

# Mount Yale Investment Advisors, LLC

Part 2A of Form ADV  
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March 31, 2014



This brochure provides information about the qualifications and business practices of Mount Yale Investment Advisors, LLC ("MYIA"). If you have any questions about the contents of this brochure, please contact Michael Sabre at 888-862-3690 or [AdvisReqA@mtyle.com](mailto:AdvisReqA@mtyle.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

MYIA is registered as an investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training. Additional information about MYIA also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2.       Material Changes**

This brochure dated March 31, 2014 replaces the ADV Part2A dated March 31, 2013.

There have been no material changes in 2013.

Our brochure may be requested free of charge by contacting Michael J. Sabre, Chief Compliance Officer, at 888-862-3690 or [AdvisReqA@mtyale.com](mailto:AdvisReqA@mtyale.com). Our brochure is also available free of charge on our web site [www.mtyale.com](http://www.mtyale.com).

### **Item 3. Table of Contents**

Item 1.	Cover Page.....	i
Item 2.	Material Changes.....	ii
Item 3.	Table of Contents .....	iii
Item 4.	Advisory Business.....	1
Item 5.	Fees and Compensation .....	3
Item 6.	Performance-Based Fees and Side-By-Side Management.....	7
Item 7.	Types of Clients.....	7
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9.	Disciplinary Information .....	8
Item 10.	Other Financial Industry Activities and Affiliations.....	8
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	12
Item 12.	Brokerage Practices .....	13
Item 13.	Review of Accounts .....	15
Item 14.	Client Referrals and Other Compensation.....	16
Item 15.	Custody .....	17
Item 16.	Investment Discretion.....	17
Item 17.	Voting Client Securities .....	18
Item 18.	Financial Information.....	19

#### **Item 4.        Advisory Business**

MYIA was organized in 2005 and designs, recommends, implements or assists with the implementation and monitoring of customized investment portfolios for a variety of clients. MYIA is owned by Mount Yale Capital Group LLC, whose direct and indirect owners and/or control persons are its Managing Members: Greg D. Anderson, Roger C. Bowden and John L. Sabre. Mr. Sabre's spouse is also an indirect owner.

MYIA works closely with clients and their financial advisors to identify and recommend suitable asset allocation, investment manager and/or investment product choices in an attempt to meet return objectives, risk tolerances, liquidity requirements and income preferences. After clients choose their investment managers and/or investment products, MYIA provides ongoing monitoring and reporting services to clients.

MYIA's investment management services are offered through four different programs, discussed below.

##### Program A

MYIA provides the services described below to high-net-worth individuals, pension and profit sharing plans, trusts, estates, corporations or other business entities. Clients may be introduced to MYIA by investment advisors, banks, broker/dealers, custodians, and/or other financial services companies that participate in the program ("Service Providers") and who may also provide ongoing servicing to clients utilizing the program.

A client in this Program A receives all of the following services from MYIA:

- Collection and analysis of client information that is provided to MYIA by the Service Providers and deemed necessary in order to understand the client's investment goals, investment objectives and risk tolerance;
- Development of an asset allocation strategy that is designed to meet the client's risk parameters, investment goals and objectives;
- Asset allocation modeling using multiple asset-class disciplines and multiple investment vehicles;
- Research and analysis regarding traditional investment advisory firms ("Traditional Managers"), non-traditional investment advisory firms (*i.e.*, investment managers whose services relate to hedge funds and private equity funds ("Non-Traditional Managers")), mutual funds and exchange-traded funds that are included in the program (collectively "Investment Managers or Products", as appropriate) by means of ongoing quantitative screening combined with qualitative information and analysis; and
- Monitoring, evaluation and reporting of the performance of client accounts.

## Program B

MYIA provides the services described below to investment advisers, banks, broker/dealers, and/or other financial services companies that participate in the program ("Service Providers") and who also provide investment advisory services to their clients utilizing the investment managers in MYIA's programs. In this Program B, the Service Provider has a direct advisory relationship with the client and has client suitability responsibility and may provide clients with asset allocation services, investment policy development and performance reporting services.

A client in this Program B receives the following services from MYIA:

- Research and analysis regarding traditional investment advisory firms ("Traditional Managers"), non-traditional investment advisory firms (i.e., investment managers whose services relate to hedge funds and private equity funds ("Non-Traditional Managers"), mutual funds and exchange-traded funds that are included in the program (collectively, "Investment Managers or Products" as appropriate) by means of ongoing quantitative screening combined with qualitative information and analysis; and
- Development of a proposal to provide investment management services and evaluation and reporting regarding performance of the client's investment portfolio (optional).

