

**Item 1: Cover Page**

**SANCTUARY WEALTH ADVISORS LLC**  
**Part 2A of Form ADV: Firm Brochure**

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This Brochure provides information about the qualifications and business practices of Sanctuary Wealth Advisors LLC (“Sanctuary Wealth Advisors” or “the Firm”). If you have any questions about the contents of this Brochure, please contact us at the above listed telephone number. The information included in firm Brochure has not been approved or verified by the SEC or any state securities authority.

Additional information about Sanctuary Wealth Advisors is also available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The Firm’s IARD# is 150212.

Any reference to Sanctuary Wealth Advisors being a “Registered Investment Advisor” simply means that the firm is registered as an investment advisor and does not imply a certain level of skill or training.

Date of this Brochure: October 31, 2012

**Item 2: Material Changes**

The material changes associated with this filing are as follows:

- Sanctuary Wealth Advisors is updating its ownership and procedures as a result of one of its founding partners, Keith Ogden, having resigned from the firm. Jeffrey Spears has assumed the role of Chief Compliance Officer.
- Sanctuary Wealth Advisors has added a wrap fee program that the firm sponsors to its advisory business (see Section 4).
- Sanctuary Wealth Advisors has added an investment management strategy called “Sanctuary Tactical” (see Sections 4 and 8).
- Sanctuary Wealth Advisors has removed Sanctuary Capital Strategies, LLC as related investment advisory firm (see Section 10).
- Sanctuary Wealth Advisors has added the existence possible referral agreements with outside investment advisors (see Section 14).

The following is a summary of material changes made to this Brochure since the Firm’s previously filed Annual Amendment Brochure dated February 22, 2012.

- Sanctuary Wealth Advisors switched registration from a California registered investment advisor to a SEC registered investment advisor and made several amendments either expanding upon or further clarifying disclosures made on its previous Brochures.
- Item 4 is revised with respect to reflect that the Firm is owned by its employees in addition to its parent company, Sanctuary Wealth Services.
- Item 4 is revised to contain additional disclosures regarding use of sub-advisors and client imposed restrictions.
- Item 5 is revised with respect to the fee schedule.
- Item 8 is revised with respect to material risks of asset allocations.
- Item 10 is revised with respect to its material relationships with related persons to include disclosure of a material relationship with Gordian Capital Management, LLC.

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm and Its Principal Owners**

Sanctuary Wealth Advisors has been in business in the state of California since March 8, 2010. The Firm is owned by its employees and Sanctuary Wealth Services LLC (“SWS”). Jeffrey Spears owns 90% of SWS.

### **B. Types of Advisory Services**

Sanctuary Wealth Advisors provides advisory services for high net worth individuals and pension and profit sharing plans. These services are tailored to the individual needs of each client. Other types of services that Sanctuary Wealth Advisors may offer include portfolio management for individuals, small businesses and institutional clients, selection of other advisers, publication of periodicals or newspapers (primarily consisting of blog postings and whitepapers for which the Firm does not charge) and investment consulting advice. Sanctuary Wealth Advisors also sponsors a wrap fee program (see Item 4D for more information).

A percentage of the investments made for clients of Sanctuary Wealth Advisors are managed by outside managers who have relationships with the Firm. Exceptions are mostly confined to legacy positions held by clients with pre-existing accounts or other sources.

Asset allocations may include exchange-listed securities, corporate debt securities (other than commercial paper), municipal securities, US government securities, mutual fund shares, exchange traded funds, options, investment partnerships investing in real estate or oil and gas interests, and other pooled and separately managed accounts (such as hedge funds). Investments for individual accounts are selected based on varying factors of suitability determined through an investment objective questionnaire and client interactions.

#### **Use of Sub-Advisors:**

As described above, Sanctuary Wealth Advisors recommends certain third party managers (“Sub Advisors”) to manage a portion of client assets on a discretionary basis. The determination of the Sub Advisors being recommended to clients is based on the client’s stated investment objectives.

