

## INVESTMENT ADVISER REGISTRATION

Part 2 of Form ADV (the “Brochure”) for

### **WOLVERINE INVESTMENTS®**

June 15, 2018

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#### Disclaimers:

*Since its inception in 1990, Wolverine Investments has operated as a Registered Investment Adviser in accordance with the rules and regulations of applicable state and/or federal regulators. This brochure provides information about the qualifications and business practices of Wolverine Investments and it is intended for informational and disclosure purposes only. Further, this brochure does not constitute an offer to sell, a solicitation to buy, or a recommendation for any security, or as an offer to provide advisory or other services by Wolverine Investments in any jurisdiction in which such offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction. The information contained on this brochure should not be construed as financial or investment advice on any subject matter. Wolverine Investments is not responsible for any loss or damage that may result from interception by third parties of any information made available via this brochure. This brochure has not been approved by any state or federal securities or investment adviser regulator, and registration as an investment adviser does not imply a certain level of skill or training.*

## **Item 2. Material Changes to Our Business**

The purpose of this page is to inform you of any material changes to our business since the last annual update of our brochure.

Since our last annual update on March 27, 2018, there are no material changes to the business of Wolverine Investments to report or disclose. This update merely reflects the fact that our brochure has been reviewed, to clarify certain long-standing policies and procedures of our business.

We review our brochure at least annually to make sure that it remains current.

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#### **Item 4. Advisory Business**

An investment advisory firm incorporated in September 1990, WHB/Wolverine Asset Management, Inc. conducts its business practice as **Wolverine Investments**<sup>®</sup>. Our principal owner is John M. Babyak, who serves as President and Chief Investment Officer.

Wolverine Investments provides portfolio management services and we typically manage investment advisory accounts on a completely discretionary basis. Each account under our supervision is treated individually, and not co-mingled with other accounts (as in a mutual fund or hedge fund operation). Client assets are always custodied at a major bank, broker or dealer in the client's own name - as a result, you will always know exactly what is happening in your account. Our portfolios are constructed to reflect the specific goals and needs of each client, taking into account such confidential information as total assets and income, financial obligations and liquidity requirements, family situation, tax and estate considerations, risk preferences and investment timeframe. Clients may impose restrictions on investing in certain securities or types of securities. We have developed an active management style with a talent for preserving and enhancing capital under a variety of economic conditions.

As of December 31, 2017, the firm managed about \$9,400,000 in client assets on a discretionary basis and also provides non-continuous advisory services to approximately \$15,500,000 in client assets on a non-discretionary basis. The total regulatory (discretionary and non-discretionary) assets under management of Wolverine Investments together with those of our affiliated businesses as of December 2017 was approximately \$55,900,000.

#### **Item 5. Fees and Commissions**

Wolverine Investments offers Clients flexible fee arrangements that are structured and negotiated based on certain factors, including total account assets under management, the timing and flow of additional funds to the account, and cash management and dividend reinvestment considerations.

Clients are billed for our account management fees either on a monthly or quarterly basis, as a percentage of the market value of the assets under management as of or prior to the end of the current month or quarter. The amount of each monthly fee, if applicable, is one twelfth (1/12) of the annual percentage fee multiplied by the total market value of the account on the date of valuation. The amount of each quarterly fee, if applicable, is one quarter (1/4) of the annual percentage fee multiplied by the market value of the account on the date of valuation. The minimum annual fee for any account is \$3,000 per annum regardless of assets under management.

Account management fees are generally debited and paid from the client's account after the client has furnished written authorization and approval to the custodian of his or her account, as clients prefer this because of ease of bookkeeping. Wolverine does not have access to Client funds for payment of fees without proper consent. In some cases, we will bill Clients directly for management fees incurred. A Client may request that fees from multiple accounts be aggregated and paid from one selected account, particularly as a retirement account or relatively small account may be involved. Clients are not charged for any other types of fees or expenses other than standard brokerage transaction costs, which may also include a nominal fee charged by the custodian to settle any prime broker transactions.

