D.A. Davidson, there are no additional per-share transaction costs to the client for the execution of these trades. Additionally, Davidson Investment Advisors “steps-out” the majority of its fixed income trades, since it believes that “step-out” trades are more likely to provide clients with best execution and offer a higher degree of liquidity.

Wrap Program clients will not incur trading costs that are in addition to the fee they pay to the program sponsor for fixed income transactions.

**Soft Dollars.** Consistent with obtaining best execution for clients, Davidson Investment Advisors maintains trading arrangements with various broker-dealers whereby it has access to its research.

The provision of such services in exchange for brokerage business is commonly referred to as a "soft dollar arrangement." Research services and products may include tangible research products, (publications or writings as to the value of securities, analysis and reports concerning issuers, industries, economic factors, and trends) as well as direct access to analysts and traders. This creates an incentive to select or recommend a broker-dealer based on Davidson Investment Advisors' interest in receiving research, rather than client' interest in receiving most favorable execution. However, Davidson Investment Advisors has a fiduciary duty to act in the best interest of clients and to obtain best execution for its advisory clients. The Firm does not enter into soft dollar arrangements that are not covered by the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

#### **BROKERAGE PRACTICES – DISCRETIONARY PROGRAM**

**Order Aggregation.** Davidson Investment Advisors will aggregate client trades where possible and when advantageous to clients. This aggregation of trades permits the trading of blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. All participating accounts receive an average share price for trade execution.

**Trade Rotation.** Davidson Investment Advisors employs a trade rotation policy for block trades, by which a rotating, pre-determined order is used to bring clients' shares to the market.

In the event that an aggregated trade takes multiple trading sessions to complete, the overall trade rotation for subsets is adhered to, and allocation of shares is conducted on a random basis using the trade order management system.

#### **BROKERAGE PRACTICES – NON-DISCRETIONARY PROGRAM**

For Non-Discretionary accounts, Davidson Investment Advisors places orders for the account promptly after receiving client authorization to do so, and therefore, does not wait to aggregate trades for the client with trades for other clients. Because similar orders for the client and other clients will be placed and filled at different times, clients may buy or sell securities at prices that are different from the prices obtained by other clients who received the same or similar advice from Davidson Investment Advisors. All trades in Non-Discretionary accounts will be placed through D.A. Davidson & Co.

## REVIEW OF ACCOUNTS

**Reviews.** Davidson Investment Advisors monitors the underlying securities within each client's accounts. Depending on the type, accounts are reviewed on a quarterly basis or at least on an annual basis. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market, political or economic environment.

These accounts are reviewed by various members of the Investment Team, client service professionals and portfolio administrators.

While Davidson Investment Advisors provides the client with periodic reminders, it is ultimately the client's responsibility to advise the Firm of any changes to the information previously provided that might impact the investment strategy or objectives in which they are invested. Davidson Investment Advisors is not responsible for independently verifying information or data provided in a client's initial or subsequent updates to Client's Investment Profile, nor is the Firm responsible for any adverse consequences arising out of client's failure to promptly provide notification. Client understands the integrity and quality of the respective investment management services to be rendered by Davidson Investment Advisors is dependent upon the accuracy of the data and information supplied by client in Client's Investment Profile.

Davidson Investment Advisors, or the Financial Professional if applicable, will directly contact each client at least annually to verify that there has been no change in the client's financial circumstances or investment objectives, and determine whether the client wishes to impose or change any reasonable restrictions on the management of the account. The Firm will promptly act on any reported changes.

**Reports.** Davidson Investment Advisors provides written reports to clients on the performance of their account(s) on a quarterly basis. Client performance reports include a portfolio valuation, the asset allocation, and account performance. Performance returns include the deduction of advisory fees, transaction costs, market appreciation or depreciation and the reinvestment of capital gains, dividends, interest, and other income.