Sub Advisors recommended by Sanctuary Wealth Advisors may be structured as managers of individual equity and/or debt securities, exchange traded funds, mutual funds, partnerships, corporations and/or limited liability companies. Sanctuary Wealth Advisors selects these Sub Advisors based on their ability to enhance the client’s portfolio values. When Sanctuary Wealth Advisors selects a Sub Advisor for a client, the Firm reviews the Sub Advisor’s Form ADV and disclosure Brochure and any material supplied by the Sub Advisor. With this information, Sanctuary Wealth Advisors seeks to understand the Sub Advisor’s investment strategies, past performance and risk results to the extent available. Sanctuary Wealth Advisors seeks to select Sub Advisors whose strategy’s stated investment objectives, alignment of interests, management style, performance, reputation, financial strength, reporting, pricing and research align with that of Sanctuary Wealth Advisors’ clients.

Clients who are recommended to Sub Advisors will sign a separate written agreement, which outlines the terms and conditions under which Sanctuary Wealth Advisors engages the Sub Advisor to manage the client’s assets. The client will also receive a copy of the Sub Advisor’s written disclosure Brochure in addition to Sanctuary Wealth Advisors’ disclosure Brochure.

Sanctuary Wealth Advisors monitors and reviews the account performance and the client’s investment objectives for all accounts, including those managed by Sub Advisors. The fee that

Sanctuary Wealth Advisors receives for these accounts is based on a percentage of the market value of the assets being managed by the Sub Advisor(s).

### **C. Client Tailored Advisory Services and Client Imposed Restrictions**

Sanctuary Wealth Advisors provides advisory services for high net worth individuals and pension and profit sharing plans. These services are tailored to the individual needs of each client and are outlined in an Investment Policy Statement that accompanies each client's advisory agreement. The asset allocation process is tailored to each client's specific needs and is generally implemented by selecting various money managers who manage portfolios in-line with the client's investment objectives. Allocation models are agreed upon between the client and Advisor. High-level restrictions relating to broad categories, such as industry, sector, risk level, volatility, etc. may be accommodated; however, clients may not have the ability to request restrictions of specific securities. Ability to accommodate restrictions will depend on the selection of money managers agreed upon in the asset allocation process and will be documented in the IPS.

### **D. Wrap Free Programs**

Sanctuary Wealth Advisors currently participates in a wrap fee program by providing portfolio management services. A wrap fee program is an investment program where you pay us, as the sponsor of the program, a single fee, which covers the costs of investment management, brokerage, custody and other services provided under this program. Sanctuary Wealth Advisors acts as a sponsor to this wrap fee program as well as the portfolio manager.

For client accounts that invest in the wrap fee program, Sanctuary Wealth Advisors presently offers the "Sanctuary Tactical" investment management strategy. In the Sanctuary Tactical strategy, Sanctuary Wealth Advisors uses technical measures provided by an independent service, such as historical price movements and statistical analysis of these price movements, and utilizes the positive or negative signals the issued by the independent service on the market as a whole. Sanctuary Wealth Advisors makes its investment decisions based on these signals, and invests in cash (i.e. money market funds) or equities accordingly. Once a signal to purchase equities is given, Sanctuary Wealth Advisors will follow a fundamental, disciplined approach to select a diversified portfolio of equities based on the research of several independent research sources.

For those accounts not invested in the wrap fee program, Sanctuary may utilize an alternative investment management strategy. Please see Section 8 (Methods of Analysis, Investment Strategies and Risk of Loss) for further details on investment management strategies.

Sanctuary Wealth Advisors charges a fee to clients based on a percentage of the client's total assets under management. Sanctuary Wealth Advisors may receive a portion of the wrap fee for its services.

### **E. Assets Under Management**

Sanctuary Wealth Advisors has the following assets under management:

Discretionary Amount: \$101,832,325

Non-Discretionary Amount: \$0

Date Calculated: October 31, 2012

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

Sanctuary Wealth Advisors charges fees for its advisory services. These fees may be in the form of percentage of assets under management or fixed fees.

