



**Form ADV  
Part 2A  
Brochure**

**Sapient Private Wealth  
Management Services,  
LLC**

**February 26, 2013**

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**This brochure provides information about the qualifications and business practices of Sapient Private Wealth Management, LLC ("SPWM"). If you have any questions about the contents of this brochure, please contact Dina Ahten by telephone at 541-762-0300 or email at [dina@sapientpwm.com](mailto:dina@sapientpwm.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.**

**Additional information about SPWM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that the use of the term "registered investment adviser" and description of SPWM and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.**

## **ITEM 2. MATERIAL CHANGES TO OUR PART 2A OF FORM ADV FIRM BROCHURE**

This is an Annual Amendment filing of the Form ADV Part 2A (“Brochure”) by Sapien Private Wealth Management Services, LLC (“SPWM”) dated February 26, 2013. Our most recent Brochure was dated March 28, 2012.

SPWM made the following material changes to this Brochure since its last annual updating amendment:

- Item 4: SPWM updated its regulatory assets under management as of December 31, 2012, and clarified that Separate Managed Accounts (“SMAs”) are managed by third-party investment advisers.
- Item 8: SPWM’s Brochure previously disclosed alternative investments as an investment strategy in Item 4. We updated Item 8 by adding the strategy there as well.
- Item 10: Described SPWM’s relationship with Focus Operating, LLC and Focus Financial Partners, LLC. In addition, SPWM amended Item 10 to provide that although SPWM employees are engaged in insurance agent activities with respect to variable annuities applicable to certain clients’ individual needs, SPWM only receives investment management or investment advisory fees related thereto and receives no transaction-related compensation with respect to any insurance products or transactions effected. SPWM also amended the list of other business activities of Mr. Rexius.
- Item 12: For SPWM’s policy with respect to directed brokerage, we clarified our practices regarding clients who opt to place their own trades, and explained that non-discretionary accounts will not be included in batched transactions.

Previously, SPWM made the following material changes to this Brochure:

- Item 11: SPWM provided additional disclosure for its Code of Ethics regarding when employee trades are aggregated with client trades.
- Item 17: SPWM clarified our proxy voting authority and monitoring.

**[March 28, 2012]**

SPWM succeeded to the advisory business of its predecessor Sapient Private Wealth Management, LLC (SEC # 801-71818). The advisory services and management of SPWM remained the same; however, the new successor ADV filing reflected the new ownership by Focus Operating, LLC. Our Brochure filed on October 28, 2011 reflected those changes and was materially different from the predecessor adviser's last annual updating brochure, December 31, 2010.

**[October 28, 2011]**

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## **Item 4. Advisory Business**

### **A. Ownership**

SPWM is a limited liability company formed on September 30, 2011 in the State of Oregon, succeeding to the business of Sapien Private Wealth Management, LLC, an SEC- registered investment adviser since September 2010.

SPWM is part of the Focus Financial Partners, LLC (“Focus”) network. Sapien Private Wealth Management Services, LLC is a wholly-owned subsidiary of Focus Operating LLC, which is wholly-owned by Focus Financial Partners, LLC. Focus Financial Partners, LLC is owned by Summit Ventures VI-A, L.P., which is owned by Summit Partners VI (GP), LP, which is owned by Summit Partners VI (GP), LLC.

SPWM is managed by Greg Erwin and Alan Rexius through a Management Agreement between Sapien Private Wealth Management Services, LLC and Focus Operating LLC.

### **B. Advisory Services**

SPWM offers several types of services to our clients, including investment management services, comprehensive wealth management services, and personalized cash flow management services. Our regulatory assets under management were \$555,467,598 as of December 31, 2012.

#### **(i) Investment Management:**

SPWM provides investment management services on a discretionary basis to clients, except with limited exception for those instances where clients impose investment restrictions as described below. We emphasize continuous and regular account supervision. As part of our investment management service, we generally create a portfolio consisting of separate managed accounts (“SMAs”) managed by third-party investment advisers, mutual funds and exchange traded funds (“ETFs”), but may also include individual stocks or bonds, options, and other public and private securities or investments, depending upon the client’s individual investment strategy which is tailored to their specific needs. We do invest in alternative investments and/or strategies. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client’s individual needs, stated goals and objectives.