As part of the monthly or quarterly billing process, Wolverine Investments will send an invoice to the custodian indicating the amount of the fee to be paid on behalf of the Client. As a Client safeguard, the custodian agrees to send a monthly statement indicating all amounts dispersed from the account, detailing the exact amount of the investment management fee paid to Wolverine Investments.

Clients are advised to review each custodial statement for accuracy; Wolverine will also receive a copy of the account statement from the custodian. It is the responsibility of each Client to verify the accuracy of the fee calculation; it is not the duty of the custodian to determine whether the fee is properly calculated. At any time, Clients may request that Wolverine Investments provide a written copy of any invoice showing the amount of the fee, the value of assets on which the fee is based, and the specific manner or formula in which the fee was calculated.

Client account billings are based on an annual fixed management fee, calculated as a percentage of assets under management, and billed monthly or quarterly as follows:

#### **ACCOUNT MANAGEMENT FEE SCHEDULE**

(Market Value of Assets Under Mgmt - Annual Percentage Fee)

First \$5 mil. - 1.50% per anum

Next \$5 mil. to \$10 mil. - 1.00% per anum

Over \$10 mil.- Negotiable

Minimum Annual Fee (regardless of AUM) - \$3,000 per account

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

We and our Associated Persons do not accept performance-based fees. Performance-based fees are based on a share of capital gain on or capital appreciation of the client's assets.

#### **Item 7. Types of Clients**

As an investment advisory firm, Wolverine Investments provides customized portfolio management to individual and institutional investors. We have developed an active management process, with a track record for preserving and enhancing capital under a variety of economic conditions across multiple market cycles. The types of clients we serve include defined benefit pension and profit-sharing plans; individual taxable and non-taxable (IRA) accounts; trusts, estates, foundations and endowments; and corporate cash management accounts. Very frequently, we manage money on behalf of the substantial clients of wealth managers, private banks, financial planners and family offices in a sub-advisory role. The minimum investment account size is \$100,000 for individual clients, and \$500,000 for institutional clients, which includes wealth management firms, asset aggregators, corporations, retirement plan sponsors, private banks or hedge funds.

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

We manage investment advisory accounts on a discretionary basis, tailoring decisions to client's individual investment philosophy, risk tolerance and return objective (i.e., capital preservation, growth with income, balanced growth, etc.). Our methodology is best suited to investors seeking balanced market rates of return over the longer term with reduced portfolio risk, primarily through long investments in equities, convertible bonds and convertible preferred stocks, various fixed-income instruments, mutual funds, and cash or cash equivalents.

Client portfolio objectives and risk tolerances range from conservative income and cash management, to balanced growth with income, to capital appreciation. In structuring portfolios for all our clients, we employ a combination of bottom-up and top-down approaches. We emphasize *Fundamental Security Analysis* to select appropriate individual securities and also take into account the overall economic, geopolitical, and credit market outlook.

We specialize in the use of convertible securities in managing our investment portfolios. Convertible bonds and convertible preferred stocks are hybrid securities which we feel possess the optimum characteristics of both common stocks and straight corporate bonds. These securities provide us the option, at any point in time, to exchange the convertible for a specified number of shares of common stock in the company. Convertible securities are unique in that they participate in the future capital gains of the underlying common stock, while at the same time providing much of the safety and yield protection of a fixed income investment.

Among the factors we consider most important in selecting a suitable equity or convertible security for investment are as follows:

- Strong Management Team
- Product Pricing Flexibility and Earnings Growth Consistency
- Proprietary Products/Services or Brand Name Strength
- Significant Management Ownership (Especially for Smaller Companies)

- Low Price/Earnings Ratio Relative to Earnings Growth Rate
- High Sustainable Revenue, Earnings and Cash Flow Growth Rates
- High Profit Margins and Return on Equity
- Low Debt and Strong Free Cash Flow

The factors we consider most carefully in timing the purchase of a security that meets our criteria include:

- Money Market/Interest Rate Outlook
- General Economic and Fiscal Outlook
- Industry Group Cycle and Price Performance
- Relative Company Earnings and Price Strength
- Earnings Acceleration, Earnings Estimate Trends, Earnings Surprises

We attempt to put a sufficient number of positions in an account to achieve reasonable diversification between market sectors as well as domestic and international exposure. Although we tend to hold our positions for the longer term as long as our reasons for buying them remain valid, we believe that selling positions that are no longer attractively priced is an important determinant of investment success. We develop a sell target for each holding and sell the position when it reaches that target, unless new developments warrant an increase in the sell target. We also sell positions in companies when the fundamentals of their business or external factors affecting their environment change sufficiently to make equity, convertible or fixed-income investment relatively unattractive.

On the fixed-income side, we invest in municipal, government, corporate and convertible bonds, depending on a client's income status and tolerance for risk. We generally restrict our selection of straight fixed-income securities to BB/BBB rated bonds (or better), with maturities under 11 years and ladder maturities to minimize interest rate risk.



We also supplement our *Fundamental Security Analysis* with other methods of analysis, including charting analysis, technical analysis, and cyclical (thematic) analysis. *Charting Analysis* involves the use of patterns in performance charts. We use this charting technique to search for patterns used to help predict favorable conditions for buying and/or selling a security. *Technical Analysis* involves the analysis of past market data - primarily price and volume trends. *Cyclical or Thematic Analysis* involves the analysis of business cycles, and emerging or global growth trends, to find favorable conditions for buying and/or selling a security. Consistent with each theme, our investments are made in targeted companies that possess a sustainable differentiating competitive advantage. This advantage can come in the form of providing a superior product or service, having a leading market share position, being the low-cost producer, possessing a better distribution system, leveraging a unique information technology infrastructure, commanding superior research and development technology, or simply offering the best customer service.

We do not normally use margin or other leveraged techniques. We also do not sell short, loan securities or purchase options, derivatives, restricted securities, commodities, real estate or other tangible assets. The use of any of these techniques or transactions requires the prior consent of the client. Again, integral to our core capabilities as described above is the use of the convertible security as an equity or fixed-income alternative, however most applicable. Our predominant use of convertibles in our portfolio structuring instills a measure of downside protection in the event of extreme emotional or unanticipated sell-offs in the market. During an era of low stock dividend payouts, these hybrid instruments - part bond, part stock - provide a superior cash return far in excess above that of the underlying common stock. This fixed-income performance advantage provides our portfolios with risk that is less than that of stocks in a bearish trending market, while allowing some upside potential in a bullish market.

Also essential to our approach to risk management is the selective use of covered calls on the common stock underlying our equity and convertible positions. Our portfolios are designed to generate income supplementary to conventional dividend and interest income. This performance advantage helps to better balance risk and return, either by acting as an additional protective downside measure, or as extra cash available to be distributed to clients. We generally employ

investment strategies that do not involve significant or unusual risk beyond that of the general domestic equity, convertible or fixed-income markets.

*Lastly, it is important to emphasize that, despite attempts to manage risk, investing in securities involves risk of loss that clients should be prepared to bear.*

### **Item 9. Disciplinary Information**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no history of material legal or disciplinary events by our firm or individuals in our firm.

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

Beginning in 1998, Wolverine Investments entered into a joint operating venture with WIESE CAPITAL MANAGEMENT, INC. to share certain non-advisory common vendor expenses, such as office rent, telephone, cable television, internet, business administration, information technology, marketing and research services. Further, Wolverine Investments provides Wiese Capital Management, Inc. with a range of business operations support and technical infrastructure.

Wolverine Investments also assumes the prime role in executing and managing facilities leases, major equipment and furniture purchases, repair and warranty services, business liability insurance, and employment relations and administration. Further, Wolverine Investments provides IT support, data backup, disaster recovery and business continuity services to support the mission critical systems of Wiese Capital Management, Inc.