The annual fee shall be computed on the basis of the schedule set forth as follows (or as negotiated with the client) and shall be paid quarterly in advance:

<u>Assets Under Advisement</u>	<u>Fee</u>	<u>Category Max</u>	<u>Fee at Category Max*</u>
First \$5 million	0.95%	\$5 Million	0.950%
\$5 million to \$15 million	0.85%	\$15 Million	0.883%
\$15 million to \$25 million	0.75%	\$25 Million	0.830%
\$25 million to \$50 million	0.65%	\$50 Million	0.740%

Over \$50 million negotiable

\*The Fee at Category Maximum is the figure used to calculate all the rate of all fees collected. If a client has \$15 million, the fees on the first \$5 million are 95bps, or \$48,500 and the fees on the next \$10 million (for a total of \$15 million) are 85 bps, or \$85,000. The total of \$133,500 in fees is 88bps or 0.883% on the entire \$15 million in assets under advisement.

Fees may be discounted on a case-by-case basis only with the approval of the supervisor.

### **B. Payment of Fees**

Clients may elect to be billed for fees incurred or have fees paid automatically by being deducted from the account(s). This election is made in the client's advisory agreement. Clients electing to have fees deducted from the account(s) will receive monthly account statements that reflect and disclose the fee amount deducted from the account(s). Clients electing to be billed for fees incurred will receive bills quarterly. Please refer to Item 15 for full disclosure on billing practices. It is noted that lower fees for comparable services may be available from other sources.

### **C. Other Fees or Expenses**

Clients may incur brokerage and other transaction costs in connection with the Firm's advisory services, such as custodian fees or mutual fund expenses. Any such fees will be disclosed to the client in the advisory agreement and on the monthly brokerage statements received by the client from the custodian. See Item 12 "Brokerage Practices" of this Brochure for more information pertaining to brokerage practices.

#### Fees for Sub Advisor Accounts:

The investment management fees charged by Sub Advisors recommended by Sanctuary Wealth Advisors, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Sanctuary Wealth Advisors' investment advisory fee set forth above. As discussed above, the client may incur other additional fees than those charged by Sanctuary Wealth Advisors, the Sub Advisors, and corresponding broker-dealer and custodian.

Some Sub Advisor terms may vary from that of Sanctuary Wealth Advisors, as such, please refer to the Sub Advisor's ADV Part 2 disclosure brochure for specific terms relating to the Sub Advisor(s) with which you select through your relationship with Sanctuary Wealth Advisors.

#### **D. Prepayment of Fees**

The annual fee shall be computed on the basis of the schedule set forth above (or as negotiated with the client) and shall be paid quarterly in advance. Substantial additions to or withdrawals from the Account by the Client may be pro-rated on an equitable basis for the period the Assets involved were under management. In the event that a fee period under this Agreement is less than one full quarter, then the fee for the period shall be the product obtained by multiplying a full quarterly fee by a fraction, the numerator of which shall be the number of days this Agreement is in effect prior to the end of the calendar quarter and the denominator of which shall be 90.

Either party, for any reason, upon written notice, can terminate an investment advisory contract before its expiration date. If the advisory contract is terminated before the end of the billing period, the client will receive a refund for pre-paid fees for that billing period on a pro-rata basis.

If an advisory contract is terminated within 5 days of signing and delivery of this disclosure Brochure, no fees may be charged.

#### **E. Outside Compensation**

Sanctuary Wealth Advisors and its employees do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Sanctuary Wealth Advisors does not currently collect any performance-based fees and the Firm's standard advisory fee agreement does not anticipate performance-based fees.

### **Item 7: Types of Clients**

Types of clients may include individuals, high net worth individuals, institutions, trusts, estates, charitable institutions, corporations, other business entities, pension and profit sharing plans, and other pooled investments, such as a family LLC.

Sanctuary Wealth Advisors requires that the minimum value of assets per client be one million dollars. This minimum may be waived with approval from the Firm's CEO.

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

#### **A. Methods of Analysis and Investment Strategies**

In certain instances, Sanctuary Wealth Advisors and/or its consultants perform fundamental analysis on historical and present data. Advisors implement both a bottom-up and top-down analysis, taking into consideration the overall state of the economy, interest rates, production, earnings and management. The main sources of information that advisors use include financial periodicals, inspections of corporate activities, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, company press releases and research materials prepared by others.

Fundamental analysis can be useful in making mid to long-term investment decisions. This type of analysis may not be as useful for investors with a short-term investment horizon. As fundamental analysis involves taking into consideration current social and economic factors, major, unanticipated events can change the expected outcome of investments that are based on this analysis type.

