

# Form ADV Part 2A Brochure

Sunesis Advisors, LLC

6750 West 93<sup>rd</sup> St., Suite 100

Overland Park, KS 66212

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913-815-4460

March 26, 2013

This Brochure provides information about the qualifications and business practices of Sunesis Advisors, LLC, (Sunesis). If you have any questions about the contents of this Brochure, please contact us at 913-815-4460. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Sunesis is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information from which you can determine whether to hire or retain an Adviser.

Additional information about Sunesis is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure, dated March 26, 2013, represents Sunesis Advisors, LLC's annual updating amendment to its previously published Brochure.

Since the filing of the firm's initial Brochure on March 28, 2012, we have changed our address from 6750 West 93rd St., Suite 100, Overland Park, KS 66212, to 6240 W. 135th Street, Suite 200, Overland Park, KS 66223. We have also made other various minor updates but no other material changes were made to our Brochure.

Pursuant to SEC Rules, we will deliver to you a copy of our Brochure or a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. All such information will be provided to you free of charge.

Currently, our Brochure may be requested by contacting us at (913) 815-4460.

Additional information about Sunesis is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Sunesis who are registered as investment adviser representatives of the firm.

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## **Item 4 – Advisory Business**

Sunesis Advisors, L.L.C. (CRD # 159114) (Sunesis) is registered as an investment adviser with the United States Securities and Exchange Commission. Sunesis is based in Kansas and is organized as a Limited Liability Company under the laws of the State of Kansas. The firm was formed in 2011.

Sunesis's principal office and place of business is located at 6750 West 93rd St., Suite 100, Overland Park, KS 66212. Regular business hours are from 9:00am to 5:00pm Monday through Friday. The firm can be contacted by phone at (913) 815-4460 and by fax at (913) 815-4466.

The firm is owned by Chad Battison and Michael Winkel.

As of February 28, 2013, the firm managed approximately \$189,300,000 in assets, \$143,700,000 of which was on a discretionary basis.

### **SERVICES**

Sunesis operates primarily as a family office for our clients. As such we assist with planning, managing, and execution of strategies and solutions across a broad spectrum of our clients' financial affairs, including cash flow requirements, investments, taxes, estate plans, closely-held businesses, philanthropy, and family governance matters.

**Planning and Coordination** – Sunesis takes a holistic approach to financial planning, developing strategies and plans that are intended to accomplish the clients' goals with respect to estate, tax planning, asset protection, retirement planning, and other areas. Sunesis works with the client and their other advisors to not only fully understand their financial situation and objectives, but to also manage the implementation and execution of the plans.

- **Estate Planning** - We review and coordinate clients' estate and wealth transfer objectives. In addition we assess asset protection and governance structure for investment assets, business succession planning, insurance coverage (life, long-term care, etc.), and other financial needs of an overall family estate plan.
- **Tax Compliance** – Although Sunesis does not prepare tax returns, we do help coordinate the preparation of annual federal and state income tax returns,

estimated tax vouchers, extensions, and other tax reports as needed. We also collect and distribute information to clients' tax preparers, and work with those professionals to facilitate efficient and accurate returns.

- Consolidated Reporting – Sunesis can prepare consolidated reports for clients to include balance sheets, cash flow reports and consolidated investment reports so that clients can view all of their holdings/managers together. We will also help clients with performance reporting and other administrative reporting for private foundations when needed.
- Other Family Office Services: From time to time, clients may engage Sunesis to provide assistance in analyzing new business ventures, investments in operating companies, gifts to charitable organizations, etc. Further, clients may engage Sunesis to perform various administrative functions on their behalf such as managing payroll for household employees and assisting in property management activities.

## **Investment Management and Reporting:**

### **Non-Discretionary Services -**

Sunesis may also be engaged to manage and report on client assets. The services performed include financial planning, and analysis of the client's asset allocation, third party managers and or their products. Sunesis' planning will involve the estimation of the client's current cash needs as well as those needs in the future. Asset allocations will be evaluated at the client and account level. In some cases Sunesis will also advise on the client's asset location, product selection, and portfolio construction. We may also offer our insights on how securities or products fit in the overall portfolio. This can include recommendations on changing a product's asset location as well as gain avoidance and tax loss harvesting opportunities. In the above instance we will not have trading discretion over the portfolios.

