

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

March 31, 2013

#### **Sentinus Asset Management, LLC**

SEC File No. 801-74819

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This brochure provides information about the qualifications and business practices of Sentinus Asset Management, LLC. If you have any questions about the contents of this brochure, please contact [info@sentinus-am.com](mailto:info@sentinus-am.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

Additional information about Sentinus Asset Management, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to new regulatory requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## Item 4: Advisory Business

### A. Description of Your Advisory Firm

Sentinus Asset Management, LLC ("Sentinus Asset Management" and/or "the firm"), an Illinois limited liability company, is an investment management firm and is contracted as a sub-adviser to various third-party investment advisers. Sentinus Asset Management uploads model portfolios to the third-party investment adviser, which then makes available to other investment advisers who have subscribed to the third-party investment adviser's investment platform. Sentinus Asset Management offers model portfolios that include securities and strategies as itemized in Item 8 of this Brochure.

Sentinus Asset Management is principally owned by the Reynolds Financial Group and Jason Rolence. Sentinus Asset Management is a newly formed investment adviser and has been providing services since June 1, 2012.

### B. Description of Advisory Services Offered

Sentinus Asset Management is an independent investment management firm providing asset management services as a sub-adviser to third-party investment advisers, who then offer such model portfolios to registered investment adviser firms subscribing to the third-party investment adviser's investment platform.

#### B.1. Portfolio Management Services

Sentinus Asset Management's portfolio management services are offered through third-party investment advisers on a sub-advised basis. Sentinus Asset Management does not offer its investment management services directly to high-net-worth clients on a separate account managed basis. Clients may access Sentinus Asset Management solely through the third-party investment adviser's investment platform. Responsibility for determining whether or not Sentinus Asset Management's investment management services are appropriate for a particular client is vested exclusively with the investment adviser that has subscribed to the third-party investment adviser's investment platform.

##### B.1.a. Model Portfolio Strategies

Sentinus Asset Management offers six different model portfolios. Four of the six models will be dynamically allocated, combining a long-term buy and hold component and a tactical component. The remaining two models are for clients who are looking for additional return and willing to assume a higher level of risk to achieve those returns. Each of the four models (conservative, balanced, growth, and aggressive) will have a qualified and non-qualified model. Sentinus Asset Management may use one or more of the following investments in its model portfolios:

- Equities
  - Domestic
  - Foreign

- Exchange-traded funds
- Exchange-traded notes
- Fixed income
  - Corporate
  - Government
- Mutual funds

The models are further discussed below:

- Conservative – This model will be benchmarked to the Morningstar Target Conservative Risk Index. The equity exposure will generally be between 10% and 20%, but the portfolio manager reserves the right to increase or decrease equity exposure depending upon market and economic conditions.
- Balanced – This model will be benchmarked to the Morningstar Target Moderately Conservative Index. The equity exposure will generally be between 30% and 50% with a target of 40%, but the portfolio manager reserves the right to increase or decrease equity exposure depending upon market and economic conditions.
- Growth – This model will be benchmarked to the Morningstar Target Risk Moderate Index. The equity exposure will generally be between 40% and 70% with a target of 60%, but the portfolio manager reserves the right to increase or decrease equity exposure depending upon market and economic conditions.
- Aggressive – This model will be benchmarked to the Morningstar Target Risk Moderately Aggressive Index. The equity exposure will generally be between 50% and 90% with a target of 80%, but the portfolio manager reserves the right to increase or decrease equity exposure depending upon market and economic conditions.
- Alternative Investment – This model will consist of public, liquid ETFs and mutual funds that closely mirror alternative investment strategies such as long/short funds, convertible arbitrage, indexed managed futures, managed volatility, and similar type funds that are chosen specifically for their risk/return/non-correlation characteristics to traditional asset classes.
- Tactical – This model will be benchmarked as an alternative or absolute return portfolio and can vary in equity exposure from 0% to 100% depending upon the portfolio manager's view of current and expected economic and market conditions.

## **B.2. Consulting Services**

Sentinus Asset Management may provide investment consulting services to other registered investment advisers, including affiliate advisers. Such services may involve reviewing portfolios, attending meetings with the adviser and adviser's client(s), and performing such other investment services as specifically negotiated under a separate agreement.