In other instances, Sanctuary Wealth Advisors offers the “Sanctuary Tactical” investment management strategy to clients. In the Sanctuary Tactical strategy, Sanctuary Wealth Advisors uses technical measures provided by an independent service, such as historical price movements and statistical analysis of these price movements, and utilizes the positive or negative signals the issued by the independent service on the market as a whole. Sanctuary Wealth Advisors makes its investment decisions based on these signals, and invests in cash (i.e. money market funds) or equities accordingly. Once a signal to purchase equities is given, Sanctuary Wealth Advisors will follow a fundamental, disciplined approach to select a diversified portfolio of equities based on the research of several independent research sources. The Sanctuary Tactical strategy is an opportunistic long-only, all cap strategy that utilizes a proprietary combination of technical and fundamental analysis that seeks to grow capital while stressing the importance of capital preservation in down markets. Following this approach, there are times in market cycles when the strategy will be fully invested in U.S. listed equities and there will be times when the strategy is completely out of equities and in cash. The strategy is not tax sensitive.

Step 1) Market Sentiment - By rigorously following our weekly market sentiment indicator, we constantly evaluate the risk-reward of owning equities versus protecting investment capital by being in cash during weak markets.

Step 2) Portfolio Construction - Our technical filter highlights the stocks across all caps and sectors that we believe are most likely to outperform the broad market. We then couple this to our fundamental research in order to construct a portfolio of 20 to 30 of the strongest technical stocks that we believe have sound fundamentals.

Step 3) Sell Discipline - The portfolio is actively maintained using a strict technical sell discipline. This avoids the common pitfall of becoming emotionally attached to a position. As there is a risk in of loss of principal when investing in any equities, Sanctuary Tactical strives to minimize this risk by using the technical signals to move from fully invested to investing is cash, or vice a versa. If the strategy does not exit the broad market quickly enough in a bearish downturn, or conversely if the strategy is too slow in entering a bullish upturn, you may participate in that market movement to the extent if you had remained 100% invested in equities or cash. Principal loss may also occur to due the selection of the individual equities themselves because some individual stocks may suffer losses, may not perform as well as the broader markets or may not perform as well as their peers.

In yet other instances, Sanctuary Wealth Advisors outsources the due diligence and process for assisting in the selection money managers approved for use by the Firm’s Advisors to a third party consultant, Fortigent. Fortigent is a contract service provider that provides wealth management solutions and consulting services to investment advisors on an outsourced basis. To be clear, this process refers to the selection of money managers approved for Advisors to



recommend to their clients. Selection of money managers for each client is based on client specific needs and decided upon between the Advisor and client.

Fortigent's services, from investment research and strategy to performance reporting and practice management advice, are specifically designed for affluent investors. They offer advisory firms solutions to their outsourcing needs that include a sophisticated open architecture investment platform, extensive expertise in alternative investments, data aggregation and consolidated performance reporting.

Methods of the independent managers referred by Sanctuary Wealth Advisors will vary.

Investment strategies used to implement any investment advice given to clients may include long and short-term purchases, trading, short sales, margin transactions and options writing.

Although Sanctuary Wealth Advisors, its consultants and the independent money managers referred by the firm conduct this analysis based on available historical and present data, any investments in securities involve risk of loss that clients should be prepared to bear.

## **B. Material Risks**

Asset allocations may include exchange-listed securities, corporate debt securities (other than commercial paper), municipal securities, US government securities, mutual fund shares, exchange traded funds, options, investment partnerships investing in real estate or oil and gas interests, and other pooled and separately managed accounts (such as hedge funds). Investments for individuals are selected based on varying factors of suitability determined through and investment objective questionnaire and client interactions.

Investment strategies used to implement any investment advice given to clients may include long and short-term purchases, trading, short sales, margin transactions and options writing.

