

# Newground

Social Investment

[www.newground.net](http://www.newground.net)





## Item 1 | Title Page

# Newground Social Investment, SPC Form ADV, Part 2A, Disclosure Brochure

March 28, 2024

This Brochure provides information about the qualifications and business practices of Newground Social Investment, SPC<sup>1</sup> (“**Newground**”).

If you have any questions about the contents of this Brochure, please contact us at (206) 522-1944 or [info@newground.net](mailto:info@newground.net)

Additional information about Newground is available on the SEC website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

### Required disclosure language:

*The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any State securities authority.*

*Newground is registered as an Investment Advisor with the Securities and Exchange Commission. Registration as an Investment Advisor does not imply any particular level of skill or training. A client should determine whether to hire or retain any Investment Advisor based upon the oral and written communications provided by an Advisor.*

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<sup>1</sup> SPC = Social Purpose Corporation. Newground was the nation's first Social Purpose Corporation.

## Item 2 | Material Changes

On July 28, 2010 the U.S. Securities and Exchange Commission (“**SEC**”) published *Amendments to Form ADV* which amended the required disclosure document that we provide to clients. This ADV Brochure is prepared according to these SEC requirements and rules.

Item 2 of this new form of disclosure provides a summary of specific material changes made to the Brochure since its last update.

Material changes made since the March 31, 2023 update:

None.

Copies of our current ADV Brochure are available without charge, and can be viewed any time via a link in the footer of each page of our website: [www.newground.net](http://www.newground.net).

Additional information about Newground is available on our website: [www.newground.net](http://www.newground.net) or via the SEC’s web site: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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## Item 4 | Advisory Business

### Firm Description

Since 1994, Newground has provided socially responsible, ESG-SRI<sup>2</sup> impact money management services to individuals and institutions who are principled, proactive, and inspired by the opportunity to make a difference with their investments. Our clients seek to meet financial goals in a way that is consistent with their values, beliefs, or mission in the world.

Newground's Chief Executive is Bruce Herbert, who:

- Began his career in the securities industry with Merrill Lynch, in 1984.
- Has focused exclusively on responsible impact investment since before 1986.
- Founded Newground in 1994.

### Types of Services Offered

Newground specializes in values-aligned money management and financial planning / wealth management for individuals and institutions. The firm offers individually-managed accounts that generally use individual securities for larger accounts and mutual funds for smaller ones. Newground works with each client to develop a customized Portfolio Allocation Statement (PAS) or Investment Policy Statement (IPS) that specifies how each account will be managed. Areas of planning and asset management can address client needs involving inheritance, philanthropy, retirement, liquidity events, stock grants (RSUs), and college savings, among other areas. Newground typically coordinates its service with other professional service providers, including tax accountants and estate attorneys.

### Individualized Advisory Services

Client portfolios can be highly individualized to meet financial needs, and to address social, environmental, and governance (ESG) concerns. Many options exist to address ESG-SRI concerns and to create positive impact, including:

- Security selection or exclusion – commonly called *screening*.
- Portfolio allocations directed toward *impact* or *community* investment.
- Shareholder engagement and proxy voting.

### Wrap-fee Programs

Newground does not offer or participate in any form of wrap-fee program.

### Assets Under Management

As of 12/31/2023 Newground managed, on a discretionary basis, approximately \$130 million in assets under management.

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<sup>2</sup> ESG = Environmental, Social & Governance criteria; SRI = Socially Responsible Investment.

## Item 5 | Fees and Compensation

Newground is a fee-only Registered Investment Advisor (RIA) – we receive no compensation via commission, soft-dollar, or other undisclosed arrangements.

The fee schedules noted represents the total of management fees charged by Newground to clients. Where beneficial, Newground can engage sub-advisors on a client's behalf. Any fees charged by the sub-advisor are separate and in addition to Newground's management fees.

### Fee Schedules

Newground offers two fee schedules, depending on the value of assets under management.

#### Fee Schedules (ver. F20.2)

##### 1. For client relationships<sup>3</sup> over \$1 million:

Account fees are computed using the following tiered pricing schedule:

0.30% on the amount above:	\$50 million
0.45% on the amount between:	\$35 million - \$50 million
0.60% on the amount between:	\$10 million - \$35 million
0.75% on the amount between:	\$5 million - \$10 million
0.90% on the amount between:	\$3 million - \$5 million
1.00% on the first:	\$3 million

*Annual rates, billed quarterly in advance*

For larger accounts, Newground will generally recommend engaging separate account managers as sub-advisors to directly manage portions of the overall portfolio, using individual securities instead of mutual funds or exchange traded funds (ETFs). These sub-advisors provide valuable expertise and capabilities – typically: **(a)** with greater tax-efficiency, **(b)** with customization, and **(c)** at lower cost than commensurate ETF or mutual fund alternatives.

