

Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Blue Sky Asset Management, LLC. (hereinafter "BSAM"). If you have any questions about the contents of this brochure, please contact us at (303)552-0945. 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 BSAM is available on the SEC's website at www.adviserinfo.sec.gov.

BSAM is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

This is our initial Form ADV Part 2A. As such, there have not been any material changes to this brochure.

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Item 4. Advisory Business

Error! Reference source not found. BSAM provides investment management services, primarily for affiliated and non-affiliated investment advisers (“Adviser Client”) and their investment advisory representatives (“IARs”). Prior to engaging **Error! Reference source not found.** BSAM to provide any of the foregoing investment advisory services, the Adviser Client is required to enter into one or more written agreements with us **Error! Reference source not found.** setting forth the terms and conditions under which **Error! Reference source not found.** we renders our services (collectively the “*Agreement*”). Each Adviser Client is responsible for executing an investment advisory agreement with its individual clients for which it provides investment advisory services (“Advisory Client”). BSAM has been in business since May 1, 2013. Aveo Capital Holdings, LLC is the principal owner of BSAM **Error! Reference source not found.** As of May 1, 2013, BSAM **Error! Reference source not found.** has \$0 in assets under management, but expects to have \$60,000,000 in assets under management within 90 days. BSAM is affiliated and under common control with Aveo Capital Partners, LLC (“ACP” a SEC registered investment adviser). ACP may recommend BSAM to its Advisory Clients as a subadvisor for investment management services as set forth below.

This Disclosure Brochure describes the business of BSAM **Error! Reference source not found.** Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of BSAM **Error! Reference source not found.**’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on BSAM **Error! Reference source not found.**’s behalf and is subject to BSAM **Error! Reference source not found.**’s supervision or control.

Investment Management Services

Adviser Clients can engage BSAM **Error! Reference source not found.** to manage all or a portion of their Advisory Clients’ assets on a discretionary basis, BSAM generally provides its investment management services as a subadvisor to affiliated and non-affiliated investment advisers and does so through IARs of Adviser Clients.

Error! Reference source not found. BSAM primarily allocates clients’ investment management assets among independent and proprietary investment portfolios or strategies (“BSAM Strategies”), which may consist of mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities, and options, and such strategies are designed to fit various investment objectives of clients. **Error! Reference source not found.**

BSAM **Error! Reference source not found.** relies on IARs of its Adviser Clients to consult with Advisory Clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the Advisory Clients’ investment needs and to ensure that any Advisory Clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

BSAM may use independent managers as subadvisors or to oversee separately managed accounts for Advisory Client account for which Adviser Clients retain BSAM. Currently, any such independent managers are agents of BSAM pursuant to an agency agreement between BSAM and such independent managers. Advisory Client accounts are charged investment management fees by BSAM, as set forth below, and BSAM pays such independent managers an agreed upon subadvisory fee.

Investment Trading and Administrative Support Services

In addition to providing access to BSAM Strategies and independent managers, BSAM also provides trading and administrative services to Adviser Clients who manage adviser directed portfolios for their Advisory Clients. In such cases, BSAM and Adviser Clients enter into an agreement in which BSAM agrees to execute securities transactions and/or rebalancing orders for the Adviser Clients at their respective custodians for such adviser directed portfolios. Except for the specific instructions provided by the Adviser Client's IAR to BSAM, the Adviser Clients and their respective IARs are responsible for all areas of portfolio design and management, including ensuring that such portfolios and/or securities trades are suitable for the Advisory Client, and are responsible for any trading errors that result from the Adviser Client and/or IAR communicating incorrect instructions to BSAM.

Item 5. Fees and Compensation

Investment Management Fee

BSAM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed. BSAM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. BSAM does not, however, receive any portion of these commissions, fees, and costs. BSAM's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by on the last day of the previous quarter. The annual fee varies (between 0.20% and 1%) depending upon the market value of the assets under management and the type of investment management services to be rendered. BSAM's Management Fee is prorated and paid quarterly, in advance, based upon the market value of the Assets on the last day of the previous quarter as valued by the Custodian. The Management Fee for the initial quarter shall be calculated on a pro rata basis commencing on the day the Assets are initially designated to us for management under this Agreement. BSAM does not provide refunds prepaid fees in the case of intraquarter withdrawals, except when a client terminates its agreement. In case of termination BSAM will refund prepaid fees on a pro rata basis. BSAM does not pay interest on prepaid fees.

For trading and administrative services to Adviser Clients who manage adviser directed portfolios for their Advisory Clients, BSAM generally charges (between 0.10% and 0.30%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

Fees Charged by Adviser Clients

As stated above, BSAM generally acts as a sub-advisor to Adviser Clients and its Advisory Clients in order to provide access to the BSAM Strategies. Adviser Clients IARs manage their Advisory Clients' assets, which may or may not include BSAM Strategies. Adviser Clients' investment advisory fees charged to Advisory Clients is exclusive and in addition to any investment management fees and/or trading and administrative service fees for BSAM services related to adviser directed portfolios charged by BSAM. Adviser Clients are required to enter into investment advisory

agreements with Advisory Clients disclosing the authorized use of and any conflicts of interest inherent in the use of BSAM as a subadvisor for Advisory Client accounts.