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in any type of security (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. **Clients need to be prepared to bear investment loss including loss of original principal.**

There are certain additional risks associated when investing in securities through an investment management program:

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, does down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) market risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk**. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on

strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

- **Options Risk.** Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- **Fixed Income Risk.** When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk –** When investing in a an ETF or mutual fund, there are additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Leveraged and inverse ETFs may not be suitable for all investors and have unique characteristics and risks. Although there are limited occasions where a leveraged or inverse ETF may be useful for some types of investors, it is extremely important to understand that, for holding periods longer than a day, these funds may not give you the returns you may be expecting.
- **Management Risk –** The value of your investment with will vary with the success and failure of Sanctuary Wealth Advisors' investment strategies, research, analysis and determination of portfolio securities. If the investment strategies do not produced the expected returns, the value of the investment may decrease.

Sanctuary Wealth Advisors does not believe that its investment management strategies involve any significant or unusual risks. Sanctuary Wealth Advisors' primary strategy does not involve frequent trading of securities, rather, Sanctuary Wealth Advisors utilizes this asset allocation process to identify independent managers who implement investment strategies that are appropriate for the client's individual situation and investment objectives. Disclosures of the risks of a specific investment strategy implemented by an independent manager are made to the client by the independent manager. This disclosure will be made in the Sub Advisor's ADV Part 2 disclosure Brochure, which will discuss the Sub Advisor's trading strategy.

### **C. Recommendations of Particular Types of Securities**

Sanctuary Wealth Advisors' primary strategy does not involve recommending primarily a particular type of security.

### **Item 9: Disciplinary Information**

Sanctuary Wealth Advisors is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the firm or the integrity of the firm's management.

Sanctuary Wealth Advisors' parent company's broker-dealer subsidiary, Sanctuary Securities was involved in an arbitration proceeding with a placement client. This client is a real estate fund manager and the dispute was over the fees for services that were performed per the written contract. The claim was settled in Sanctuary Securities favor in April 2011.

The Firm's CEO, Jeffrey Spears, was the subject of an internal review while employed at Banc of America Investment Services, Inc. This internal review was initiated on July 7, 2003 and involved matters related to inquiries made by the New York Attorney General and SEC into mutual fund practices. As a result of the internal review, Mr. Spears was discharged for reasons cited as "Loss of confidence; inaccurate internal certification to Banc of America Securities, LLC."

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

### **A. Registration as a Broker-Dealer or Broker-Dealer Representative**

As mentioned in Item 4, Sanctuary Wealth Advisors is 100% owned by its employees and SWS. SWS also owns a broker-dealer firm, Sanctuary Securities, LLC ("Sanctuary Securities"). Sanctuary Wealth Advisors is managed by Jeffrey Spears, its Chief Executive Officer and Chief Compliance Officer, who is also registered as a representative of Sanctuary Securities.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator or Commodity Pool Trading Advisor**

Neither Sanctuary Wealth Advisors nor any of its management persons are registered as a futures commodity merchant, commodity pool operator or commodity pool trading advisor.

### **C. Material Relationships with Related Persons**

#### **Sanctuary Securities, LLC:**

As mentioned above SWA, the Firm's parent company, also owns a broker-dealer firm, Sanctuary Securities. Investments represented by the affiliated broker-dealer, Sanctuary Securities, may be purchased by the Sanctuary Wealth Advisors' advisory clients at their sole discretion. In these instances, compensation may be paid to the affiliated broker-dealer, which represents a conflict of interest. In an effort to mitigate this conflict, in no case will any form of compensation be paid to the Advisor so that the Advisor will remain un-conflicted in the advice he/she provides to clients of Sanctuary Wealth Advisors. Advisors of the Firm will receive no incentive to recommend a product represented by the affiliated broker-dealer versus any other product that may be recommended to the client.

Additionally, some Advisors may be dually registered with Sanctuary Wealth Advisors and Sanctuary Securities, in which case they will have the ability to execute brokerage transactions for advisory clients. Although this presents a conflict of interest, advisors will be obligated by their fiduciary responsibility to always act in the best interest of the client. In an effort to mitigate this conflict and ensure advisors are complying with their fiduciary responsibility, the firm has implemented a code of ethics (see Item 11) and has processes in place for the review and approval of brokerage activity by supervisory personnel. If a dually registered Advisor is receiving fees from a client based on their assets under management, he may not also receive commissions on any of those assets invested through the affiliated broker dealer. An Advisor who is dually registered as a broker dealer representative with Sanctuary Securities will only be permitted to receive commission payments for accounts opened on the brokerage platform.