Wolverine Investments may receive a fee for the aforementioned office management services or for investment research services it provides to Wiese Capital Management, Inc. The fee varies from month to month based on the scope of research and business consulting services provided to Wiese Capital Management, Inc.

Beginning in 2010, Wolverine Investments entered into a co-location arrangement with Fremont Wealth Management, L.P., the successor firm to SCHWARTZ & HOFFLICH CAPITAL MANAGEMENT, L.P., a registered investment adviser. Fremont Wealth Management reimburses Wolverine Investments for standard overhead expenses, such as office rent, utilities, telephone, cable television and internet. In addition to being its principal shareholder, Patrick W. Fremont II is the President and Chief Investment Officer of Fremont Wealth Management. Mr. Fremont's son, Patrick W. Fremont III, a shareholder of Fremont Wealth Management, is also a shareholder, officer and control person of Wolverine Investments.

Beginning in 2014, Wolverine Investments entered into a co-location arrangement with Stuart J. Goldberg, CPA, a certified public accounting firm. Stuart J. Goldberg, CPA reimburses Wolverine Investments for a share of the office rent and related utilities.

To eliminate any perception of potential conflicts of interest, all owners and officers of the affiliated financial businesses co-located with Wolverine Investments in Westport, CT, maintain their own private offices together with separate client meeting space, to ensure complete confidentiality with respect to their individual investment decision-making processes, recordkeeping and client consultations.

## **Item 11. Code of Ethics, Participation/Interest in Client Transactions & Personal Trading**

### **CODE OF ETHICS**

From inception of our firm in 1990 through 2004, Wolverine Investments advocated that all its employees and officers adhere to an unwritten code of ethics, reflecting an overriding commitment to help clients achieve their investment goals with the utmost in integrity and professionalism. This policy was implemented through direct and indirect, as well as formal and

informal communications, between officers and employees of the company. Since 2004, however, Wolverine Investments' employees and officers have been required to formally commit to a written code of ethics. Our Code of Ethics is an expression of our professional responsibilities and solemn obligations to the investing public, to our clients, to vendors, to suppliers, to business partners, to industry colleagues, and to our employees. Six core principles – integrity, excellence, professionalism, prudence, fairness, confidentiality – apply to all employees and officers of Wolverine Investments, and provide guidance to us in the performance of our professional services.

## PARTICIPATION AND INTEREST IN CLIENT TRANSACTIONS

Peter C. Wiese, a related person to Wolverine Investments, is also an independent agent of Northeast Securities, a registered broker/dealer, and receives compensation for effecting securities transactions on behalf of clients of Wiese Capital Management, Inc. Mr. Wiese may also act as a broker or agent in effecting securities transactions for our clients, and for such execution services receives compensation in the form of brokerage commissions. In accordance with Wolverine Investments' policy in dealing with all brokers or dealers, the guiding principle in selecting Mr. Wiese, or any other broker or dealer to be used in portfolio transactions, is to obtain the best overall execution for each client in each trade, which is a combination of attractive price and timely execution. We consider a number of factors when placing buy and sell orders for securities, including the professional handling of the order, the ability of the broker to position investment securities to facilitate timely execution, our past experience with similar trades, and other factors that may be unique to a particular order.

## PERSONAL TRADING POLICY

Some of the employees or officers of Wolverine Investments may occasionally hold positions in certain securities which may also be held or recommended to clients. It is our expressed policy that no employee or officer may purchase or sell any security prior to a transaction(s) being executed for a client account, therefore, preventing such employees or officers from benefiting from transactions placed on behalf of clients. An employee or officer of Wolverine Investments

may trade for his or her own account, or a family related account, whenever new client positions are established or existing client positions are liquidated, but only after all client allocations are filled. If a portfolio decision is made to reduce a client's positions on a percentage basis, then one of our employees or officers may likewise reduce his or her position, but only after all other client positions are satisfied. This policy covers all types of investment securities, including the trading of option contracts.