BSAM may have an expense and/or revenue sharing agreement with its Adviser Clients in which IARs may receive additional compensation for referring Advisory Clients to BSAM. This conflict of interest is mitigated by the Adviser Clients monitoring the total investment advisory and investment management fees charged to Advisory Clients to ensure such total fees are reasonable. These agreements do not result in any additional cost to the client.

Fees Charged by Financial Institutions and Independent Managers

Advisory Clients may incur certain charges imposed by the *Financial Institutions* such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to BSAM's fee.

Adviser Clients are responsible for disclosing to Advisory Clients all fees and expenses charged by *Financial Institutions* and may be required to enter into a separate agreement with any *Financial Institutions* authorizing BSAM **Error! Reference source not found.** to debit the Advisory Client's account for the amount of BSAM **Error! Reference source not found.**'s fee and to directly remit that management fee to BSAM **Error! Reference source not found.** or the *Independent Managers*. Any *Financial Institutions* recommended by BSAM **Error! Reference source not found.** have agreed to send a statement to the Advisory Client, at least quarterly, indicating all amounts disbursed from the account.

Any fees charged by independent managers are inclusive of BSAM's investment management fee and are not an additional fee to the clients. BSAM pays such independent managers out of its investment management fee after retaining agreed upon administrative and other expenses.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees are calculated on a *pro rata* basis. Any following intra quarter deposits or withdrawals greater than \$50,000 will be billed on a prorated basis at the beginning of the following quarter.

The *Agreement* between BSAM **Error! Reference source not found.** and the Adviser Client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. BSAM **Error! Reference source not found.**'s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to BSAM **Error! Reference source not found.**'s right to terminate an account. Additions may be in cash or securities provided that **Error! Reference source not found.** BSAM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to BSAM, subject to the

usual and customary securities settlement procedures. However, BSAM **Error! Reference source not found.** designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. BSAM **Error! Reference source not found.** may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

Item 6. Performance-Based Fees and Side-by-Side Management

BSAM does not charge performance-based fees. BSAM Strategies are managed based on the risk return profile of the separate strategy, not based on Advisory Client investment objectives. Adviser Client IARs are responsible for properly allocating Advisory client assets among BSAM Strategies, Independent Managers, and or their own investment strategies or portfolios.

Item 7. Types of Clients

Error! Reference source not found. BSAM provides its services to Adviser Clients who generally service individuals, pension and profit sharing plans, trusts, estates, charitable organizations, other investment advisers, corporations and business entities.

Minimums Imposed By Independent Managers

Error! Reference source not found. BSAM does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than BSAM **Error! Reference source not found.**. In such instances, **Error! Reference source not found.** BSAM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

Methods of Analysis

BSAM **Error! Reference source not found.**'s primary methods of analysis are fundamental and technical.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. **Error! Reference source not found.** In addition to other factors and information, BSAM may analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and

trends, which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that **Error! Reference source not found.** will be able to accurately predict such a reoccurrence.

Investment Strategies

Our investment thesis is based on several core ideas - taking a long-term view, conducting fundamental and technical analysis, being opportunistic yet disciplined, and avoiding unnecessary risk. We apply this thesis to our proprietary strategies and those of the independent managers we maintain subadvisory relationships with. Our long-term approach involves an absolute return focus on full market cycles, measuring returns in years rather than quarters. BSAM's opportunistic stance makes us willing to take on contrarian views and frees us of constraints – we are not style-box driven. BSAM combines discipline with this opportunism to avoid unnecessary risk. BSAM also performs rigorous due diligence on all investments and is resolute in applying our risk management rules and guidelines. Most importantly, BSAM will not invest our clients' capital in something we do not thoroughly and deeply understand. We believe our overall philosophy conservatively balances safety with risk, and leads to prudently diversified portfolios.

BSAM's proprietary investment strategies are generally active and rules based. We strongly believe in the benefits of active management in most asset classes and investment types. This is because we view financial markets as being generally efficient in the long-run but often highly inefficient in the short-run, providing opportunities to capitalize on market mis-pricings and generate above-average returns.

The diversification of our portfolios protects against volatility, and the balance we maintain between opportunism and conservatism further protects clients from unnecessary risk. BSAM therefore provides our clients with the best ideas while prudently managing their portfolios to achieve their long-term financial goals. We stick to the plan once we have formed it – we do not abandon our philosophy nor do we veer away from the goals outlined in each strategy's investment mandate.

We accomplish our investment management objectives generally through the active use and management of mutual funds, ETFs, equity and fixed income securities, and option contracts for risk management purposes.

Risks of Loss

Mutual Funds and Exchange Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Market Risks

The profitability of a significant portion of BSAM **Error! Reference source not found.**'s recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that **Error! Reference source not found.** will be able to predict those price movements accurately.

Use of Independent Managers

BSAM **Error! Reference source not found.** may recommend the use of *independent managers* for certain clients. **Error! Reference source not found.** We will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the independent managers ability to successfully implement their investment strategy. In addition, **Error! Reference source not found.** we do not have the ability to supervise the independent managers on a day-to-day basis other than as previously described in response to Item 4, above.