#### **Harvest Capital Strategies, LLC:**

The Firm's parent company, Sanctuary Wealth Services, LLC, has received an investment from Harvest Capital Strategies, LLC, a Registered Investment Advisor who advises and is general partner of several pooled investment vehicles (i.e. hedge funds). Some of the funds managed by Harvest Capital Strategies, LLC will be approved investment solutions for advisory clients of the Firm. As this represents a conflict of interest, Advisors will be obligated by their fiduciary responsibility to always act in the best interest of the client. All investment recommendations to Funds managed by Harvest Capital Strategies will be reviewed by supervisory personnel.

#### **Gordian Capital Management, LLC:**

Advisors Britt Doyle, Elliott Elbaz and Michael Phippen are dually registered employees of Sanctuary Securities and Sanctuary Wealth Advisors (together with SWS and Sanctuary Securities "Sanctuary"). Their services are provided within a business unit of Sanctuary under the name Gordian Wealth Advisors, LLC ("GWA"). Messrs. Doyle and Elbaz are each co-founders of the GWA business unit; Mr. Phippen serves as its Director of Research.

Messrs. Doyle, Elbaz and Phippen are also the principal owners and Managing Members of Gordian Capital Management, LLC ("GCM"). GCM is a Delaware limited liability company formed in December of 2011 and is a registered investment advisor in the state of California. GCM serves as general partner and investment adviser to a private investment fund (the "Fund").

The offering of investment advice by GCM is entirely separate and distinct from Messrs. Doyle, Elbaz and Phippen's business with the Sanctuary companies. Clients of GCM are not clients of Sanctuary, and vice versa, in absence of a clear and written agreement to such effect.

#### **D. Selection of Other Investment Advisors and Compensation**

In the event a client of Sanctuary Wealth Advisors allocates a portion of their assets to Gordian Capital Management or any of its funds, the client will have a separate agreement with GCM. Clients must refer to their agreement with GCM for GCM's fee arrangements. Clients of Sanctuary invested in GCM funds will not pay management fees in addition to the fees outlined their agreement with GCM however, investors in GCM funds may be charged performance fees in addition to the management fee charged pursuant to the agreement between the client and GCM. Information regarding performance fees charged by GCM is available to clients by GCM.

As the allocation of client assets into a proprietary product (as the GCM product is proprietary to Investment Advisor Representatives of Sanctuary through their dual registration with GCM) presents a conflict of interest, the client Advisor(s) will be obligated by their fiduciary responsibility to always act in the best interest of the client. In an effort to mitigate this conflict and ensure that Advisors are complying with their fiduciary responsibility, Sanctuary has implemented the following procedures pertaining to clients of Sanctuary who also enter into an agreement with GCM:

- There should be no placement fees paid for the allocation of client assets to GCM.
- Advisors should not "double dip" by charging management fees and advisory fees on the same dollar of assets.
- Clients of GCM who are not also clients of Sanctuary should not pay fees that are higher than the advisory fee grid of clients of Sanctuary. Having equal fee structures is the best way to resolve issues that can arise in fee driven conflicts.
- The expenses of the fund should not include indirect expenses that are functionally the responsibility of the RIA.

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

### **A. Code of Ethics**

Sanctuary Wealth Advisors has adopted a Code of Ethics to govern its ethical obligations regarding personal securities transactions pursuant to Rule 204A-1 under the Advisors Act. Sanctuary Wealth Advisors' Code of Ethics addresses general standards regarding the Firm's fiduciary duty to clients as well as personal trading guidelines, insider trading policy, and general ethical standards applicable to all associated persons. Sanctuary Wealth Advisors will provide a copy of its Code of Ethics to any client or prospective client upon request by contacting Jeffrey Spears at (415) 291-2900.

### **B. Recommendations Involving Material Financial Interest**

Neither Sanctuary Wealth Advisors nor any of its related persons recommend to clients, or buys or sells for client accounts, securities in which the Firm or its associated persons have a material financial interest.