## (ii) Wealth Management

Our comprehensive wealth management services take a fully integrated approach to preserving, enhancing and transferring wealth, including the following:

- Liquidity and Cash Flow Management
- Risk Management
- Tax Management
- Philanthropic Planning
- Estate Planning
- Education Planning

### **A. Liquidity and Cash Flow Management**

The first step in the portfolio design process is to develop a plan for cash flow and liquidity needs. We work closely with you to develop budgetary guidelines to ensure proper levels of cash and liquid investments are maintained. To this end, we regularly review and rebalance your portfolio to meet current income needs, and to provide for emergencies and opportunities.

### **B. Risk Management**

A key element of our wealth management approach is our strong emphasis on establishing appropriate risk controls for each client. By diversifying investments among myriad asset classes, we are able to reduce portfolio volatility and help improve overall performance. Careful consideration is given to reduce exposure to interest rate, credit, business, and inflation risk, just to name a few. We have found lower portfolio volatility provides greater peace of mind to our clients.

### **C. Tax Management**

We strive to deliver tax efficient strategies in every aspect of our financial relationship with our clients. Our advisors continually review portfolios for strategic and tactical opportunities while minimizing tax exposure. We accomplish this by collaborating with clients' tax advisors to make sure tax management strategies are coordinated and implemented to your optimal advantage.

### **D. Philanthropic Planning**

Our clients look to us to provide strategies to maximize the tax benefits associated with their charitable giving. We take great care to find the best solutions for our clients and the organizations they passionately support. We collaborate with their tax and legal advisors as we seek optimal results.

## **E. Estate Planning**

We provide legacy counseling to help ensure the smooth, tax-efficient transfer of wealth. To this end we work closely with outside estate and tax planning professionals to help reduce the challenges of passing on your wealth from one generation to the next. We are also experienced in succession strategies for business, to maintain the efficient continuity of family business operations for years to come.

## **F. Education Planning**

Tuition costs continue to outpace inflation at a staggering rate. To prepare for the finest education for heirs, we help assess the costs, and plan investments to meet both growth and liquidity needs to cover educational expenses for the next generation.

## **G. Ancillary Services**

Cash Flow Management Services, On-Line Services.

As part of our endeavor to develop lifelong trusted relationships with our clients, we offer specialized and personalized cash flow management services to help our clients with the financial decisions and daily banking activities in their often busy lives. While SPWM does not have custody of client funds or securities, nor procures loans on behalf of clients, our concierge services provide comprehensive, knowledgeable advice regarding the loan procurement process, including assistance with locating favorable interest rates, obtaining necessary forms, and other financial-related assistance.

### **(iii) Use of Independent Investment Managers**

Our clients authorize SPWM to delegate the active discretionary management of all or part of the client's assets to one or more independent investment managers and/or investment management programs (collectively referred to as "Independent Managers") based upon the client's stated investment objectives. We may utilize such Independent Money Managers, where we may design an investment portfolio and provide ongoing corresponding investment management or wealth management services on a fee-only basis for a percentage of assets managed by another investment advisory firm. Before selecting other advisers, we conduct due diligence regarding the selection of the appropriate independent advisers and to make sure that the other advisers are properly licensed or registered.

In order to provide clients with access to a broad range of Independent Managers, our clients authorize us to also utilize the services of and delegate investment discretion to a third party investment adviser (an "Implementation Manager") who retains the Independent Managers and delegates investment discretion over the client accounts to the Independent Managers or licenses the Investment Manager's applicable investment strategy and performs the trade implementation services pursuant to the direction of the Independent Manager. Our clients authorize us to enter into agreements with Independent Managers and/or Implementation Managers for services in connection with the management of the clients' accounts on the terms and manner that our firm deems appropriate, which includes separate fees in addition to our management fee. In certain situations, a client may be required to engage the Independent Managers in a separate written agreement between the client and the designated Independent Managers, which may include separate fees in addition to our management fee. Clients agree to

execute in a timely manner any such separate written agreements with the Independent Managers that we may deliver to a client.

The Independent Managers shall have limited power-of-attorney and trading authority over those assets our firm directs to them for management and they shall be authorized to buy, sell, and trade in securities in accordance with the client's investment objectives as communicated by us and to give instructions in furtherance of such trading authority to the Broker-Dealer and the Custodian. Our firm is authorized to terminate or change Independent Managers when, in our sole discretion, we believe such termination or change is in client's best interest. We will continue to render services to clients relative to the supervision of the Independent Managers, performing ongoing monitoring and review of account performance, asset allocation, and investment objectives, for which services we shall be paid our fee.