## Program C

From time to time MYIA may also provide certain services as set forth below to institutional clients and certain sophisticated high-net-worth individuals.

- Investment policy development;
- Asset allocation analysis, taking into consideration the client's investment goals, investment objective and risk tolerance (*i.e.* client suitability);
- Research and analysis of investment products and investment managers;
- Evaluation of the client's existing portfolio, using historical data;
- Performance measurement and ongoing monitoring of the client's portfolio; and
- Administrative services.

## Program D

From time to time MYIA may also provide the investment advisory services set forth below to insurance company separate account private placements.

- Asset allocation analysis and recommendation;
- Research and analysis of subadvisers and private investment funds;
- Execution of asset allocation recommendation by retaining subadvisers or investing in private investment funds;
- Performance measurement and ongoing monitoring of the client's portfolio; and
- Other administrative services, such as providing reports from the subadvisers or investment funds.

Program D clients may impose restrictions on investing in certain securities or types of securities. Investment guidelines and restrictions must be provided to MYIA in writing.

## Assets Under Management

As of December 31, 2013, MYIA had total firm assets under management of \$862,736,329. This is comprised of \$1,555,329 in discretionary assets under management and \$861,181,000 in non-discretionary assets under management. MYIA includes as its non-discretionary assets in this brochure those accounts for which it provides the advisory services described above that do not involve the implementation of its recommendations.

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

The specific manner in which fees are charged by MYIA is established in a client's written agreement with MYIA. MYIA will generally bill its fees on a quarterly calendar basis in advance. Clients authorize MYIA to directly debit fees from their client accounts or may elect to be billed directly. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Investment management agreements are typically terminable on thirty days' written notice. Further information regarding MYIA fees is set forth below.

## Program A Fees

Each client pays an annual advisory fee in quarterly installments to MYIA for all of the advisory services provided by MYIA to each client (“Advisory Services”), based on a percentage of the client’s total assets under management by MYIA (“Managed Assets”). The advisory fees charged by MYIA are a percentage of the client’s Managed Assets as set forth below, and are negotiable between the client and MYIA depending on many factors including the client’s or its financial advisor’s relationship with MYIA.

### Traditional Equity and Collective Investment Vehicle Accounts

First \$500,000	0.55%
Next \$500,000	0.50%
Next \$4,000,000	0.45%
Any Additional	0.40%

### Traditional Fixed Income and Cash Equivalent Accounts

First \$500,000	0.33%
Next \$500,000	0.30%
Next \$4,000,000	0.27%
Any Additional	0.24%

The advisory fee for each client is described more specifically in the Client Advisory Agreement between MYIA and the client.

Each client also will enter into a separate agreement with those Investment Managers or Products that have been selected by the client to provide advisory services to the client (unless such an agreement is not required, as the case would be for registered fund investments). Each client may also enter into separate agreements with other Service Providers under the program. The costs for the services under those agreements are determined by each of those Investment Managers or Products and Service Providers.

In addition to the advisory fee paid to Mount Yale, clients will also pay the advisory fee and the fees charged by the Investment Managers and the Service Providers, which all together comprise the “Portfolio Fee” as set forth in the Client Advisory Agreement. The Portfolio Fee does not include fees paid to the custodian, fees paid to Non-Traditional Managers, mutual fund or other commingled investment vehicle fees, and brokerage fees and expenses that will be incurred by the Investment Manager that executes trades for the client’s account (not MYIA). The method of calculating the Portfolio Fee is detailed in a schedule to the Client Advisory Agreement between MYIA and the client (“Fee Schedule”).

Portfolio Fees will be charged to the client's account quarterly, in advance, based on the value of the client's Managed Assets on the last business day of the prior quarter. MYIA deducts the advisory fee owed to MYIA by the client from the client's custodial account as authorized in the Client Advisory Agreement. The Investment Managers and Service Providers deduct their own fees pursuant to their arrangements with clients. The timing of the calculation and billing of Portfolio Fees will depend upon the receipt of the custodial information and the frequency of the valuation of the client's account.

#### Program B Fees

The fees paid by Service Providers to MYIA for its services under Program B are negotiated between the parties on a case-by-case basis. The results of those negotiations are formalized in an agreement between each Service Provider and MYIA.

#### Program C Fees

Flat fees, if applicable, will be charged on a per project basis and can range from \$500 to over \$100,000. The flat fee is dependent on the nature and complexity of the services to be provided by MYIA. Flat fees are generally payable one-half in advance, with the remaining half due upon completion of the project. However, under no circumstances will MYIA collect fees for more than six months in advance.