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

Sentinus Asset Management does not develop customized portfolio holdings for the client. Clients select a category of risk based on an assessment of their individual risk tolerance and investment objectives, to which one or more model portfolios are then correlated. Clients may, however, impose reasonable restrictions on the management of their accounts—for example, restricting the type or amount of security to be purchased in the portfolio.

### **D. Wrap Fee Programs**

Sentinus Asset Management does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

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

As of December 31, 2012, Sentinus Asset Management has \$91,369,813 of assets under management.

**Item 5: Fees and Compensation**

**A. Methods of Compensation and Fee Schedule**

For clients who also retain the firm to provide portfolio management services, Sentinus Asset Management’s fee schedule is computed on the basis of the market value of the client’s portfolio assets, payable either in arrears or advance, and computed on the last business day of the preceding quarter. The quarterly fee is charged at one-fourth the annual rate specified below. Sentinus Asset Management’s fee schedule, which is negotiable, is as follows:

<u>Assets Under Management</u>	<u>Annual Rate</u>
All accounts	70 basis points

For investment management services, Sentinus Asset Management generally imposes a minimum account size of \$75,000 for all models portfolios except the Alternative Investment portfolio, which imposes a minimum account size of \$100,000. The account minimum may be waived by the firm in its sole discretion.

Investment management fees are always subject to the sub-adviser agreement between the third-party investment adviser and Sentinus Asset Management. Fees may be charged quarterly in arrears or advance depending on the sub-adviser agreement. The third-party investment adviser will compute the fees due Sentinus Asset Management on a quarterly basis and remit such fees to Sentinus Asset Management. The initial quarterly fee is payable on the date the account is accepted and is computed on the market value of such portfolio assets on the date of such account acceptance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter.

A sub-advisory agreement may be canceled at any time by the third-party investment adviser or by Sentinus Asset Management subject to the terms of the sub-advisory agreement. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be immediately due and payable.

**B. Client Payment of Fees**

**B.1. Portfolio Management Services**

Sentinus Asset Management will not take custody or possession of client funds or securities. Sentinus Asset Management may be paid either directly by the third-party investment adviser or by directly debiting the client’s custodian account.

**B.2. Consulting Services**

Consulting services will be negotiated on a case by case basis with the advisory firm. Consulting services will be charged on an hourly basis at a rate of \$400 per hour. Fees are negotiable.



### **C. Additional Client Fees Charged**

The fees charged by Sentinus Asset Management do not include fees charged by any exchange-traded fund, mutual fund, or any broker-dealer or custodian selected by the client. In the case of an exchange-traded fund or mutual fund, fees and charges are disclosed in the respective fund's prospectus. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, the client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Sentinus Asset Management may be precluded from using certain mutual funds because they may not be offered by the client's custodian. Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

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

Depending on the terms of the sub-adviser agreement, Sentinus Asset Management may be paid in advance for its investment advisory services. A sub-advisory agreement may be canceled at any time by the third-party investment adviser or by Sentinus Asset Management subject to the terms of the sub-advisory agreement. Upon termination of any account, any unearned, prepaid fees will be promptly refunded, and any earned, unpaid fees will be immediately due and payable.

### **E. External Compensation for the Sale of Securities to Clients**

Other than as disclosed in Item 10 of this Brochure, Sentinus Asset Management's financial advisors are compensated solely through salary and bonus. Sentinus Asset Management is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.

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

Sentinus Asset Management does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

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

Sentinus Asset Management is an independent investment management firm providing asset management services as a sub-adviser to various third-party investment advisers, which then offer such model portfolios to registered investment adviser firms subscribing to the third-party investment adviser's investment platform.

For investment management services, Sentinus Asset Management generally imposes a minimum account size of \$75,000 for all models portfolios except the Alternative Investment portfolio, which imposes a minimum account size of \$100,000. The account minimum may be waived by the firm in its sole discretion.