Our clients authorize SPWM to utilize third party services providers to perform certain services, as applicable, for a client's account. We utilize Evestnet for trading, research, billing and performance reporting. Clients may directly access their accounts through the Evestnet portal.

We may engage Martin Capital Partners as a sub-advisor. Martin Capital Partners, LLC is a firm in which Cameron King Martin has a direct ownership. Cameron King Martin is the son of King Martin, an investment advisory representative of our firm and as such, this may constitute a conflict of interest. We monitor all Independent Managers and sub-advisers currently on our approved list and conduct due diligence in an identical manner to mitigate any conflict. From time to time when in our discretion SPWM believes it to be in the best interest of our clients and their objectives, SPWM will add, terminate, or change a relationship with one or more Independent Managers.

Clients who opt to continue the use of an Independent Manager following SPWM's removal of such Manager from our approved list should understand that in such situations the client is responsible for the decision to remain with the manager and responsible for the manager's performance. SPWM will only monitor and conduct ongoing review of those Independent Managers on our approved list. However, when clients remain with an Independent Manager not on our approved list, SPWM will continue to conduct monitoring of the securities holdings and will continue to charge fees based upon assets within those client portfolios.

C. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of *clients*, whether *clients* may impose restrictions on investing in certain securities or types of securities.

(i) Individual Tailoring of Advice to Clients:

We offer individualized investment advice to clients utilizing the following services offered by our firm: Comprehensive Portfolio Management and Asset Management. Additionally, we offer general investment advice to clients utilizing the following services offered by our firm: Referrals to Third Party Money Managers.

(ii) Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities:



In those instances where clients impose reasonable restrictions, it would be limited to the following services: Comprehensive Portfolio Management and Asset Management. We do not manage assets through our other services.

D. Participation in wrap fee programs.

We do not offer wrap fee programs.

E. Disclosure of the amount of *client* assets we manage on a *discretionary* basis and the amount of *client* assets we manage on a *non-discretionary* basis as of 9/30/2011.

We manage<sup>1</sup> \$533,002,407 on a discretionary basis and \$22,465,191 on a non-discretionary basis as of December 31, 2012.

### **Item 5. Fees and Compensation**

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally not negotiable.

A. Description of how we are compensated for our advisory services provided to you.

(i) Asset Management:

**Assets under Management Annual Advisory Fee\***

First \$1,000,000	1.00%
Second \$1,000,000	0.70%
Third \$1,000,000	0.65%
Fourth \$1,000,000	0.60%
Fifth \$1,000,000	0.55%
Over \$5,000,000	Negotiable

\*Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Fees will be prorated, on a monthly basis, with respect to new accounts opened during a quarter.

We pay compensation to Independent Managers for portfolio management advisory

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<sup>1</sup> Please note that our method for computing the amount of "*client* assets we manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A of Form ADV. However, we have chosen to follow the method outlined for Item 5.F in Part 1A of Form ADV. If we decide to use a different method at a later date to compute "*client* assets we manage," we must keep documentation describing the method we use and inform you of the change. The amount of assets we manage may be disclosed by rounding to the nearest \$100,000. Our "as of" date must not be more than three months before the date we last updated our *Brochure* in response to Item 4.E of Form ADV Part 2A.

services rendered by these firms to our clients and our firm. This compensation is typically equal to a percentage of the overall investment advisory fee charged by our firm or an agreed upon fixed fee. The advisory fee paid to Independent Managers shall be negotiable in certain circumstances, but shall never exceed the overall amount in our published fee statement. We usually pay twenty-five (25) to fifty-percent (50%) of the overall advisory fee to Independent Managers for their services.

(ii) Portfolio Management Services Utilizing Independent Manager Services:

See Item 4.

B. Description of whether we deduct fees from *clients*' assets or bill *clients* for fees incurred.

(i) Asset Management:

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Fees will be prorated, on a monthly basis, with respect to new accounts opened during a quarter. Fees will generally be automatically deducted from your managed account. In rare cases, we will agree to directly bill clients. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) If we send a copy of our invoice to you, we send a copy of our invoice to the independent custodian at the same time we send the invoice to you;
- d) If we send a copy of our invoice to you, our invoice includes a legend as required by paragraph (a)(2) of Rule 206(4)-2 under the Investment Advisers Act of 1940. The legend urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the adviser opens custodial accounts with the qualified custodian.