Fees for separate account managers are in addition to the advisory fee schedules noted here. The current rates are 0.12% for fixed income (bond) management and 0.29% for tax-managed equities (stocks). For retirement and non-taxable accounts that cannot benefit from tax-efficient management, there is a 5 basis point reduction in the equity rate, to 0.24%. These rates are substantially lower than the internal operating expenses of the commensurate ETF or mutual funds that the sub-advisors replace.

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<sup>3</sup> A 'client relationship' includes the value of all managed accounts considered together, such that every account benefits from the same economies of scale.

## 2. For client relationships under \$1 million:

Account fees are computed using the following tiered pricing schedule:

1.10% on the amount between:	\$750k - \$1 million
1.20% on the first:	\$750k

*Annual rates, billed quarterly in advance*

Advisory fees will be calculated according to the fee schedule above that corresponds to a Client's overall assets under management. The determination of appropriate schedule, whether (1) or (2), will be evaluated quarterly roughly two weeks before the end of each calendar quarter.

Newground's fee schedule can change from time-to-time; however, no existing client's fee schedule will be increased without client's prior knowledge and consent. At the sole discretion of Newground, fees are negotiable.

### **Billing & Payment of Fees, Termination**

Fees are billed from client accounts on a calendar quarter basis, in advance. Unless provided with an ADV Part 2 or other Disclosure document 48 hours prior to signing an Advisory Agreement, a Client shall have five business days following signing during which an Agreement can be terminated without penalty. Written fee invoices are available to all clients upon request. Invoices will include the fee, the formula used to calculate the fee, the fee calculation itself, the time period covered by the fee, the amount of assets under management on which the fee was based, and the name of the custodian.

If a relationship is terminated, client is obligated for payment of services performed prior to the effective date of termination, but will receive a pro-rated refund of any fees not earned.

### **Other Fees or Expenses**

**Sub-advisors.** In certain instances, we recommend that sub-advisors be engaged for the direct management of a portion of client accounts. Recommended sub-advisors provide valuable expertise and capabilities, typically at much lower cost than a commensurate ETF or mutual fund alternative. Clients may engage sub-advisors independently, though generally at a higher cost and with larger minimum investment thresholds than when engaged through Newground.

Recommended sub-advisors contract with Newground directly to provide sub-advisory services to clients. Sub-advisory fees are separate from and in addition to the advisory fees paid to Newground. Prior to investment, Clients are provided the Form ADV Part 2A (or similar disclosure) for any sub-advisor recommended, which provides complete detail on the sub-advisory fees, billing schedule, and payment procedures. Client may elect not to use a recommended sub-advisor.

When a sub-advisor is engaged, Newground continues to serve as a client's primary advisor. In this capacity, Newground remains responsible for the ongoing monitoring of sub-advisor

managed accounts as well as for whether the sub-advisor remains suitable in the context of a client's overall investment program. The sub-advisor is responsible for discretionary portfolio management and trading functions related to the designated assets. Newground will recommend adjustments to sub-advisor engagements and allocations when we believe such changes would be in a client's best interest.

**Client-restricted assets.** For specialized assets or circumstances – including low-cost-basis stocks, illiquid investments, cash reserves, and investments held outside of Newground-managed accounts – Newground, at its discretion, can assess a management fee as described above.

**Setup fee.** Newground is authorized to collect a one-time, non-refundable account setup fee for each new account established or taken under management. Currently, the setup fee for most individual or joint accounts is \$250 per account; whereas for business, organization, inherited IRA, trust, estate, foundation and other more specialized type accounts, the account setup fee is \$400 per account. Setup fees are generally charged around the time of establishing a new account. In its sole discretion, Newground can waive the collection of some set-up fees.

**Custodian Fees.** Newground retains Schwab Institutional (Schwab), the institutional division of Charles Schwab & Co., as its independent, third-party custodial platform for client accounts. Custody and clearing fees will vary from custodian to custodian.

- Most mutual funds are traded on a no-load or waived-load basis, making them transaction-cost-free for Newground clients. However, institutional class shares can incur a modest transaction fee (though along with greatly reduced internal fund operating expenses). Newground does not share in these fees, if any.
- Since late 2019, Schwab has offered no-commission trading for stocks. Historically, stocks traded on the Schwab platform were charged a trading fee, the amount of which depended on the size of the account, type of asset, whether the trade was entered electronically, and electronic delivery option of the client.

**Hourly engagements.** Newground can provide additional services on an hourly or negotiated rate basis for projects outside the scope of its Agreement with clients, such as business transition planning, directed shareholder engagement, philanthropic impact mapping, and other services. The current billable rate is \$295 per hour, subject to change without notice.