An hourly rate may also be charged for services provided by a MYIA consultant or analyst, ranging from \$65-\$500 per hour. Hourly fees are payable at the end of each month for the services provided in that month. In certain situations, the client, may instead, pay an annual fee to MYIA, charged quarterly in advance, based on a percentage of the client's total assets under management by MYIA ("Managed Assets"). Fees range from 0.10% - 1.50% of the client's Managed Assets.

#### Program D Fees

There is no standard fee structure for these services. Fees are negotiated on a case by case basis and are generally structured as a percentage of assets under management. With respect to client assets invested in a Mount Yale Affiliated Private Fund (defined in Item 10 below), MYIA will either waive its account-level advisory fee or the fund will waive its management fee and any applicable incentive fee/special profit allocation (if applicable), depending on the terms of the client agreement.

#### Termination and Fees with Respect to All Programs

Exact fees and rates to be charged to a specific client will be set forth in the Client Advisory Agreement with MYIA. A client may terminate its Client Advisory Agreement with MYIA prior to the expiration of the Client Advisory Agreement by delivering a written request for

termination to MYIA via fax, hand delivery or U.S. mail. Any fees collected in advance by MYIA in accordance with the Client Advisory Agreement and paid to MYIA, but not yet earned by MYIA, will be refunded to the client on a pro rata basis, as provided in the Client Advisory Agreement between the client and MYIA. Fees charged under the Client Advisory Agreement are negotiable depending upon many factors including the client's needs and the complexity of the project. Certain versions of the Client Advisory Agreement may provide for a termination fee to be charged in connection with a client's termination of the agreement related to the administrative costs and expenses associated with termination activities. MYIA reserves the right to waive such fee in its discretion.

#### General Fee Disclosure

Certain Client Advisory Agreements provide for a right of offset to the extent a client owes outstanding Program Fees or a termination fee to MYIA at the effective date of client's termination of the agreement and client's account does not hold liquid assets sufficient to pay such outstanding fees. Such right of offset is described further in the applicable agreement.

With respect to MYIA's discretionary advisory services, to the extent MYIA selects a Mount Yale Affiliated Private Fund or MYAM, advisory fees will be waived at either the MYIA account level or at the MYAM/Mount Yale Affiliated Private Fund level, depending on the specific client agreement.

#### Additional Fees and Expenses

MYIA's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client in connection with recommendations made by Mount Yale. Clients will incur certain charges imposed by custodians, brokers, third party investment managers and other third parties such as fees custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to MYIA's fee, and MYIA does not receive any portion of these commissions, fees, and costs.

Please see Item 12 for information about our brokerage practices and Item 10 for information about revenue sharing arrangements involving our affiliates.

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

MYIA does not charge any performance-based fees. As a result, MYIA has no conflicts of interest between accounts that pay asset-based fees and accounts that pay performance-based fees (known as “side-by-side management”).

**Item 7. Types of Clients**

The types of clients to whom MYIA generally provides investment advice are set forth in the descriptions of our four different programs in Item 4, above.

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

MYIA’s methods of analysis include independent research on investment managers and managed investment vehicles in addition to informational databases provided by third parties. Item 4 above sets forth the investment strategies MYIA uses in providing advisory services to clients.

There will be various investment and other risks associated with a client’s investment portfolio. Investing in securities involves risk of loss. No person should invest in the financial markets unless he or she is fully able, financially and otherwise, to bear investment losses, and unless he or she has the background and experience to understand thoroughly the risks of their investment.

Certain material risks relating to the advice and recommendations provided by MYIA are set forth below, but this section does not attempt to identify every risk or to describe completely those risks it does identify.

- **Market Risk.** The market values of the securities in which a client invests may decline, at times sharply and unpredictably. Market values of equity securities are affected by a number of different factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, decreased demand for an issuer’s products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity.
- **Asset Allocation Risk.** Asset Allocation may have a more significant effect on account value when one of the more heavily weighted asset classes is performing more poorly than the others. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

- **Management Risk.** This is the risk that the Investment Managers or Products MYIA analyzes or recommends will not successfully execute a strategy even after applying its investment process. There can be no guarantee that such Investment Managers or Products will produce the intended result, and there can be no assurance that its investment strategy will succeed.
- **Private Placements.** MYIA may research, recommend or execute investments in privately issued securities. Such securities are subject to legal or contractual resale restrictions. Clients are generally unable to publicly sell these securities. Such securities are also typically difficult to value. For these reasons, disposition of privately issued securities may be difficult and require a lengthy period of time.

## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding certain legal or disciplinary events that would be material to your evaluation of MYIA or the integrity of MYIA's management. MYIA has no legal or disciplinary event applicable to this Item to report.

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

### Other Investment Advisor

MYIA is affiliated with Mount Yale Asset Management, LLC ("MYAM") an SEC-registered investment advisory firm with offices in Denver, Colorado and Minneapolis, Minnesota. MYAM advises private commingled investment funds, certain individual accounts and acts as the investment adviser to a registered mutual fund. MYIA's Managing Members are also MYAM's Managing Members and spend a significant amount of time on MYAM activities.

When suitable, MYIA recommends strategies advised by MYAM to MYIA clients as part of an overall asset allocation and portfolio recommendation service. In connection with such recommendations, MYIA clients pay MYIA an advisory fee. To the extent such clients decide to become advisory clients of MYAM with respect to a specific investment strategy offered by MYAM (*e.g.* MYAM's Institutional Access Strategies, Global Tactical Institutional Access Strategy or Summit Diversified Portfolios), such clients will pay MYAM an advisory fee on that portion of the client assets it manages. Clients that decide to invest in a Mount Yale Affiliated Private Fund (as defined below) will also pay all the fees and expenses associated with those funds, including advisory fees to MYAM and administrative fees to another MYIA affiliate, as described below. Because MYIA provides high level asset allocation and portfolio recommendation services which are separate and distinct from the more strategy-specific advisory services MYAM provides, where permitted by applicable laws and regulations, MYIA will continue to charge its fee with respect to client assets for which MYAM provides specific advisory services and also charges a fee. In effect, the client

will pay two levels of fees on such assets, but such fees are for separate and distinct services provided by each of MYIA and MYAM.

With respect to MYIA's discretionary advisory services, to the extent MYIA selects a Mount Yale Affiliated Private Fund or MYAM, advisory fees will be waived at either the MYIA account level or at the MYAM/Mount Yale Affiliated Private Fund level, depending on the specific client agreement.

#### Broker-Dealer

MYIA is affiliated with Mount Yale Securities, LLC, ("MYS") a limited purpose broker-dealer that does not execute securities transactions or custody assets. MYIA's Managing Members are principals of MYS and have certain licenses with MYS. MYAM has entered into various revenue sharing arrangements with MYS to compensate it in connection with the sale of fund shares. MYS in turn pays such compensation to its representatives, who are also MYIA personnel and as such have an additional incentive to recommend the sale of the funds. Clients who are investors in such funds, however, pay no extra fees relating to such compensation.

#### Mount Yale Affiliated Private Investment Funds

MYIA may recommend any of the following Mount Yale Affiliated Private Funds to advisory clients based on a client's investment objectives and risk profile.

- Mount Yale Private Equity Fund, LP and Mount Yale Private Equity Offshore Fund, LP: invest indirectly and directly primarily in other private equity funds.
- Mount Yale Guardian Fund, a Series of Mount Yale Master Portfolios, LP: invests in cash portfolios, fixed income instruments, short dated government bonds, money market instruments, bank deposits, bank loans and other instruments.
- MYPE Investment Partners, LP: invests in other private equity funds.

There is a conflict of interest when MYIA recommends that its clients invest in a Mount Yale Affiliated Private Fund because such funds pay MYIA affiliates fees for advisory services and administrative services. Additionally, MYS receives compensation from certain private funds or investment managers that receive investments from the Mount Yale Affiliated Private Funds. Therefore, MYIA has a financial interest in such recommendation.

Each fund's investment objective, strategies, and risks are set forth in their applicable offering documents. Other than in Program D, each client makes its own investment decision about whether to invest in such funds.

#### General Partner/Managing Member of Private Investment Funds

MYIA has various affiliates that serve as the general partner or managing member of one or more of the Mount Yale Affiliated Private Funds identified above. These affiliates are MYAM, Mount Yale Private Equity Partners, LLC, Mount Yale Premium Partners, LLC, Mount Yale Investment Partners, LLC, and Mount Yale Equity Hedged Partners, LLC. Each such affiliate is controlled directly or indirectly by MYIA's Managing Members.

#### Mutual Funds

MYIA's affiliate, Princeton Fund Advisors (PFA), is the investment adviser to the Princeton Futures Strategy Fund, Eagle MLP Strategy Fund, Probabilities Fund and the Sandalwood Opportunity Fund (the "Mutual Funds"). The Mutual Funds seek to provide diversified exposure to the commodity, financial and foreign exchange markets. Further information regarding the Mutual Funds may be found in their Prospectuses and Statements of Additional Information. There is a conflict of interest when MYIA recommends that its clients invest in the Mutual Funds because the funds pay PFA for advisory services. Therefore, MYIA has a financial interest in such recommendations.