### **Discretionary Services -**

Where clients engage us to act with full discretionary authority, we will contract with investment managers to purchase or dispose of products and create proprietary solutions

to meet certain client needs. Sunesis will be responsible for overseeing the activities of the managers. In some cases this will be a pure oversight function, while in other cases we will purchase model portfolios from managers and implement trades on the client's behalf. We will manage the risk, taxes and trading activity of the overall portfolio and control these attributes directly.

- Asset Allocation – Sunesis will request, accumulate, and analyze client financial information in order to determine the client's current assets and liabilities. From this information Sunesis will project the client's coverage ratio (ratio of assets to liabilities). This information is coupled with a process to produce an Investment Policy Statement and an initial asset allocation. This information will drive the broad decisions on the amount of cash flow that will be required and the total and active risk that will be accepted in the client's total and individual portfolios.
- Manager and Product Selection – Sunesis will work with an array of contracted sources to assemble managers and or products that can fulfill a particular client mandate. Sunesis will also run analytics on managers in combination to see what their sources of risk and return appear to be. The overall process attempts to find managers/products that would be expected to deliver skill in the future. Sunesis will also monitor the performance of these managers going forward.
- Overlay Management – In addition to the services mentioned above, Sunesis may also take an active role by acting as Overlay Manager. This role may even be expanded into creating passive or semi-passive portfolios that will be used in conjunction with the Active Managers/Products to actively control taxes as well as total and active risk.

## **Item 5 – Fees and Compensation**

### **Planning and Coordination**

Sunesis will negotiate and charge retainer fees based generally on an estimate of work to be performed and based on other resources expected to be consumed to meet defined client deliverables. These fees will be charged quarterly in advance and will be billed directly to the client. Upon termination, client will be refunded any unearned fees on a prorated basis according to the terms of the client agreement.

Fees for planning and coordination are separate from other expenses which may be incurred by the client including estate planning fees, legal fees, tax preparation fees, custodial fees, etc.

### **Asset Management and Reporting**

Sunesis will negotiate and charge retainer fees based on the level of assets under management. These fees will be charged quarterly in advance and will range from .10% to 1.0% of assets under management annually. The fees may be billed directly to the client or may be deducted directly from the client's account. Upon termination, client will be refunded any unearned fees on a prorated basis according to the terms of the client agreement.

Fees for asset management and reporting are separate from other expenses which may be incurred by the client including trading costs, outside management fees, mutual fund operating expenses, custodial fees, etc.

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

Sunesis does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client), and consequently does not simultaneously manage performance based and non-performance based accounts.

### **Item 7 – Types of Clients**

Sunesis offers services to individuals, families, businesses, trusts, estates and charitable organizations.

Sunesis requires a minimum relationship of \$5,000,000 for portfolio management services clients; however this may be negotiable under certain circumstances including type of accounts.

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

Sunesis' general investment strategy is to source third party managers to fill asset class needs for the client. These managers may be sourced as discretionary separate account

managers that fulfill their mandate with direct trading responsibility at the custodian of the client or as non-discretionary model providers with trades being implemented by Sunesis. In some cases Sunesis may use mutual funds, common or comingled funds or ETF's where there is a limited benefit from owning the underlying assets inside the product wrapper.

In addition the Overlay Management process offered by Sunesis is designed to manage the total and active risk of the client as well as to consider the tax impact of all trades. The objective of this approach is to maximize the client's total net worth and cash flow and not to optimize the particular manager sleeve that Sunesis is managing.

Investing in securities involves risk of loss that clients should be prepared to bear. Such risks include market risk, interest rate risk, currency risk, and political risk, among others.

There is also risk that exists in each part of the process that Sunesis performs. Asset allocation and manager selection requires forward looking assessments about the returns, turnover and correlations of the asset classes and the managers to their asset class as well as to each other. Actual returns and risk levels can deviate from those expected.

Sunesis does not engage in making active timing calls related to markets. In some cases such timing calls may be made inside the portfolios of individual managers, but it should not be expected that the client will be insulated from losing money in periods of market decline. Conversely, it is possible that the client will not participate in all of the gains in asset classes where returns are positive.