**Commission-based Compensation.** Newground receives no compensation based on commission, or on the sale of securities or other investment products.

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

Newground does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

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## Item 7 | Types of Clients

Newground provides portfolio management services to individuals, businesses, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, trust programs, and other U.S. institutions.

Newground clients typically hold \$1.5 million+ in investable assets.

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## Item 8 | Methods of Analysis, Investment Strategies, Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Newground works to lower that risk as it seeks to fulfil clients' longer-term financial goals.

Newground offers a unique brand of conservative portfolio construction that results in a thoroughly diversified portfolio.

The foundation of our approach is the deployment of an array of established, capable, and progressive ESG-SRI sub-advisors, ETFs, and mutual funds.

Newground specializes in Sustainable and Responsible Impact (SRI) investing. Newground engages strategic partners to handle many day-to-day back-office trading and reporting functions, and we license due diligence research, as well as other research on environmental, social, and governance (ESG) factors.

For certain investors, Newground may provide counsel regarding private investment opportunities. Our role relative to these funds is limited to the initial and ongoing due diligence and investment monitoring services. If used, private investment funds will be considered part of the investment portfolio base for purposes of our investment advisory fee. Clients are under no obligation to consider or make an investment in private investment funds. Private investment funds involve a variety of risk factors, including, but not limited to, the potential for complete loss of principal, liquidity constraints, and lack of transparency (as may be laid out in each fund's offering documents, which are provided to each interested client for review).

Newground Chief Executive Bruce Herbert is an ACCREDITED INVESTMENT FIDUCIARY (AIF). This provides access to *Fiduciary Analytics*, a suite of specialized tools that are a leading global resource for investment fiduciaries (persons who have the legal responsibility for managing money on behalf of others).

These analytical tools are based on the *Practice Standards of Care* researched and developed by the Foundation for Fiduciary Studies (fi360).

When advantageous for clients, Newground can utilize sub-advisors to manage all or a portion of client's assets pursuant to a specific investment strategy.

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## **Item 9 | Disciplinary Information**

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of an Advisor.

Neither Newground nor its employees have ever been the subject of a disciplinary action or complaint.

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

Newground is a current or past member of:

- The Interfaith Center on Corporate Responsibility (ICCR)
    - Newground's Chief Executive served for many years on ICCR's governing board.
  - The Forum for Sustainable and Responsible Investment (US | SIF), which is the trade association for the social investment industry.
    - Newground's Chief Executive is a past regional board member of US | SIF
  - The Sustainable Investment Research Analysts Network (SIRAN), a part of US | SIF
  - The Sustainable Investments Institute (Si2)
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## **Item 11 | Code of Ethics**

Newground has adopted a Code of Ethics for all supervised persons of the firm which describes its high standard of business conduct and fiduciary duty to clients.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition on rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Newground acknowledge the terms of the Code of Ethics.

A copy of Newground's Code of Ethics is available upon request.

### **Code of Ethics**

The Investment Advisers Act of 1940 imposes a fiduciary duty on investment advisors. As a fiduciary, Newground has a duty of utmost good faith to act solely in the best interests of each of our clients. Our clients entrust us with their money, which in turn calls for a high standard of conduct and integrity. Our fiduciary duty compels all employees to act with transparency and integrity in all dealings. This fiduciary duty is the core principle underlying

our Code of Ethics and Personal Trading Policy, and represents a touchstone for all dealings with clients.

### Standards of Conduct

Ethical conduct is the hallmark of any profession, but is especially true in the financial services industry. Investment Advisors function in an arena that is subject to extensive regulation. However, these laws, rules and regulations only provide a foundation for proper conduct. Professional conduct is defined not only by reference to regulatory dictates, but by moral and ethical standards.

Each Newground employee must understand and act with the conviction that his or her self-interest is best served by placing the customer's interests first and foremost. This is in the highest and best tradition of fiduciary conduct, and is a tradition that Newground requires each employee to uphold.

Finally, Newground is committed to the principles expressed by the North American Securities Administrators Association (NASAA) in its publication on the *Unethical Business Practices of Investment Advisors* (adopted April 5, 1995).

Newground's Code of Ethics consists of the following core principles:

1. The interests of clients will be placed ahead of the firm's or any employee's own investment interests.
2. Employees are expected to conduct their personal securities transactions in accordance with the Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest regarding the firm or its clients. Employees with questions regarding the appearance of a conflict of interest with a client should consult with the Chief Compliance Officer (CCO) before taking any action that could result in an actual conflict.
3. Employees will not take inappropriate advantage of their position with the firm.
4. Employees are expected to act in the best interest of each of our clients.
5. Employees are expected to comply with all federal securities laws. Strict adherence to these policies will assist the employee in complying with this important requirement.