### **C. Investing in the Same Securities as Clients**

Sanctuary Wealth Advisors does not generally trade in or recommend individual securities for its clients. As such, the Firm and its associated persons generally are not in a position of recommending a security to a client that would also be bought or sold for the Firm or its related persons. As discussed in the section outlining the Firm's advisory services, the Firm recommends independent managers to its clients. These independent managers manage accounts for clients of Sanctuary Wealth Advisors in-line with their stated investment strategy and portfolio models. As the Advisors, employees and other related persons of Sanctuary Wealth Advisors do not have discretion over the trades of specific securities for the Firm's client's accounts that are utilizing the sub-advisor services, conflicts relating to employees trading in the same securities that clients may own are minimized.

Although the Firm and its Advisors aren't generally in position to recommend individual securities for its clients as described above, there are instances where this may occur. The Firm does not prohibit employees from trading in securities that are also recommended to its clients. This presents a conflict of interest. Any conflict that could arise from trading activity in the same securities by the Firm or its associated persons will be mitigated by the requirement for employees to comply with the Firm's code of ethics, which includes a requirement to disclose all holdings and trading activities.

If issues arise with regard to an Advisor's fiduciary obligation and/or violations of the Firm's Code of Ethics, it will be escalated to the Firm's Compliance Department.

### **D. Investing in Securities around the Same Time as Clients**

As mentioned above, the Firm and its associated persons generally are not in a position of recommending a security to a client that would also be bought or sold for the Firm or its related persons; however there are instances where this may occur.

If this should occur, Sanctuary Wealth Advisors will generally transact client business before the business of its associated and/or related persons when similar securities are being bought or sold. In some instances block trades with average price allocations may be placed that include allocation to accounts belonging to both associated persons of the Firm and clients. The Firm will ensure that its associated persons or related accounts do not receive better pricing than its clients.

## **Item 12: Brokerage Practices**

### **A. Factors in Selecting or Recommending Broker-Dealers**

For some clients, particularly those clients who do not have a custodian, Sanctuary Wealth Advisors may recommend a broker. Sanctuary Wealth Advisors recommends brokers for custodial purposes only. Sanctuary Wealth Advisors does not recommend brokers on a transaction basis. Such recommendations will take into account a number of factors, some of which are transaction fees, custodial fees charged by the broker for holding securities for the client, commission rates, interest charges on debit balances and interest credits on credit balances, quality of execution, and record-keeping and reporting capabilities. In recommending a broker, Sanctuary Wealth Advisors will attempt to minimize the total cost for all brokerage services paid by the client. However, it may be the case that a recommended broker charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker. It may also be the case that the total costs of all services provided by the recommended broker may be higher than can be obtained at another broker. Sanctuary Wealth Advisors may determine in good faith that such total costs are reasonable in relation to the value of brokerage and research services provided by such broker, viewed in terms of Sanctuary Wealth Advisors' overall responsibilities to the client.

#### Soft Dollar Arrangements:

Sanctuary Wealth Advisors does not currently have and does not anticipate engaging in soft dollar arrangements.

#### Client Referrals for Brokerage Arrangements:

Sanctuary Wealth Advisors does not receive client referrals from broker-dealers or third parties for recommending clients, thus Sanctuary Wealth Advisors does not have any incentive to select or recommend a broker-dealer based on the Firm's interest in receiving client referrals. In the event a client wants to open a brokerage account in addition to his Advisory account with the Firm, the Firm and its Advisors may recommend the client use its affiliated broker dealer firm, Sanctuary Securities.

#### Directed Brokerage:

Sanctuary Wealth Advisors does not routinely recommend, request or require that a client direct the Firm to execute transactions through a specific broker-dealer and the Firm does not have directed brokerage arrangements.

### **B. Aggregating Trades for Client Accounts**

The Firm doesn't generally trade in individual securities for its clients as most asset allocations are made to outside money managers. However, for instances when the Firm does trade in individual securities in accounts managed in the same manner, the Firm will aggregate trades.

## **Item 13:        Review of Accounts**

### **A. Periodic Reviews**

Almost all client accounts will consist of custodied mutual funds and/or an allocation of a separately managed portfolio by an outside manager. Accounts are reviewed by the designated principal for trading activity and suitability. While the underlying securities within client accounts are continually monitored by the designated principal, these accounts are formally reviewed at least annually by the CCO or the Supervisor responsible for maintaining and servicing client relationships.