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

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

Sentinus Asset Management's methods of analysis may include fundamental and technical analysis, quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. Sentinus Asset Management may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Mutual Funds, Exchange-Traded Funds, Individual Equity, and Fixed Income Securities**

Sentinus Asset Management may recommend no-load and load-waived funds and individual securities (including fixed income instruments). Such management styles will include, among others, large-, mid- and small-cap value, growth and core; emerging markets; and alternative investments. A description of the criteria to be used in formulating an investment recommendation for funds, exchange-traded funds, individual securities (including fixed income securities) and managers is set forth below.

Sentinus Asset Management has or may form relationships with third party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds and exchange-traded funds
- perform billing and certain other administrative tasks

Sentinus Asset Management may utilize additional independent third parties to assist in recommending and monitoring funds to clients as appropriate under the circumstances.

Sentinus Asset Management reviews certain quantitative and qualitative criteria related to individual securities and funds to formulate investment recommendations to its clients.

Quantitative criteria may include

- the performance history of a fund manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the fund manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending fund managers include the investment objectives and/or management style and philosophy of a fund manager, a fund manager's consistency of investment style, and employee turnover and efficiency and capacity. Sentinus Asset Management will discuss relevant quantitative and qualitative factors pertaining to its managed portfolios with clients, as required by such clients.

Quantitative and qualitative criteria related to fund managers are reviewed by Sentinus Asset Management on a quarterly basis. In addition, fund managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the fund manager by Sentinus Asset Management (both of which are negative factors in implementing an asset allocation structure). Based on its review, Sentinus Asset Management will make decisions regarding the retention or discharge of a fund.

## **A.2. Material Risks of Investment Instruments**

Sentinus Asset Management typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **A.2.b. Warrants and Rights**

Sentinus Asset Management may invest in warrants and rights. Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.2.d. Exchange-Traded Funds ("ETFs")**

Sentinus Asset Management may invest in ETFs (which may, in turn, invest in equities, bonds and other financial vehicles). ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or

greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.2.g. U.S. Government Securities**

Sentinus Asset Management may invest in U.S. government securities. U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.2.h. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

### **A.2.i. Corporate Debt Obligations**

Sentinus Asset Management may invest in corporate debt obligations. Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. Sentinus Asset Management may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

### **A.2.j. Mortgage-Backed Securities**

Sentinus Asset Management may invest in mortgage-backed securities, including pass-through securities and collateralized obligations. Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Sentinus Asset Management may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts, with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.



**A.2.k. Collateralized Obligations**

Sentinus Asset Management may invest in collateralized mortgage obligations ("CMOs") that are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Sentinus Asset Management may also invest in collateralized debt obligations ("CDOs"), which include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

**B. Investment Strategy and Method of Analysis Material Risks****B.1. Model Portfolio Strategies**

Sentinus Asset Management offers six different model portfolios as further discussed below:

- Conservative – This model will be benchmarked to the Morningstar Target Conservative Risk Index. The equity exposure will generally be between 10% and 20%, but the portfolio manager reserves the right to increase or decrease equity exposure depending upon market and economic conditions.
- Balanced – This model will be benchmarked to the Morningstar Target Moderately Conservative Index. The equity exposure will generally be between 30% and 50% with a target of 40%, but the portfolio manager reserves the right to increase or decrease equity exposure depending upon market and economic conditions.
- Growth – This model will be benchmarked to the Morningstar Target Risk Moderate Index. The equity exposure will generally be between 40% and 70% with a target of 60%, but the portfolio manager reserves the right to increase or decrease equity exposure depending upon market and economic conditions.
- Aggressive – This model will be benchmarked to the Morningstar Target Risk Moderately Aggressive Index. The equity exposure will generally be between 50% and 90% with a target of 80%, but the portfolio manager reserves the right to increase or decrease equity exposure depending upon market and economic conditions.

- **Alternative Investment** – This model will consist of public, liquid ETFs and mutual funds that closely mirror alternative investment strategies such as long/short funds, convertible arbitrage, indexed managed futures, managed volatility, and similar type funds that are chosen specifically for their risk/return/non-correlation characteristics to traditional asset classes.
- **Tactical** – This model will be benchmarked as an alternative or absolute return portfolio and can vary in equity exposure from 0% to 100% depending upon the portfolio manager's view of current and expected economic and market conditions.