Using a manager's model may exhibit different performance compared to a manager engaging in the direct trading of a client's account. For example, the model received by Sunesis may have already been acted upon which might impact the price paid for a particular security. Sunesis requires that the model manager's policies for the provision of a model will not intentionally disadvantage any model recipient. Sunesis will monitor the historical trading component of a manager's returns and if necessary reduce the expected returns by that factor in making a decision about using a manager in a model based environment. Some manager's and all or some of their models may not be suitable for a model based arrangement with Third Party Overlay Management.

No investment strategy can assure a profit or avoid a loss.



## **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 the evaluation of the firm or the integrity of its management. Sunesis is currently not subject to, nor has ever been subject to, any legal or disciplinary events of a material nature.

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

Neither the firm nor any of its management persons participate in any other financial industry activities nor have any other financial industry affiliations.

## **Item 11 – Code of Ethics**

### **Code of Ethics**

Sunesis has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Sunesis's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, and practices for reviewing the personal securities transactions of supervised persons with access to client information. The Code also requires compliance with applicable securities laws, addresses insider trading, and covers possible disciplinary measures for violations. Sunesis will provide a complete copy of its Code of Ethics to any client upon request to the Chief Compliance Officer.

### **Trading Conflicts of Interest**

Individuals associated with Sunesis are permitted to buy or sell securities for their personal accounts identical to or different than those recommended to clients. However, no person employed by Sunesis is allowed to favor his or her own interest over that of a client or make personal investment decisions based on the investment decisions of advisory clients.

In order to address potential conflicts of interest, Sunesis requires that associated persons with access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the firm's Chief Compliance Officer. Sunesis also requires

prior approval from the Chief Compliance Officer for investing in any IPOs or private placements (limited offerings).

## **Item 12 – Brokerage Practices**

### ***The Custodian and Brokers We Use***

Sunesis does not maintain custody of client assets. Instead, we request all client assets be maintained in an account at a non affiliated “qualified custodian,” generally a broker-dealer or bank. We are not affiliated with any custodian but instead are independently owned and operated. Your custodian will hold your assets in a brokerage account and will buy and/or sell securities upon your instructions.

While we may recommend that you use a particular custodian, you will ultimately decide whether to do so and will open your account with that custodian or another custodian/broker by entering into an account agreement directly with them. We do not actually open accounts for you, although we can assist you in doing so. We will assist you in opening an account at whatever custodian/broker you decide to use.

### ***How We Select Custodians and Brokers***

When recommending a custodian or broker for our clients, we consider many different factors including quality of service, types of services offered, overall capability, execution quality, competitiveness of transaction costs, availability of investment research, reputation and stability of the firm, and their financial resources, and stability, among other things. In determining the reasonableness of a broker’s compensation, we consider the overall cost to you relative to the benefits you receive, both directly and indirectly, from the broker.

### **Your Brokerage and Custody Costs**

Our clients receive various services directly from our custodian. For our clients’ accounts that our custodian maintains, our custodian generally does not charge separately for custody services but instead is compensated by charging commissions or other fees on trades that it executes or trades that are executed by other brokers to and from our

accounts. Fees applicable to our client accounts may also be effected by our clients collectively maintain a certain level of assets at our custodian. We feel that this commitment benefits you because the overall rates you pay may be lower than they might be otherwise.

Since our custodian charges you a fee for each trade that we have executed by a different broker-dealer, we have our custodian execute most trades for your account in order to minimize your trading costs.

We have determined that having our custodian execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means seeking the most favorable terms for a transaction based on all relevant factors, including those listed above.

#### Products and Services Available to Us from Brokers/Custodians

Our primary custodian provides us and our clients with access to its institutional brokerage services like trading, custody, reporting, and related services, many of which are not typically available to retail customers. Our custodian also makes available various support services, some of which may help us manage or administer our clients’ accounts, while others may help us manage and grow our business.