Other than in Program D, each client makes its own investment decision about whether to invest in the Mutual Funds.

#### Administrative Services

MYIA is also affiliated with Mount Yale Administrative Services, LLC ("MYAS"), which provides administrative services to most of the Mount Yale Affiliated Private Funds. Fees for such services are disclosed in the offering documents. MYIA also has a services arrangement with MYAS pursuant to which MYIA pays MYAS fees for services relating to MYIA's business. Such services include furnishing space and office supplies, providing personnel and providing general administrative services and support. MYIA's Managing Partners are MYAS employees. MYAS also receives sponsorship fees or other payments to offset the expenses of such conferences from certain third party investment managers and funds, including third party managers and funds that MYIA recommends to advisory clients. This creates a conflict of interest for MYIA. A list of such third party manager sponsors is available by calling the telephone number listed on the cover page of this document.

## Policies and Procedures to Address Conflicts of Interest

Except as may otherwise be required by applicable law, conflicts of interest described or contemplated herein and such other conflicts of interest that may arise from time to time will be resolved in the sole discretion of MYIA. There can be no assurance that any actual or potential conflicts of interest will not adversely affect a clients' portfolio and its performance. Furthermore, present and future activities of MYIA and its affiliates in addition to those described or contemplated herein may give rise to additional conflicts of interest.

### *Recommendation of Mount Yale Affiliated Private Funds, Mutual Fund or MYAM*

With respect to recommending Mount Yale Affiliated Private Funds, MYIA ensures that each client and its financial advisor is provided with an offering memorandum which discloses such fund's compensation to MYIA affiliates. With respect to recommending the Mutual Funds, MYIA ensures that each client and its financial advisor is provided with a prospectus describing the fees paid to MYIA. Clients, potential clients, investors, potential investors and their financial advisors should refer to such disclosure as well as the disclosures contained Form ADV Part 2As of MYAM and MYIA in connection with any decision to hire or retain MYAM or to invest in a Mount Yale Affiliated Private Fund or the Mutual Fund. Please also see the disclosure above under "Broker-Dealer".

Were MYIA to recommend only unaffiliated private investment funds and investment managers, as a general matter the additional compensation discussed above would not accrue to its affiliates. However, MYIA believes all recommendations it makes are in the best interests of clients depending on their individual circumstances and that it discloses all material information concerning this conflict of interest in its various program documents, in the offering memoranda of the Mount Yale Affiliated Private Funds and in applicable Form ADV Part 2As. Other than with respect to Investment Program D, clients and their financial advisors are at all times free to choose to not accept MYIA's recommendations and to not invest in any Mount Yale Affiliated Private Funds or the Mutual Fund or retain MYAM to provide advisory services.

MYIA's Investment Committee must review and approve all investment products or managers it recommends, including MYAM, the Mount Yale Affiliated Private Funds and the Mutual Funds. The Investment Committee applies the same standards in considering and reviewing unaffiliated managers and funds as it does when considering and monitoring the underlying funds and subadvisers of the comparable Mount Yale Affiliated Private Funds and MYAM advisory strategies. Documentation of these standards and MYIA's review and approval is maintained by MYIA.

### *Recommendation of Unaffiliated Funds or Managers*

With respect to unaffiliated funds or managers MYIA recommends that pay sponsorship or related fees in connection with conferences, MYIA's Investment Committee must review and approve investment funds or managers it recommends to clients, regardless of compensation received by MYAS. Also, MYIA maintains a disclosure statement identifying those funds or investment managers that have paid sponsorship fees within the last 12 months. Clients, potential clients and their financial advisors may obtain a copy of the disclosure statement by contacting MYIA at the number provided on the cover page of this brochure. Clients, potential clients and their financial advisors should refer to such disclosure in connection with any decision to hire or retain MYIA.

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

MYIA has adopted a Code of Ethics for all employees of the Firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at MYIA must acknowledge the terms of the Code of Ethics annually, or as amended.

MYIA's clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting Michael Sabre at 1-888-862-3690, or emailing [AdvisReqA@mtyale.com](mailto:AdvisReqA@mtyale.com). A copy of MYIA's Code of Ethics is also posted at [www.mtyale.com](http://www.mtyale.com).