## **B.2. Leverage**

Although Sentinus Asset Management, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Sentinus Asset Management, will utilize leverage. In this regard, please review the following:

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor. In addition, the use of leverage enhances the price volatility of the collateral securities which can result in significant loss.

Broker-dealers that carry customer accounts have a minimum equity requirement when clients utilize leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to satisfy a required margin deposit or withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

## **B.3. Short-Term Trading**

Although Sentinus Asset Management, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-velocity trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

#### **B.4. Short Selling**

Sentinus Asset Management generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the borrowed security.

#### **B.5. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry and sector performance.

### **C. Concentration Risks**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

Sentinus Asset Management has nothing to disclose for this item.

### **B. Administrative Enforcement Proceedings**

Sentinus Asset Management has nothing to disclose for this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

Sentinus Asset Management has nothing to disclose for this item.

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

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

Sentinus Asset Management is not registered as broker-dealer and does not have an application to register pending.

### **B. Futures or Commodity Registration**

Sentinus Asset Management is not registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and does not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Investnet Asset Management, Inc.**

Sentinus Asset Management is contracted as a sub-adviser to Investnet Asset Management, Inc. ("EAM"). Sentinus Asset Management uploads model portfolios to EAM, which EAM then makes available to other investment advisers who have subscribed to the EAM investment platform. Sentinus Asset Management pays an initial technology set-up fee to establish Sentinus Asset Management on the EAM platform. Beyond the initial set-up fee there is no additional remuneration paid by EAM to Sentinus Asset Management or by Sentinus Asset Management to EAM.

Sentinus Asset Management is affiliated with Sentinus LLC. Clients should understand that Sentinus Asset Management does not offer separate account management services directly with end clients. Rather it may offer its services to clients of registered investment advisers under a sub-adviser relationship with EAM. As such, Sentinus Asset Management has an economic interest in recommending to potential end clients that they utilize the services of Sentinus LLC. Such recommendation may be viewed as being in the best interests of Sentinus Asset Management rather than in the best interests of the client.

#### **C.2. Placemark Investments, Inc.**

Sentinus Asset Management is contracted as a sub-adviser to Placemark Investments, Inc. ("Placemark"). Sentinus Asset Management uploads model portfolios to Placemark, which Placemark then makes available to other investment advisers who have subscribed to the Placemark investment platform. Sentinus Asset Management may pay an initial technology set-up fee to establish Sentinus Asset Management on the Placemark platform. Beyond the initial set-up fee, if applicable, there is no additional remuneration paid by Placemark to Sentinus Asset Management or by Sentinus Asset Management to Placemark.

Sentinus Asset Management is affiliated with Sentinus LLC. Clients should understand that Sentinus Asset Management does not offer separate account management services directly with

end clients. Rather it may offer its services to clients of registered investment advisers under a sub-adviser relationship with Placemark. As such, Sentinus Asset Management has an economic interest in recommending to potential end clients that they utilize the services of Sentinus LLC. Such recommendation may be viewed as being in the best interests of Sentinus Asset Management rather than in the best interests of the client.

#### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Other than as described in Item 10.C. above, Sentinus Asset Management does not recommend separate account managers or other investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

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

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

In accordance with the Advisers Act, Sentinus Asset Management has adopted policies and procedures designed to detect and prevent insider trading. In addition, Sentinus Asset Management has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of the firm's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of the firm. Sentinus Asset Management will send clients a copy of its Code of Ethics upon written request.

Sentinus Asset Management has policies and procedures in place to ensure that the interests of its clients are given preference over those of the firm, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material nonpublic information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Sentinus Asset Management does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory).