### **B. Factors that Trigger Other-than-Periodic Reviews**

More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. It is noted that the designated principal is currently Jeffrey Spears.

### **C. Reports to Clients**

Clients receive month-end account statements showing activity and month end positions, and a year end tax statement detailing the previous year's taxable activity. This information will be prepared and sent to clients by the custodial broker-dealer(s) and/or a third party data aggregator. Clients may also choose to have online access to their accounts to view daily information.

Quarterly management reports, compiled by a third party data aggregator, will also be made available to clients. These reports are comprehensive and provide a review of all assets and performance information for the client's whole portfolio as well as each sub-manager held in the client's portfolio.

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

Sanctuary Wealth Advisors' affiliated broker-dealer (affiliated by common ownership) may receive a fully disclosed commission if clients of the Firm, in their sole discretion, chose to use certain investment products represented by the affiliated broker-dealer. This presents a conflict of interest. The Firm's policy to mitigate this type of conflict is outlined in Item 10 above.

When recommending third party advisors to clients of Sanctuary Wealth Advisors, the Firm will ensure that the third party advisor is appropriately licensed prior to doing so.

Sanctuary Wealth Advisors may have a referral agreement in place with other investment advisors. For clients referred to our wrap program through these agreements, Sanctuary Wealth Advisors may pay up to 1.5% of the total wrap fee to an unaffiliated Registered Investment Advisor, or an Investment Advisor Representative of the Firm, for recommending our wrap fee program to a client. This compensation may be more than what would have been received if the client paid separately for investment advice, brokerage, and to other services. Therefore, the

individual making the recommendation may have a financial incentive to recommend the wrap fee program to clients.

#### **Item 15: Custody**

Sanctuary Wealth Advisors does not have custody of client funds or securities, except for authorized fee withdrawals. All client funds and securities will be custodied at a custodial broker-dealer and each client will have online access and will receive a monthly account statement directly from the custodian.

Sanctuary Wealth Advisors withdraws advisory fees directly from client accounts and as such, does comply with the following guidelines:

- Sanctuary Wealth Advisors will send notification to its clients and the custodian at the time of fee deduction notifying them of the fees being deducted and how the fees are calculated.
- The custodian will send monthly statements to the Firm's clients, which will reflect all disbursements for the account, including the amount of the advisory fees.
- Sanctuary Wealth Advisors will receive written authorization from its clients permitting the payment of fees directly from their accounts held by the custodian. This written authorization will be provided in the advisory account agreement signed by each client.

#### **Item 16: Investment Discretion**

Sanctuary Wealth Advisors does not accept discretionary trading authority to buy and sell individual securities, but customarily does have execution authority to allocate a client's account between independent managers selected by the client and to fire independent managers as appropriate. All execution authority will be limited solely to the allocation of a client's accounts to previously selected (by the customer) independent managers in the process of rebalancing the account as needed to remain in-line with the customer's investment objectives and stated allocations to each independent manager as outlined in the advisory agreement.

All execution authority will be assumed only with an executed limited power of attorney. This limited power of attorney is customarily a part of the client's advisory agreement.

#### **Item 17: Voting Client Securities**

Sanctuary Wealth Advisors does not accept authority to vote client securities. Advisors shall not vote or advise the client on voting proxies for securities held in client's accounts. Therefore, the client maintains exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to client's investment assets. Advisors and/or the clients shall instruct the client's qualified custodian to forward to client copies of all proxies and shareholder communications relating to the client's investment assets. Clients will receive their voting proxies or other



solicitations directly from the custodian. If a client has questions on any particular proxy or solicitation, they can contact their advisor.

## **Item 18: Financial Information**

### **A. Prepayment of Fees**

Sanctuary Wealth Advisors does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to include a balance sheet with this Brochure.

### **B. Discretionary Authority**

Sanctuary Wealth Advisors has discretionary authority over client assets. At this time, Sanctuary Wealth Advisors does not have any financial conditions that are likely to reasonably impair their ability to meet contractual commitments to clients.

### **C. Bankruptcy**

Sanctuary Wealth Advisors has not been the subject of a bankruptcy petition at any time during the past ten years.