## **Item 12. Brokerage Practices**

As previously stated, our general guiding principle in selecting brokers to be used in portfolio transactions is to obtain the best overall execution for each client in each trade, which is a combination of price and timely execution. Again, we consider a number of factors when placing buy and sell orders for securities, including the actual handling of the order, the ability of the broker to position investment securities to facilitate timely execution, our past experience with similar trades, and other factors that may be unique to a particular order. Recognizing the value of these judgmental factors, we may select brokers or dealers who charge a brokerage commission that is higher than the lowest commission rate that might otherwise be available for any given trade, and we frequently use our client's own custodian to act as the broker for a given transaction. It is therefore possible that we might pay commission rates higher than we could have otherwise paid to receive, or be assured of continuing to receive, research services that we consider essential to our investment decision-making process.

Clients are always free to utilize any bank, broker, or dealer to custody their accounts. When asked for our opinion, we generally recommend that new clients custody their assets with Schwab Advisor Services, Pershing LLC or TD Ameritrade. Our participation in the Schwab, Pershing or TD Ameritrade programs may result in a business benefit which would not be received if we used another bank, broker, or dealer. These benefits, if any, do not depend on the volume of trading activity directed by Wolverine Investments to either Schwab, Pershing or TD Ameritrade.

Specific business benefits to Wolverine Investments may include one or more of the following:

- an institutional trading desk that services Wolverine Investments (and similar firms)
- a dedicated service group and account services managers dedicated to Wolverine Investments client accounts indirect access to real-time order matching systems
- prime brokerage capabilities and the ability to aggregate or "block" client trades
- electronic download of trades, balances, positions and security prices
- access to an electronic interface with Schwab, Pershing and TD's in-house
- software duplicate and batched client statements, confirmations and year-end summaries
- the ability to have investment management fees directly debited from client accounts
- availability of and access to third-party, independent research

When executing an investment decision common across multiple client accounts, Wolverine Investments may instruct brokers to trade clients' securities transactions in block trades. This means that Wolverine Investments may aggregate client buy or sell orders, and individual client accounts will receive the average purchase or sale price for the entire block transaction. Bear in mind, however, that block trades do not necessarily result in lower trading commissions, as the brokers normally charge the same commissions and/or settlement charges whether trades are executed individually or as block trades.

### **Item 13. Review of Accounts**

Each client account is reviewed on a continuous basis by John M. Babyak, President and Chief Investment Officer of Wolverine Investments. The factors which may trigger a change in a client's portfolio include, but are not limited to, material changes in the underlying fundamentals of a security or its relative valuation, material changes in general market conditions and the overall economic, political and credit market outlook, as well as changes in a client's objectives or risk tolerance. All clients receive the original copy of a purchase or sale confirmation from the custodian broker or bank immediately following the execution of a transaction in their account. They also receive monthly statements from the custodian

firm showing among other things the value of each holding and all financial activity in their account. Independently of the custodian, our staff enters all client financial transactions into our Advent portfolio accounting system. This client data is reconciled monthly with the custodian's record of buy/sell transactions, debits, credits, expenses and similar transactions. This enables us to generate client account appraisals showing for each security holding its date of purchase, number of shares owned, unit and total cost, price and total market value, percentage yield and unrealized gain/loss. These appraisals are normally mailed to clients quarterly. At year end we provide taxable account clients with written statements giving them the data necessary to complete income tax returns. In addition, we also communicate with most clients by telephone regarding performance and market outlook. Periodically we also send third-party research and comments to selective clients.

Individual clients are sent comprehensive reports detailing individual security holdings, including marked to market portfolio appraisals and performance summaries, on a monthly basis by the Custodian (see Item 15. Custody). We will prepare specially tailored written reports upon a client's request and are always readily available to meet or talk with clients about any questions they may have with respect to their account.