Sentinus Asset Management is affiliated with Sentinus LLC. Clients should understand that Sentinus Asset Management does not offer separate account management services directly with end clients. Rather it offers its services exclusively to clients of registered investment advisers under a sub-adviser relationship with various third-party investment advisers. As such, Sentinus Asset Management has an economic interest in recommending to potential end clients that they utilize the services of Sentinus LLC. Such recommendation may be viewed as being in the best interests of Sentinus Asset Management rather than in the best interests of the client.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Sentinus Asset Management, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Sentinus Asset Management specifically prohibits. Sentinus Asset Management has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Sentinus Asset Management's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Sentinus Asset Management, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other of the firm's clients. Sentinus Asset Management will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of Sentinus Asset Management to place the clients' interests above those of the firm and its employees.



## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Sentinus Asset Management operates as a sub-adviser to various third-party investment advisers. All custodian recommendations are provided by the investment adviser subscribing to the third-party investment adviser's investment platform. Sentinus Asset Management uploads models to a third-party investment adviser platform, which effects the securities transactions through the platform sponsor's custodian.

#### A.2. Soft Dollar Arrangements

Sentinus Asset Management does not utilize soft dollar arrangements. Sentinus Asset Management does not direct brokerage transactions to executing brokers for research and brokerage services.

#### A.3. Brokerage for Client Referrals

Sentinus Asset Management does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

#### A.4. Client-Directed Brokerage

Occasionally, clients may direct Sentinus Asset Management to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Sentinus Asset Management derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Sentinus Asset Management loses the ability to aggregate trades with other Sentinus Asset Management advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

### B. Aggregating Securities Transactions for Client Accounts

#### B.1. Best Execution

Sentinus Asset Management, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. Sentinus Asset Management recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Sentinus Asset Management will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker

- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Sentinus Asset Management seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Sentinus Asset Management's knowledge, these custodians provide high-quality execution, and Sentinus Asset Management's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Sentinus Asset Management believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since Sentinus Asset Management may be managing accounts with similar investment objectives, Sentinus Asset Management may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Sentinus Asset Management in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Sentinus Asset Management's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Sentinus Asset Management will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Sentinus Asset Management's advice to certain clients and entities and the action of Sentinus Asset Management for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Sentinus Asset Management with respect to a particular investment may, for a

particular client, differ or be opposed to the recommendation, advice, or actions of Sentinus Asset Management to or on behalf of other clients.

### **B.3. Order Aggregation**

Sentinus Asset Management does not aggregate. Sentinus Asset Management uploads model portfolios directly to the third-party investment adviser, which then executes the trades pursuant to its standard protocol.

### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Sentinus Asset Management acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Sentinus Asset Management determines that such arrangements are no longer in the best interest of its clients.

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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Sentinus Asset Management's portfolio manager reviews his model portfolios on at least a monthly basis.

### **B. Review of Client Accounts on Non-Periodic Basis**

Sentinus Asset Management may perform ad hoc reviews on an as-needed basis if the client has imposed significant restrictions on Sentinus Asset Management's management of the account or if there have been material changes in how Sentinus Asset Management formulates investment advice or constructs its model portfolios.

### **C. Content of Client-Provided Reports and Frequency**

Sentinus Asset Management does not provide any performance or other reports to third-party investment advisers or any subscribing investment adviser firm.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Other than the benefits described in Items 10 and 12 of this Brochure, neither Sentinus Asset Management nor its affiliates receives payment for referring its customers to unaffiliated third-party service providers.

### **B. Advisory Firm Payments for Client Referrals**

Sentinus Asset Management does not make payment for client referrals.

## **Item 15: Custody**

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in their accounts.

## **Item 16: Investment Discretion**

Sentinus Asset Management uploads model portfolios to the third-party investment advisers. Although Sentinus Asset Management does exercise investment discretion, it does so only with respect to the composition of its model portfolios.

## Item 17: Voting Client Securities

Sentinus Asset Management does not take discretion with respect to voting proxies on behalf of its clients. Sentinus Asset Management will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Sentinus Asset Management supervised and/or managed assets. In no event will Sentinus Asset Management take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Sentinus Asset Management will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Sentinus Asset Management has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Sentinus Asset Management also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Sentinus Asset Management has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Sentinus Asset Management receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.



## **Item 18: Financial Information**

### **A. Balance Sheet**

Sentinus Asset Management does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Sentinus Asset Management does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There are no bankruptcy petitions to report.