Management Through Similarly Managed Accounts

BSAM **Error! Reference source not found.**'s management using the *BSAM Strategies* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

Securities in *BSAM Strategies* are usually exchanged and/or transferred without regard to an Advisory Client's individual tax ramifications. Adviser Clients IARs are responsible for monitoring the tax ramifications of their Advisory Client accounts. Certain investment opportunities that become available to BSAM **Error! Reference source not found.** may be limited. **Error! Reference source not found.** BSAM allocates investment opportunities among its clients on a fair and equitable basis.

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Item 9. Disciplinary Information

BSAM **Error! Reference source not found.** is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. **Error! Reference source not found.** We do not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

BSAM is affiliated and under common control with ACP. For a detailed discussion of ACP's relationship with BSAM and any conflicts of interest related to such, please see ACP's Brochure.

Item 11. Code of Ethics

Error! Reference source not found. BSAM and persons associated with it **Error! Reference source not found.** ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with BSAM **Error! Reference source not found.**'s policies and procedures.

Error! Reference source not found. BSAM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by **Error! Reference source not found.** or any of its associated persons. The *Code of Ethics* also requires that certain of BSAM **Error! Reference source not found.**'s personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in BSAM **Error! Reference source not found.**'s *Code of Ethics*, none of BSAM **Error! Reference source not found.**'s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of BSAM **Error! Reference source not found.**'s clients.

When BSAM **Error! Reference source not found.** is purchasing or considering for purchase any security on behalf of a BSAM Strategy, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when BSAM **Error! Reference source not found.** is selling or considering the sale of any security on behalf of a BSAM Strategy, no *Access Person*

may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact **Error! Reference source not found.** to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

BSAM can manage its BSAM Strategies through any of the major independent custodians including TD Ameritrade, Schwab Institutional, or Fidelity, etc. It is the responsibility of the adviser Client to evaluate the custodian for Advisory Client in order to obtain "best execution."

Item 13. Review of Accounts

BSAM **Error! Reference source not found.** monitors its BSAM Strategies and the strategies of the independent managers in order to ensure that such are managed consistently within the tolerances of each strategies investment mandate. Adviser Clients and their IARs are responsible for reviewing advisory client accounts for adherence to such Advisory Clients' investment objectives.

Item 14. Client Referrals and Other Compensation

Error! Reference source not found. BSAM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, BSAM **Error! Reference source not found.** is required to disclose any direct or indirect compensation that it provides for client referrals. BSAM **Error! Reference source not found.** has described such relationships and arrangements below.

BSAM may, from time to time, engage third parties to solicit advisory clients on its behalf. BSAM will pay either a flat rate or a portion of management fees received from investors to the third party subject to a written agreement. All such soliciting arrangements, including the fees to be paid to the solicitor, will be fully disclosed to potential advisory clients at the time of such solicitation.

Item 15. Custody

BSAM **Error! Reference source not found.**'s *Agreement* and/or the separate agreement with any *Financial Institution* may authorize BSAM **Error! Reference source not found.** through such *Financial Institution* to debit the Advisory Client's account for the amount of BSAM **Error! Reference source not found.**'s fee and to directly remit that management fee to **Error! Reference source not found.** in accordance with applicable custody rules.

Adviser Clients are responsible for ensuring that *Financial Institutions* **Error! Reference source not found.** have agreed to send a statement to the Advisory Client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to BSAM **Error! Reference source not found.**.

Item 16. Investment Discretion

BSAM **Error! Reference source not found.** may be given the authority to exercise discretion on behalf of Advisory Clients in order to manage and rebalance the BSAM Strategies within Advisory client accounts. BSAM **Error! Reference source not found.** is considered to exercise investment discretion over an Advisory Client's account if it can effect transactions for the client without first having to seek the client's consent. Adviser Clients are required to give BSAM authority through a power-of-attorney included in the agreement between the Adviser Client **Error! Reference source not found.** and the Advisory Client.

BSAM takes discretion over the following activities:

- The securities to be purchased or sold within the BSAM Strategies;
- The amount of securities to be purchased or sold within the BSAM Strategies;
- When transactions are made within the BSAM Strategies; and
- The *Independent Managers* to be hired or fired.

Item 17. Voting Client Securities

BSAM **Error! Reference source not found.** will not generally accept the responsibility for voting client securities (proxies) on behalf of its clients. In the rare occasion where **Error! Reference source not found.** accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in BSAM **Error! Reference source not found.**'s Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in BSAM **Error! Reference source not found.**'s Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact BSAM **Error! Reference source not found.** to request information about how BSAM **Error! Reference source not found.** voted proxies for that client's securities or to get a copy of BSAM **Error! Reference source not found.**'s Proxy Voting Policies and Procedures

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that **Error! Reference source not found.** maintains with persons having an interest in the outcome of certain votes, **Error! Reference source not found.** BSAM takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

Item 18. Financial Information

Error! Reference source not found.BSAM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, **Error! Reference source not found.**BSAM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. BSAM**Error! Reference source not found.** has no disclosures pursuant to this Item.