(ii) Portfolio Management Services Utilizing Independent Manager Services:

Third party money managers establish and maintain their own separate billing processes which we have no control over. In general, they will directly debit your custodial account or directly bill you and disclose their fees and billing procedures in their separate written disclosure documents.

C. Description of any other types of fees or expenses *clients* may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Envestnet Services

SPWM has entered into a service agreement with Envestnet for back office, middle office and certain administrative services for separate managed accounts on the Envestnet

platform. SPWM pays Envestnet directly for billing and performance reporting services. Fees for other investment services are paid directly by the client, which are directly debited from the client's account by Envestnet. These fees include the custodian's fee, SPWM's investment management fee, and Envestnet's sponsor fee. The sponsor fee is comprised of approximately 12 basis points for Envestnet's overlay management fee service (trading and platform fees) and the separately managed account fee. The minimum annual Envestnet fee is \$100.

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the brokerage firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

Client acknowledges and agrees that if there is not enough liquid cash in Client's accounts, we or any third party Independent Manager will instruct the relevant custodian to liquidate the necessary positions in such accounts to cover the amount of the fees under the Agreement.

Client's advisory fees are due quarterly in advance.

We charge our advisory fees quarterly in advance. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

D. Commissionable securities sales.

We do not sell securities for a commission. In order to sell securities for a commission, we would need to have our associated persons registered with a broker-dealer. We have chosen not to do so.

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

We do not charge performance fees to our clients.

## **Item 7. Types of Clients and Account Requirements**

We have the following types of clients:

- Individuals;
- High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations, limited liability companies and/or other business types

Our requirements for opening and maintaining accounts or otherwise engaging us:

- We require a minimum account charge of \$5,000 for our asset management service. Generally, this minimum account balance requirement is not negotiable and would be required throughout the course of the client's relationship with our firm.

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

### **A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.**

#### **Methods of Analysis:**

- Charting;
- Fundamental;
- Technical;
- Cyclical.

#### **Investment Strategies:**

As disclosed in Item 4, SPWM offers several types of services to our clients, including investment management services, comprehensive wealth management services, and personalized cash flow management services. As part of our investment management service, we generally create a portfolio which may include separate managed accounts. Our third party managers may use the following investment strategies, and the applicable risks are described in the respective Form ADV disclosure Brochures of the third party managers:

- Long term purchases (securities held at least a year);
- Short term purchases (securities sold within a year);
- Trading (securities sold within 30 days);
- Short sales;
- Margin transactions;

- Option writing, including covered options, uncovered options or spreading strategies; and/or
- Alternative investments

**Please note:**

Investing in securities involves risk of loss that *clients* should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, the stock market may also decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

B. Our practices regarding cash balances in *client* accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account. so that our firm may debit advisory fees for our services related to asset management service.

Our cash allocation process involves, where possible, the preservation of sufficient cash for quarterly fees. This helps ensure that we avoid undesirable realized or unrealized losses or gains as a result of a sale of a security for fee liquidations. All cash positions are included in the assets under management on which our advisory fees are assessed.

**Item 9. Disciplinary Information**

Registered investment advisers are required to disclose to clients legal or disciplinary events or facts that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

We have determined that our firm and management have nothing to disclose under the aforementioned standard.

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

A. Description of any relationship or arrangement that is material to our advisory business or to our *clients*, that we or any of our *management persons* have with any *related person*<sup>3</sup> listed below. We are required to identify the *related person* and if the relationship or arrangement creates a material conflict of interest with *clients*, describe the nature of the conflict and how we address it.

Our firm or our management persons have a material relationship with the following

*related person(s)*<sup>2</sup> as follows:

1. Focus Operating, LLC and Focus Financial Partners, LLC

The Registrant is part of the Focus Financial Partners, LLC (“Focus”) network. As such, SPWM is a wholly-owned subsidiary of Focus Operating, LLC, which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”). The Focus Partners provide wealth management, benefit and investment consulting services, serving individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds or limited liability companies as disclosed on their respective Form ADV Schedule Ds.

SPWM’s clients are not solicited to invest in any other Focus Partners’ advisory services, and generally Focus Partners do not recommend securities, services, or other investment products of other Focus partner firms, unless so disclosed on their respective Form ADVs and with the clients’ informed consent, nor are any transactions executed through another Focus Partner’s affiliated broker dealer. Further, the Focus Partners do not market their services or share client information amongst each other without prior client consent. Management of other Focus Partners are not involved in the management of SPWM.