MYIA employees may trade for their own accounts in securities which are recommended to and/or purchased for MYIA's clients. Because MYIA permits such personal trading, this creates the conflict that employees could use their knowledge of pending client transactions in an attempt to benefit their own personal transactions. For example, if an employee owns a security the employee knows MYIA will be selling out of client accounts, the employee could sell the personal holding ahead of time in an effort to obtain a higher price than might exist when the client account holdings are sold. To address certain conflicts related to personal trading, the Code of Ethics requires pre-clearance of transactions involving private placements and initial public offerings. Because MYIA does not prohibit employees from investing in the same securities in which client accounts invest (other than as described above), we review the periodic personal securities transactions and holdings reports in an effort to ensure that employees do not personally benefit from, or try to take advantage of, their knowledge of upcoming buys and sells within client accounts. In general, given the nature of our clients' investments, our limited trading activities and the limited personal securities activities of our employees, MYIA does

not believe as a practical matter that employees will be able to benefit personally from such knowledge.

MYIA's managers personally invest in certain of the Mount Yale Affiliated Private Funds without imposition of a management fee or subject to any special profit allocation, but otherwise consistent with the terms of the applicable offering memoranda. MYIA managers may also invest in the Mutual Fund without the imposition of a front-end sales load. A conflict exists that relates to the advice that might be given to clients to invest in a fund. MYIA requires employees to put client interests first, however, and ensures that any recommendation to invest in a Mount Yale Affiliated Private Fund or the Mutual Funds is made only to clients for whom such an investment is suitable. MYIA's Code of Ethics also requires employees to obtain pre-approval of any personal transactions in the Mount Yale Affiliated Private Funds to address any potential conflicts related to their knowledge of the fund's activities.

In the limited circumstances where MYIA has investment discretion, it is MYIA's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. MYIA will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12. Brokerage Practices**

### **Brokerage Discretion**

Other than with respect to Program D, MYIA does not have or exercise brokerage discretion with respect to client assets. Investment Managers retained by clients or by MYIA as subadvisers in Program D have discretion to determine which broker-dealers are used to effect client transactions and the Investment Managers undertake to do so consistent with their obligation to obtain best execution.

For clients who choose to custody their assets at a Preferred Broker/Custodian, MYIA advises Investment Managers that MYIA has negotiated the provision of custodial and execution services for client accounts and that, where consistent with best execution, execution of transactions through the Preferred Broker/Custodian facilitates settlement of

client trades. However, Investment Managers have a duty to obtain best execution for client accounts and are not required to use a Preferred Broker/Custodian for execution services.

Investment Managers often select the Preferred Broker/Custodian as the broker-dealer to execute securities transactions presumably, in part, because it offers competitive execution and custody services and because of the efficiency and convenience of execution through the client's custodial broker-dealer. In addition to considering the cost and quality of services provided, the Investment Managers may select broker-dealers, including the Preferred Broker/Custodians, based in part on the quality of research products and services provided by the broker-dealer. The Investment Managers may pay a broker-dealer, including the Preferred Broker/Custodian, a commission in excess of that which another broker-dealer might have charged for effecting the same transactions, in recognition of the value of the research products and services provided by the broker-dealer. In such cases, the Investment Managers are in effect paying for the research products and services in client commissions or so-called "soft dollars." Clients should review each Investment Manager's Form ADV Part 2A regarding their trading practices and use of client commissions available on the Mount Yale website: [www.mtyale.com](http://www.mtyale.com).

#### Recommendation of Broker/Custodians

MYIA may assist clients in arranging custodial services for individual client accounts. In doing so, MYIA generally recommends that clients custody their assets at Fidelity Brokerage Services LLC or Charles Schwab & Co. (collectively, "Preferred Broker/Custodians"). These are MYIA's Preferred Broker/Custodians because of the quality of their custodial services, safety due to size, reputation, advanced technology platform, efficient and economical execution capability and high level of client service. In addition, clients' use of the Preferred Broker/Custodians facilitates the execution and settlement of trades affected by Investment Managers through the Preferred Broker/Custodians.

Substantially all of MYIA's clients custody their assets at the Preferred Broker/Custodians; although clients are not required to do so. However, MYIA has an indirect conflict of interest in recommending that clients custody their assets at Fidelity because MYIA or its affiliates receive certain benefits from Fidelity, as described below.