### **Personal Trading Policy**

Newground takes multiple steps to prevent front-running and other types of conflict of interest with clients. We engage an independent third-party strategic partner to manage the placement of mutual fund trades in client accounts, and independent sub-advisors who directly place all trades in individual securities.

Employees are allowed to invest in individual securities (whether equities or fixed income), including securities that can appear in client accounts, but they sign regular, affirmative, statements of understanding that they are complying with all regulatory policies so as to avoid any conflict of interest with clients.

Employees are allowed to invest in diversified mutual funds and ETFs, including funds and ETFs that can appear in client accounts, and sign regular, affirmative, statements of understanding that they are complying with all regulatory policies so as to avoid any conflict of interest with clients.

Employees share custodial statements with Newground for any outside investment accounts, which are reviewed for compliance with applicable procedures and regulations.

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## **Item 12 | Brokerage Practices**

Newground is neither a broker-dealer nor affiliated with a broker-dealer in any way. We do not receive or participate in *soft-dollar* arrangements, and are not aware of any form of conflict-of-interest in relation to our custodial arrangements.

Newground does not receive a share of any fees charged by a custodian, nor any share of any fees received by a custodian from any product sponsor. Newground typically recommends as custodian Schwab Institutional, the institutional division of Charles Schwab & Co.

To the extent that a sub-advisor is selected to manage some or all of a client's assets, the sub-advisor shall determine the broker-dealer used to handle client transactions in regard to the assets the sub-advisor manages.

Newground will rely on each sub-advisor to take the steps necessary so as to determine that the broker-dealer(s) they select achieve overall best qualitative execution. Factors used to evaluate this are typically based on, but are not limited to, the reasonableness of transaction fees, product availability, quality of execution, research and other services.

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## **Item 13 | Review of Accounts**

Client correspondence, reporting, and communication is carried out with the goal of being prompt, accurate, and descriptive of all matters material to a client's interest.

Clients receive confirmation of trades, monthly custodial statements, and year-end tax reporting statements directly from the independent custodian, along with quarterly performance reports. Clients can view performance reports, gain/loss reports, and a variety of other types of report online.

Clients receive a written Portfolio Allocation Statement (PAS) or Investment Policy Statement (IPS) that establishes asset allocation parameters and benchmarks for monitoring/tracking purposes.



Client accounts are reviewed and supervised in a variety of ways:

- Day-to-day and periodic reviews are conducted by Newground.
- Newground's Chief Executive and/or its Chief Compliance Officer and/or its Manager of Operations review a sampling of account statements and sub-advisory quarterly reports on a monthly basis.

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

Newground does not pay other parties for referrals, and is not paid by any other party for making referrals.

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## **Item 15 | Custody**

Newground does not have custody of client accounts or securities except for the direct deduction of advisory fees from the accounts held at a qualified custodian. The client grants Newground the authority to debit advisory fees as part of the account opening process and during the execution of client agreements.

As described above, clients receive from an independent custodian confirmation of trades, monthly custodial statements, year-end tax reporting statements, and gain/loss reports. Quarterly performance reports are prepared for Newground by one or more of its strategic partners / sub-advisors.

Clients receive monthly statements from the custodian that holds and maintains the client's investment assets. Newground urges clients to review such statements and compare such official custodial records to other account reports that are provided. Our reports occasionally vary from custodial statements due to differences in accounting procedures, reporting dates, or valuation methodologies for certain securities.

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## **Item 16 | Investment Discretion**

Newground and its sub-advisors are granted discretionary authority by the client at the outset of an advisory relationship to select the identity, amount, and timing of securities to be bought or sold. In all cases such discretion is to be exercised in a manner consistent with the stated investment objectives related to the particular client account.

When selecting securities and determining amounts, Newground and its sub-advisors will adhere to the investment policies, limitations, or restrictions requested by a client.

Investment guidelines and restrictions must be provided to Newground in writing, and discretionary authority is granted through the execution of Newground's Advisory Agreement, a custodial Limited Power of Attorney (LPOA), or other forms.

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### **Item 17 | Proxy Voting of Securities**

Client proxies are typically voted on their behalf, in a way that is consistent with a broad array of progressive, ESG-SRI oriented principles.

Newground is not aware of a circumstance in which proxy voting can lead to a conflict of interest with an individual client, or with clients generally.

Clients can obtain a copy of the proxy voting policies and procedures upon request.

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### **Item 18 | Financial Information**

Newground has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has never been the subject of a bankruptcy proceeding.

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for additional information about  
**Newground Social Investment**  
please visit our website:  
[www.newground.net](http://www.newground.net)