A list of the related person investment advisers and broker dealers can be found on SPWM's Form ADV Part 1 Schedule D and additional information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

2. Other investment adviser or financial planner

We may engage Martin Capital Partners as a sub-advisor. Martin Capital Partners, LLC is a firm in which Cameron King Martin has a direct ownership. Cameron King Martin is the son of King Martin, an investment advisory representative of SPWM, and as such, this may constitute a conflict of interest.

3. Insurance company or agency

Some of SPWM’s employees currently maintain active insurance agent licenses or may reinstate such insurance agent licenses in the future. SPWM employees engage in insurance agent activities with respect to variable annuities applicable to certain clients individual needs. However SPWM receives no transaction-related compensation with respect to any insurance products or transactions effected. SPWM’s sole compensation related thereto is its investment management (investment advisory) fees.

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<sup>2</sup> Our **Related Persons** are any *advisory affiliates* and any *person* that is under common *control* with our firm.

**Advisory Affiliate:** Our advisory affiliates are (1) all of our officers, partners, or directors (or any *person* performing similar functions); (2) all *persons* directly or indirectly *controlling* or *controlled* by us; and (3) all of our current *employees* (other than *employees* performing only clerical, administrative, support or similar functions). **Person:** A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company (“LLC”), limited liability partnership (“LLP”), sole proprietorship, or other organization.

#### 4. Other

Mr. Rexius may engage in other businesses unrelated to Wealth Management and Investment Consulting. These include Rexius Forest-By Products and Properties Northwest. The aforementioned activities account for about 1% of Mr. Rexius' time.

- B. If we recommend or select other investment advisers for our *clients* and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.

We do not receive compensation from third party advisers.

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

- A. Brief description of our Code of Ethics adopted pursuant to SEC rule 204A-1 and offer to provide a copy of our Code of Ethics to any *client* or prospective *client* upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not disadvantage or conflict with the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure for initial public offerings ("IPOs") and private placements) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>3</sup>. In order to monitor compliance with our personal trading policy, we review quarterly securities transaction reports for all of our associates, in compliance with SEC rules.

When employees invest in securities also recommended to clients, the firm's policy is that such transactions must not disadvantage a client. Therefore, employee transactions may be included at the same time as clients, or in a "batch" transaction with multiple client transactions (at the same NAV). Occasionally, the firm will contact clients prior to either placing trades in their discretionary accounts or prior to effecting changes in the clients'

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<sup>3</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

separate account manager(s). This is done as a matter of convenience to some clients with discretionary accounts, or because of tax, investment position, or cash considerations. In such situations, the firm's policy is to await a client's consent from the client prior to effecting the trades. This may result in employee trades being transacted prior to client trades (or transacted on an earlier trade date trades with those clients who have responded. This may result in employee transactions being effected at a more favorable or less favorable price than some clients' transactions. This timing may also result in changes in separate account managers being effected in employee accounts prior to the changes being implemented for all client accounts. Effecting changes in separate account managers can be immediate or can span several months given the decision, evaluation process and timing of client responses. As this situation creates a conflict of interest, it is SPWM's policy that contacting clients regarding a transaction or change in manager will be initiated, but not necessarily effected due to the variances in timing and other factors, for all clients prior to an employee making a trade.

Furthermore, our firm has established a Code of Ethics which applies to all of our Supervised Persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics, which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our Supervised Persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request, by contacting our Chief Compliance Officer, whose contact information is provided in Item 1.

- B. If our firm or a *related person* invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a *related person* recommends to *clients*, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A above.

- C. If our firm or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that you or a *related person* buys or sells the same securities for our firm's (or the *related person's* own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A above.



## **ITEM 12. BROKERAGE PRACTICES**

A. Description of the factors that we consider in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

1. Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions (“soft dollar benefits”), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

Our firm has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, “Fidelity”) through which Fidelity provides our firm with Fidelity’s “platform” services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients, but that benefit our firm. Our firm also uses the Envestnet platform for overlay management, which provides trading, performance, holdings statements for Sapient managed accounts, research, administrative services such as fee calculation and billing, and other reports. Clients receive holdings reports for third party money managers directly from the custodian. Clients may access Envestnet through a secure portal, and through the portal also obtain performance regarding the third-party managed accounts.

- a. Explanation of when we use *client* brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how we receive a benefit because our firm does not have to produce or pay for the research, products or services.