In addition to the research products and services Investment Managers may receive from broker-dealers, MYIA indirectly will also receive research products and services from Fidelity. MYIA and Fidelity have an arrangement whereby a portion of the commissions generated by trades effected by Investment Managers through Fidelity on behalf of MYIA clients will be used to pay for certain research products and services used by MYIA and its affiliates in servicing client accounts. These research products and services include access to financial market analysis and forecasts, portfolio characterization and analysis software, industry and company specific analysis and performance monitoring services. These

research products and services currently take the form of subscriptions to Bloomberg. These research products and services assist MYIA in performing its investment advisory functions by allowing MYIA to understand portfolio risk such as industry exposure, sector exposure and security concentration and may also be used in connection with client reporting and prospective client presentations. These research products and services are supplemental to, and have not reduced, MYIA's own normal research activities. The expenses of MYIA would increase if it attempted to generate such additional information through its own resources. In addition, MYIA could use cash to purchase many of the research products and services it receives from Fidelity.

Therefore, MYIA is relieved of expenses that it might otherwise bear when Fidelity provides it with valuable research products and services. MYIA's relationship with Fidelity may present a conflict of interest when recommending that clients custody their assets at Fidelity, and when advising Investment Managers of the benefits of using Fidelity as broker-dealer where clients have custodied their assets. Any conflict, however, is mitigated by the requirement that each Investment Manager must seek best execution when using Fidelity to execute trades.

MYIA's affiliate, MYAM, also requires its clients to use Fidelity as their Broker/Custodian for MYAM's advisory programs, as further described in MYAM's Form ADV Part 2A.

### **Item 13.      Review of Accounts**

MYIA performs detailed analysis of investment managers and investment funds that participate in MYIA's investment advisory programs with respect to performance, portfolio characteristics, style analysis and other portfolio information. Investments and performance of the investment managers and funds selected by clients are monitored in relation to investment style and portfolio analytics. There is a quarterly review which includes the foregoing as well as a review of client asset allocation targets and directives and changes in the client's objectives as communicated to MYIA by the client or their financial advisor.

Performance monitoring is supervised by the Investment Committee, comprised of Greg Anderson, Roger Bowden and John Sabre, which, with its staff, is responsible for tracking the clients' investment performance, manager style adherence and shifts in internal management of each manager. A review of a client account is also triggered when the client's financial circumstances or investment objectives change as communicated by the client or their financial advisor.

MYIA makes available to clients through their financial advisors monthly and quarterly client-specific investment performance written reports. The quarterly reports provide clients with an analysis of their accounts managed by the specific investment managers including but not limited to asset composition and portfolio return monitoring. The

custodians of client accounts also provide monthly custodial statements directly to the client.

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

MYIA markets its services by using the services of financial advisors, broker/dealers, banks and other financial institutions ("Financial Advisors"). These Financial Advisors assist their clients in evaluating the recommendations MYIA makes and provide ongoing services to the client. The Financial Advisors receive fees from the client. Such fees, and the services provided by the Financial Advisor, are disclosed in the Client Advisory Agreement and related documentation which is executed by the Financial Advisor, the client and MYIA. The fee the client pays the Financial Advisor is in addition to the fee the client pays MYIA for its services.

MYIA may engage solicitors, including Financial Advisors, to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice is disclosed in writing to the client and MYIA complies with the other requirements of Rule 206(4)-3 under the Investment Advisors Act of 1940, as amended, to the extent required by applicable law.

To the extent MYIA recommends Mount Yale Affiliated Private Funds, and clients, in connection with their Financial Advisors, decide to invest in such funds, such funds may pay the Financial Advisors or their affiliates a placement fee. Such fees are paid pursuant to a written agreement between the funds and the Financial Advisors or their affiliates and are disclosed to clients.

From time to time, MYIA or its affiliates may determine that it is appropriate and useful to invite clients, prospects, Financial Advisors or consultants to its offices or offsite conference locations for the purposes of educating them about its business and the industry, educating them about third party investment managers and funds, receiving their input or advice about its business activities or for generally building business relationships. In connection with such invitations, MYIA or its affiliates may offer to pay the reasonable travel and lodging expenses of such persons and provide them with reasonable business meals and entertainment. MYIA's affiliate, MYAS, receives sponsorship fees or other payments to offset the expenses of such conferences from certain third party investment managers and funds, including third party managers and funds that it recommends to advisory clients. This creates a conflict of interest for MYIA. A list of such third party manager sponsors is available by calling the telephone number listed on the cover page of this document.

Also, in the normal course of business, MYIA or its affiliates, subject to certain internal policies and procedures, may provide reasonable business gifts and/or business entertainment to clients, prospects, consultants or Financial Advisors. Similarly, upon the

request of a client, prospect, Financial Advisor or consultant, MYIA or its affiliates may provide charitable contributions or other financial support to events, programs or seminars sponsored by or affiliated with such persons. Although these practices may raise certain issues related to conflicts of interest, MYIA believes its policies and procedures adequately address such conflicts as they relate to MYIA and its affiliates.