When preparing a client's account statements and performance reports, the Firm relies on third parties, such as third-party quotation services and other custodians when determining the value of account assets. Our Firm does not conduct an in-depth review of valuation information provided by third party quotation services or other custodians, and it does not verify or guarantee the accuracy of such information. The prices obtained by Davidson Investment Advisors from the third-party quotation services it uses may differ from prices that could be obtained from other sources. If a client has assets held by a third-party custodian, the prices shown on a client's account statement provided by that custodian may be different from the prices shown on statements and reports provided by the Firm due to the use of different valuation sources by the custodian and Davidson Investment Advisors.

## CLIENT REFERRALS

Davidson Investment Advisors will from time to time pays referral fees to independent persons or firms, as well as D.A. Davidson financial professionals at D.A. Davidson & Co., a related person and broker-dealer, ("Promoters") for introducing clients to us. Whenever the Firm pays a referral fee, we require the Promoter to provide the prospective client with a copy of this Brochure and a separate disclosure statement that includes:

the Promoter's name and relationship with our Firm; the fact that the Promoter is being paid a referral fee; the amount of the fee; and whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Promoter.

As a matter of Firm practice, the Advisory Fees charged to clients referred by Promoters or related parties are not increased as a result of any referral.

## **OTHER COMPENSATION**

It is Davidson Investment Advisors' policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards, or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

**Cash Management Program.** Your Davidson Investment Advisors account typically includes an allocation to cash. D.A. Davidson, the custodian for your account, utilizes a Cash Management Program, commonly referred to as a "sweep" program, to automatically deposit uninvested cash balances into an interest-bearing account maintained at one or more participating third-party banks (or in limited circumstances to an unaffiliated money market fund) at the end of each business day. Uninvested cash may occur due to, among other things, the sale of securities, dividend payments, interest credited from bonds, and short-term allocations to cash in the account portfolio. Clients affirmatively consent to participation in D.A. Davidson's Cash Management Program by expressly electing it in the account application and signing the account agreement but can revoke this consent at any time by contacting their Financial Professional.

D.A. Davidson receives important and significant compensation and benefits from client use of the Cash Management Program. Because the Advisory Fees are generally charged on cash balances and cash balances generate compensation to D.A. Davidson through the cash management program, D.A. Davidson Companies earn two levels of compensation on such cash balances in Davidson Investment Advisors wrap accounts.

Please review the Cash Management Program Disclosure Statement available on the D.A. Davidson website at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures) for more information about how the cash management program works, including limitations, restrictions, how changes are implemented and additional discussion of conflicts of interest. For current interest rates applicable to the cash management program see [dadavidson.com/What-We-Do/Wealth-Management/Products-Services/Saving-Spending-Solutions/CashManagement-Program](http://dadavidson.com/What-We-Do/Wealth-Management/Products-Services/Saving-Spending-Solutions/CashManagement-Program). To obtain a copy of the disclosure document please contact your Financial Professional.

**Compensation of D.A. Davidson Financial Professionals.** For information about the compensation of D.A. Davidson Financial Professionals, who may be the Financial Professionals assigned to your account, see the D.A. Davidson 2A Wrap Fee Program Brochure. As described above, Davidson Investment Advisors compensates D.A. Davidson Financial Professionals for referrals made to the Firm.

**Portfolio Manager Compensation.** Portfolio managers at Davidson Investment Advisors are salaried employees and do not receive a portion of the fees assessed to client accounts.

**Financial Professionals Compensation.** Davidson Investment Advisors' Financial Professionals are salaried employees and do not receive a portion of the fees assessed to client accounts. The Firm's Financial Professionals are eligible to receive a subjective bonus based upon several factors, including the Firm's revenue, profit, and assets under administration growth.

## **FINANCIAL INFORMATION**

We are also required to disclose any financial condition that is likely to impair our ability to meet our contractual obligations. Davidson Investment Advisors, Inc. has no additional financial circumstances to report.

Davidson Investment Advisors, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.