As part of the arrangement described above, Fidelity also makes certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by our firm (within specific parameters). The research and brokerage services provided by Fidelity are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

- b. Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our *clients*’ interest in receiving best execution.

As a result of receiving the services discussed above, for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity’s services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and we

have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

c. Causing *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

Our clients may pay a commission to Fidelity that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

d. Disclosure of whether we use soft dollar benefits to service all of our *clients*' accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate.

Although the investment research products and services that may be obtained by our firm will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

2) Brokerage for *Client* Referrals. If we consider, in selecting or recommending broker-dealers, whether our firm or a *related person* receives *client* referrals from a broker-dealer or third party, we are required to disclose this practice and discuss the conflicts of interest it creates.

Our firm does not receive client referrals from broker-dealers we select or recommend.

### 3) Directed Brokerage.

- a. If we routinely recommend, request or require that a *client* directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy. Further, we must explain that not all advisers require their *clients* to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of *client* transactions, and that this practice may cost our *clients* more money.

In certain instances, clients may seek to limit or restrict our discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Any such client direction must be in writing (often through our advisory agreement), and may contain a representation from the client that the arrangement is permissible under governing laws and documents, if this is relevant.

We provide appropriate disclosure in writing to clients who direct trades to particular brokers, or who opt to place their own orders, that with respect to their directed trades, they will be treated as if they have retained the investment discretion that we otherwise would have in selecting brokers to effect transactions and in negotiating commissions and that such direction may adversely affect our ability to obtain best price and execution. In addition, your trade orders may not be aggregated with other clients' orders and that direction of brokerage may hinder best execution.

#### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

- b. If we permit a *client* to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost *clients* more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.

See Item 12A(3) above.

## **Special Considerations for Separate Account Management Clients**

- a. As discussed previously, Sapien generally utilizes Fidelity as the broker-dealer for any purchase or sale of assets for Client Accounts. We may, in the allocation of portfolio brokerage business and the payment of brokerage commissions, consider the brokerage and research services furnished Sapien or the Sub-Adviser by brokers and dealers, in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended. Such research generally will be used to service all of our clients, but brokerage commissions paid by the Client Accounts may be used to pay for research that is not used in managing the Client Accounts.
- b. Should a Client direct in writing that the Adviser or our firm use a particular broker or dealer, then such Client will negotiate terms and arrangements for their Account with that broker or dealer and we will not seek better execution services or prices from other broker-dealers. As a result, such Client Account may pay higher commissions or greater spreads, or receive less favorable net prices, on transactions for the Client Account than would otherwise be the case.
- c. Our firm, Investment Consultants and Portfolio Managers are not responsible or liable for the acts or omissions of any broker-dealer.

**B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various *client* accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to *clients* of not bunching.**

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

### **Non-Discretionary Accounts:**

We also provide investment management services on a non-discretionary basis, whereby the client determines whether to implement the investment recommendations provided and if so executes the trade independently. As a result, such Clients will not be included in any SPWM batched transactions and may pay higher or lower commissions or greater or lower spreads, or receive more or less favorable net prices, on transactions for the Client Account.

### **Item 13. Review of Accounts or Financial Plans**

**A. Review of *client* accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our *employees* who conduct the review.**

We review accounts on at least a weekly basis for our clients subscribing to Asset Management services, and Independent/Third Party Money Management clients receive at least quarterly reviews. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews.

**B. Review of *client* accounts on other than a periodic basis, along with a description of the factors that trigger a review.**

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

**C. Description of the content and indication of the frequency of written or verbal regular reports we provide to *clients* regarding their accounts.**

Quarterly, we provide either an electronic notice of the availability of client statements on Envestnet or for those clients who have not consented to electronic delivery, we provide a copy of the quarterly investment report. Clients may access Envestnet through a secure portal at any time. Envestnet quarterly reports include current market value of holdings managed by Sapiient as well as the related performance. Clients receive statements regarding holdings and performance of third party managers directly from the custodian. In addition, clients may access the performance of the third party managers through the Envestnet portal. Market value is determined by independent feeds from a custodian or public pricing service.

Written reports contain a legend that urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the adviser opens custodial accounts with the qualified custodian.

The custodian sends account statements directly to clients at least quarterly.

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

- A. If someone who is not a *client* provides an economic benefit to our firm for providing investment advice or other advisory services to our *clients*, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

Except for the arrangements outlined in Item 12 of this brochure, we have no additional arrangements to disclose.