Our custodian’s institutional brokerage services which benefit you directly include access to a broad range of investment products, execution of securities transactions, and asset custody. The investment products available through our custodian include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

Our custodian also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both our custodian’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at our custodian. In addition to investment research, our custodian also makes available software and other technology that provide access to client account data, facilitates trade execution for multiple client accounts, provides pricing and other market data, facilitates payment of our fees from our clients’ accounts, and assists with back-office functions, recordkeeping, and client reporting.

Our custodian also offers other services intended to help us manage and further develop our business. These services include educational conferences and events, consulting on

technology, compliance, legal, and business needs, publications and conferences on practice management and business succession, and access to employee benefits providers, human capital consultants, and insurance providers.

The availability of these services from our custodian benefits us because we do not have to produce or purchase them. Of course, this may give us an incentive to recommend that you maintain your account with our custodian based on our interests rather than yours, which is a potential conflict of interest. We believe, however, that our selection of our custodian as custodian and broker is in the best interests of our clients, and is primarily supported by the scope, quality, and price of our custodian's services and not the services that benefit only us.

### **Aggregation of Transactions**

Sunesis generally does not hold securities for clients which are customarily "bundled" when traded. However, should client trades be bundled in order to facilitate more efficient management and cost, participating client accounts will be treated equally.

## **Item 13 – Review of Accounts**

### **Reviews of Investment Management Accounts**

Investment management accounts are supervised by the principals of Sunesis. In addition to ongoing supervision, accounts are generally reviewed more formally on a quarterly basis. The quarterly review generally includes assessing client goals and objectives, evaluating the employed strategy, and monitoring the portfolio. Sunesis will periodically, and at least annually, review client's investment policy and risk profile, and discuss each client's accounts to the extent appropriate.

Additional account reviews may be triggered by a specific client request, by a change in client goals or objectives, by an imbalance in a portfolio asset allocation, or by market or economic conditions.

All ongoing clients are advised that it remains their responsibility to advise Sunesis of any changes in their investment objectives and/or financial situation.

## **Regular Reports Provided to Clients**

Investment management clients are provided with account statements from their custodian on at least a quarterly basis which list account holdings and transactions for the period. Investment management clients may also be provided with written performance reports on an annual basis that detail current market value, performance relative to market benchmarks, and overall portfolio allocation. We urge our clients to carefully review custodial statements and compare to reports received from us.

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

Sunesis may pay other professional entities to refer clients to us via a Solicitor's Agreement. Such agreements are structured to be in compliance with applicable securities laws. Each client is provided a disclosure statement prior to or at the time of entering into any advisory contract which describe the specific compensation arrangement. Clients referred to Sunesis by outside parties do not pay additional fees in order to compensate outside solicitors. Instead, Sunesis pays outside solicitors from the fee we collect.

## **Item 15 – Custody**

As mentioned above, we do not hold client assets but instead require that they be held by a third party “qualified custodian.” We may, however have limited control in some instances to trade on your behalf, to deduct our advisory fees from your account with your authorization, or to request disbursements to you.

You will receive account statements directly from your custodian at least quarterly, which will be sent to the email or postal mailing address you provided. We urge you to carefully review these custodial statements when you receive them and to compare them to reports you receive from us.

## **Item 16 – Investment Discretion**

Sunesis will accept discretionary authority to manage securities accounts on behalf of clients, although Sunesis will also accept non-discretionary accounts.

When granted authority to manage accounts, Sunesis customarily has the authority to determine which securities and the amounts that are bought or sold, and may have the authority to retain investment managers. Any discretionary authority accepted by Sunesis however is subject to the client's risk profile and investment objectives, and may be limited by the client in writing.

Sunesis will not exercise any discretionary authority until it has been given authority to do so in writing. Such authority is granted in the written agreement between Sunesis and the client, and in the written agreement with the third party custodian.

### **Item 17 – Voting Client Securities**

As a matter of firm policy, Sunesis does not vote proxies on behalf of clients.

### **Item 18 – Financial Information**

Registered investment advisers are required in some cases to provide certain financial information and or disclosures about their financial condition. For example, if the firm requires prepayment of fees for six months in advance, has custody of client funds, or has a condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients, it must provide financial information and make disclosures.

Sunesis has no financial or operating conditions which trigger such additional reporting requirements.