All clients or prospects are encouraged to check with their Financial Advisors or consultants regarding any compensation or other benefits they have received from MYIA, its affiliates or the Mount Yale Affiliated Private Funds.

With respect to other economic benefits MYIA receives from third parties related to its provision of advisory services to clients, please see Item 12 above for a discussion of research benefits MYIA receives.

#### **Item 15. Custody**

MYIA does not maintain custody of client assets, although MYIA is deemed by the applicable regulations to have custody of assets if clients give it authority to withdraw quarterly fees directly from their custodial accounts. Client assets must be maintained in an account at a qualified custodian; generally a broker dealer or bank. A custodian is appointed by each client to have possession of the assets of the account, settle transactions for the account and accept instructions from the account's investment managers regarding securities trading in the account.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets. MYIA urges clients to carefully review such statements and compare such official custodial records to the account statements that MYIA may provide. MYIA statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients should contact MYIA using the information on the cover page if they have any questions about their statements or if their qualified custodians stop sending them at least quarterly statements.

#### **Item 16. Investment Discretion**

With respect to Investment Programs A, B and C, which are described in Item 4, MYIA does not provide discretionary investment or brokerage services. To the extent MYIA recommends the services of its advisory affiliate, MYAM, such advisory affiliate may provide discretionary investment and brokerage services but only to the extent it has a separate investment management agreement with the client. Therefore, in this context, MYAM is providing such services to its own advisory client, and not to MYIA's advisory client.

With respect to Investment Program D, MYIA usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Under Investment Program D, MYIA is generally authorized to make the following determinations, consistent with each client's investment goals and policies, without client consultation or consent before a transaction is effected:

- Which underlying funds to buy or sell; and
- Which subadvisers to retain.

The underlying funds and subadvisers in turn will have discretion to determine:

- The total amount of securities or other investments to buy or sell;
- The broker or dealer through whom securities are bought or sold;
- The commission rates at which securities or other investment transactions for client accounts are effected; and
- The price at which securities or other investments are to be bought or sold, which may include dealer spreads or mark-ups and transactions costs.

When selecting securities and determining amounts, MYIA observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, MYIA's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

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

Due to the limited nature of the discretionary investment services MYIA provides, as a practical matter it does not expect that it will be voting proxies for these accounts. Where MYIA retains a subadviser to manage a client's account, such subadviser will be responsible for voting proxies.

In the event that MYIA is required to vote proxies, MYIA has developed written proxy voting policies and procedures that are available upon request. The general principles underlying the policies and procedures are that MYIA will vote any proxy or other beneficial interest in an equity security prudently and solely in the best long-term economic interest of advisory clients and their beneficiaries, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. MYIA's proxy voting guidelines cover certain types of proposals. These guidelines indicate whether MYIA votes for or against a particular proposal, or whether the matter should be considered on a case-by-case basis.

MYIA's Investment Committee is responsible for reviewing all proxies and voting them consistent with the policies and procedures. Clients may direct a particular proxy vote at any time by contacting MYIA.

MYIA will make its best efforts to avoid material conflicts of interest in the voting of proxies. However, where material conflicts of interest arise, MYIA is committed to resolving the conflict in its clients' best interest. In situations where MYIA perceives a material conflict of interest involving it or any of its affiliates, MYIA may disclose the conflict to the relevant advisory clients and obtain their consent before voting; defer to the voting recommendation of the relevant advisory clients or an independent third party provider of proxy services; send the proxy directly to the relevant advisory clients for a voting decision; vote the proxy based on the voting guidelines set forth in the policies if the application of the guidelines to the matter presented involved little discretion on the part of MYIA; or take such other action in good faith which would protect the interest of advisory clients.

Under certain circumstances, MYIA may not be able to vote proxies or may find that the expected economic costs from voting outweigh the benefits associated with voting. For example, MYIA may not vote proxies on certain foreign securities local restrictions or customs.

Clients for whom MYIA has proxy voting responsibilities may obtain a copy of MYIA's proxy voting policies and procedures or information about how MYIA voted any proxies on behalf of their securities by contacting Michael Sabre at 1-888-862-3690, or emailing [AdvisReqA@mtyle.com](mailto:AdvisReqA@mtyle.com).

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about MYIA's financial condition. MYIA has no financial condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.