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

We invite individual brokers or dealers, independent registered investment adviser agents, or other persons that we interact with, to refer clients to Wolverine Investments for the specific services that we provide. In accordance with industry regulations as well as applicable federal and/or state laws, any person who refers a client to us, and who wishes to be compensated directly or indirectly, must disclose this fact to the client. *At present, we do not compensate, either directly or indirectly, any third parties for client referrals.*

#### **Item 15. Custody**

Client assets are always domiciled at a major bank, broker or dealer in the client's own name – as a result, our clients always know exactly what is happening in his or her account. As previously stated, our clients are invited to utilize any bank, broker, or dealer to custody their investment

account. As indicated in Item 13, Wolverine Investments frequently utilizes the services of Schwab Advisor Services, Pershing LLC and TD Ameritrade Institutional for account custody. The advantages of using these three firms are their prime brokerage and global clearing capabilities, as well as access to systems that facilitate online trade execution, allocation and settlement. Clients are also able to view their accounts online, and fees and commissions are in line with those in the small-to-medium account category for the advisory industry generally.

### **Item 16. Investment Discretion**

The majority of our client accounts are maintained and managed on a completely discretionary basis, whereby we have the written and expressed authority to manage and direct the investment and reinvestment of designated assets. The standard investment management agreement between Wolverine Investments and each client stipulates that such discretionary authority shall include, but is not limited to, the acquisition, retention, management and disposition of such investment assets and placing orders for the purchase and sale of securities on behalf of the client. In carrying out this function, we use our best efforts to obtain prompt execution of orders. We will deliver instructions to execute trade orders at reasonable prices, taking into account the services, financial condition and capabilities offered by prospective brokers or dealers.

Brokers or dealers may provide us with research assistance or other services, and all brokerage commissions will be charged to the client as specified by such brokers or dealers; provided, that such research or other services and commissions are consistent with the limitations and provisions of Section 28(e) of the Securities Exchange Act of 1934, which requires Wolverine Investments to determine in good faith that the commission paid is reasonable in relation to the value of the research provided by the broker. This determination may be based either in terms of the particular transaction involved or our overall responsibilities with respect to all accounts over which we exercise discretion. The research we rely on benefits many accounts rather than just the individual client account for which an order is executed. Not all research is applicable to the specific client account that paid commissions to the broker providing the research.



## **Item 17. Voting Client Securities**

Our firm does not have or accept authority to vote client securities. Clients receive their proxies and other solicitations directly from their custodian or a transfer agent. Clients are encouraged to engage with other advisers to determine how their proxies should be voted.

## **Item 18. Financial Information**

We do not require prepayment of any fees. Further, we have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of any bankruptcy proceeding.

## **Item 19. Requirements for State-Registered Investment Advisers**

### **Principal Executive Officer and Management Persons**

#### **John M. Babyak**

Formal Education after High School:

- *The University of Vermont, Management Engineering, B.S. in Engineering*  
Business Background for the last 5 years:
- *Wolverine Investments, President & CEO since 2005*

**Outside Business Activities** – None

### **Performance-Based Fees**

Our firm and our Associated Persons do not accept performance-based fees. Performance-based fees are based on a share of capital gains on or capital appreciation of the client's assets.

### **Disciplinary Information**

John M. Babyak has not been involved in any reportable disciplinary events or actions.

### **Other Relationships or Arrangements With Issuers of Securities**

Our firm and our related persons do not have any relationships or arrangements with any issuer of securities.

### **Appendix 1: Miscellaneous - Confidentiality**

We view protecting of our client's private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the firm has instituted policies and procedures to ensure that customer information is kept private and secure.

Wolverine Investments does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client account, we may share some information with our service providers, such as transfer agents, broker/dealers, custodians, accountants, and lawyers.

We restrict internal access to nonpublic personal information about its clients to those employees who need to know that information in order to provide products or services to the client. We maintain physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and always be the firm's policy never to sell information about current or former clients or their accounts to anyone. It is also the firm's policy not to share information unless required to process a transaction, at the request of the client, or as required by law.

A copy of the firm's privacy policy notice will be provided to each client prior to, or contemporaneously with the execution of our Investment Management Agreement. Thereafter, the firm will deliver a copy of the current privacy policy notice to its clients on an annual basis. If you have any questions on this policy, please contact John M. Babyak at (203) 254-7260.