- B. If our firm or a *related person* directly or indirectly compensates any *person* who is not our *employee* for *client* referrals, we are required to describe the arrangement and the compensation.

We do not pay referral fees to independent solicitors for the referral of their clients to our firm.

## **Item 15. Custody**

- A. If we have *custody* of *client* funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules (for example, a broker-dealer or bank) does not send account statements with respect to those funds or securities directly to our *clients*, we must disclose that we have *custody* and explain the risks that you will face because of this.

An independent qualified custodian maintains custody of client funds and securities. However, because we directly debit custodial accounts for the payment of our advisory fee, this is deemed to be custody under SEC rules.

All of our clients receive at least quarterly account statements directly from their custodians. If we open an account with a qualified custodian on a client's behalf (rather than the client directly) we are required to promptly notify the client in writing of the qualified custodian's contact information. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

- B. If we have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to our *clients*, we are required to explain that you will receive account statements from the broker-dealer, bank, or other qualified custodian and that you should carefully review those statements.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

## **Item 16. Investment Discretion**

If we accept *discretionary authority* to manage securities accounts on behalf of *clients*, we are required to disclose this fact and describe any limitations our *clients* may place on our authority. The following procedures are followed before we assume this authority:

Our clients need to sign a discretionary investment advisory agreement with our firm for the management of their account. This type of agreement only applies to our Comprehensive Portfolio and Asset Management clients. We do not take or exercise discretion with respect to our other clients.

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

- A. If we have, or will accept, proxy authority to vote *client* securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.

### *Proxy Voting*

SPWM has adopted a proxy voting policy reasonably designed to ensure that SPWM votes proxies in the best interest of clients. Generally, SPWM's policy and guidelines are to vote proxies for our clients' discretionary accounts along with management's recommendation (including votes regarding corporate actions such as mergers, acquisitions, odd lot, tender offers, and other matters), except when otherwise specifically directed by clients in writing of the manner in which proxies should be voted for particular holdings within their SPWM managed account. Clients may also retain proxy voting authority and vote proxies on their own behalf by timely notifying SPWM in writing that SPWM should not vote all or certain proxies for the client.

SPWM determines whether extenuating circumstances are presented by a proxy vote that would require additional vote-specific analysis beyond the application of SPWM's voting parameters such as a client conflict. SPWM further periodically reviews its proxy voting practice to determine whether any material conflicts of interest are present. In the event of a vote involving a conflict of interest that does not meet the specific voting parameters of SPWM's proxy voting guidelines or requires additional company-specific decision-making, SPWM may request client consent on the issue.

Clients may request a copy of SPWM's complete proxy voting policy. Clients may also request voting records of how securities have been voted in their particular account. Please provide SPWM with a reasonable time to compile records following a client request. Clients may call, write or email us to discuss questions they may have about how SPWM voted their particular proxies or other solicitations. The contact information for SPWM can be found in Item 1.

However, we do not and will not accept the proxy authority to vote client securities that are managed by third party managers. Third party money managers selected or recommended by our firm vote proxies for clients pursuant to their own proxy policies. Please refer to the Form ADV Part 2A of the third party money manager(s) for further information about their policies on voting client securities, their contact information, and the manner by which you can obtain information about how the third party money manager(s) voted your securities.

For proxies for which you retain proxy voting authority, our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

#### *Other Corporate Actions*

SPWM will have no responsibility, duty, or obligation to take any action, including without limitation the making of any filing or the conducting of any investigation, inquiry, monitoring, or supervision, with respect to (1) any claim, potential claim, or proof of claim in any bankruptcy proceeding, (2) any class action litigation, or (3) any other litigation or proceeding, involving securities previously or currently held in any client account, whether at SPWM or any predecessor firm.

B. If we do not have authority to vote *client* securities, we must disclose this fact.

See Item 17A above.

### **Item 18. Financial Information**

A. If we require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, we must include a balance sheet for our most recent fiscal year.

We do not require nor do we solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance. Therefore we have not included a balance sheet for our most recent fiscal year.

B. If we are an SEC-registered adviser and have *discretionary authority* or *custody* of *client* funds or securities, or we require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, we must disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to *clients*.

We have nothing to disclose in this regard.

C. If we have been the subject of a bankruptcy petition at any time during the past ten years, we must disclose this fact, the date the petition was first brought, and the current status.

We have nothing to disclose in this regard.