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## Part 2A of Form ADV: Firm Brochure

Effective: Feb 2, 2014

This brochure provides information about the qualifications and business practices of **Pure Investment Advisers, Inc.** If you have any questions about the contents of this brochure, please visit us on the web at [www.pureinv.com](http://www.pureinv.com) or contact us by phone at 212-203-4347 or by email at [info@pureinv.com](mailto:info@pureinv.com). The information in this brochure has not been approved or verified by any state securities authority.

Pure Investment Advisers, Inc. is a "Registered Investment Adviser" pursuant to the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training.

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**PURE INVESTMENT ADVISERS, INC.**

33 Manor Ave, White Plains, NY 10605

**Tel: 212-203-4347**

## **Item 2      Material Changes**

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Pure Investment Advisers, Inc. has filed a new registration with the State of New York.  
Pure Investment Advisers, Inc. is withdrawing the registration with the SEC.  
Robert Andriano earned the CFA designation in 2013.

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## **Item 4      Advisory Business**

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### **Description of Advisory Business**

Pure Investment Advisers, Inc. ("The Adviser") is a privately owned corporation founded in 2011 and operating under its current name since 2013. The Firm's principal owner is Robert Andriano and the office is located in White Plains, NY.

Pure Investment Advisers, Inc. is registered with the Securities and Exchange Commission as a "Registered Investment Adviser". (Registration does not imply a certain level of skill or training.)

We seek to add value to client's investment process in the following areas:

- Asset selection and asset allocation
- Investment and Trading Strategies
- Tax-efficient Strategies / Asset Location
- Financial Education and Consulting
- Efficient Implementation and Trading

### **Types of Advisory Services Offered**

Pure Investment Advisers provides investment management, financial planning, investment consulting and financial advisory services to different clients such as: individuals and families (high net-worth and affluent), business entities (including pooled investments), institutions, pension funds, foundations, endowments, charitable organizations and trust funds.

Pure Investment Advisers directly manages client portfolios on a discretionary or non-discretionary basis. Level of service can be tailored according to the clients' needs and resources. We may also provide investment advisory services to wrap accounts held at various broker/dealers.

### **Discretionary Services**

Client portfolios are invested and managed according to the objectives, risk tolerance and constraints of individual account holders or institutional investors. Investment decisions are based on strategic as well as tactical asset allocations that consider the investor's tax treatment, time-horizon, any regulatory restrictions, special circumstances along with our forward-looking analysis of market conditions. Taxable portfolios are generally managed differently than tax-deferred or tax-exempt portfolios. When clients have both taxable and tax-deferred account, we attempt to maximize after-tax net returns and compounded multi-year returns by creating an optimized "asset location" plan.

### **Non-Discretionary Services**

Under certain circumstances, Pure Investment Advisers may advise clients on a non-discretionary basis. We classify investment accounts as non-discretionary in cases where:

Clients impose a relatively high level of restrictions on the types of securities allowed in their investment universe, or

Client chooses to retain an active participation in the idea generation and the ultimate decision making right for portfolio allocation and asset selection.

The services provided for each client with non-discretionary accounts are individualized and the fees charged are negotiated separately. Depending on the arrangement, fees may be charged ad-valorem based on the assets under management and/or on an hourly basis.

### **Pooled Investment Vehicles**

Pure Investment Advisers may act as adviser or sub-adviser to pooled investment vehicles, limited partnerships, or limited liability companies managed by affiliated and/or unaffiliated third parties.

### **Wrap Accounts**

Pure Investment Advisers may have agreements with certain brokerage firms (“wrap sponsors”) whereby we agree to manage “wrap accounts” that select certain strategies or model portfolios managed by Pure Investment Advisers. Services provided under these “wrap programs” are not individualized by us. Clients typically pay a single fee based on a percentage of assets under management. Pure Investment Advisers receives an agreed upon portion of such fee for portfolio management services.

### **Assets Under Management**

As of Dec 31, 2013, we had approximately \$1500000 in discretionary assets under management and approximately \$0 in non-discretionary assets under management.

## **Item 5 Fees and Compensation**

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Pure Investment Advisers seeks to provide superior value to clients. As such we hold ourselves to the highest standards of professionalism and ethics while offering our services through flexible fee arrangements that benefit the client. It is our opinion that a “one size fits all” approach is not always the best for all clients. For that reason, we offer different compensation structures customized to best fit the client’s situation:

- Fees based on assets under management, or
- Combination of Fees on assets and Performance-based fees, or
- Consulting fees on an hourly basis

### **Separately Managed Accounts – Discretionary and Non-discretionary**

Fees based on assets under management vary based on the level of service provided. In general the services could include the totality or a subset of the following. Each individual service could be more or less complex, with different levels of detail, depending on the client’s situation and personal needs.

- Financial Planning
- Inclusion of other assets

- Formal Investment Policy
- Strategic Asset Allocation
- Tax-efficient Optimization
- Tactical Asset Allocation
- Range of securities included
- Individual Security Selection
- Portfolio Rebalancing Strategy
- Level of Customization
- Active/Passive Management
- Frequency of Reviews
- Consultations and Support

The following is the fee schedule charged based on the value of assets under management representative of a relatively high level of service that includes all or a majority of the items included in the list above. It is our policy to offer clients only the services they need. Therefore, most clients are expected to pay fees that are lower than the ones listed below. In general, the fees are automatically deducted from the account by the custodian on a monthly basis. Fees may be deducted at the beginning of the billing period or the end of the billing period, depending on the process and capabilities of the custodian. If the fees are paid upfront, the clients can request a refund of the partial month if the contract is terminated before the end of the month by sending an email to [admin@pureinv.com](mailto:admin@pureinv.com).

<b>Account Value</b>	<b>Monthly Fee</b>
Below \$1 million	0.2%
Between \$1 million and \$3 million	0.15%
Between \$3 million and \$10 million	0.12%
Above \$10 million	0.1%

### **Fees and Costs charged by Third Parties**

Implementation of an investment portfolio requires buying and selling of securities (brokerage), safekeeping of assets (custody) and diversification vehicles (mutual funds). Pure Investment Advisers uses third party providers for such services and the fees are paid separately by the client.

In general, Pure Investment Advisers seeks to help clients reduce the costs of third-party services that have been commoditized or the ones adding little to no value. By reducing such costs clients can afford to pay for services that could add significant value such as Financial Planning, Optimized Asset Allocation, Asset Location, Advanced Investment Strategies and Due Diligence.

Examples of commoditized services include brokerage and custody. Some full service brokers still charge commissions of 1.5% to 2% from the value of the security purchased plus a “ticket charge” of \$25 to \$35. On a \$10,000 trade, this amounts to \$175 or more. We believe the value provided by such services does not justify the cost.

Through its knowledge of the capital markets and ability to evaluate the capabilities of different platforms, Pure Investment Advisers is able to utilize brokerage services available to professional traders offering advanced capabilities and robustness at a fraction of the price. The same security purchase in the example above could be executed on an advanced platform at a cost that could be as low as \$1 per trade.

Certain brokerage platforms provide specialized functions such as model portfolio management, fractional shares, “window trading” or a “crossing network” (where buyers and sellers are matched at certain times of the day). Such brokers may charge a fee based on the value of the portfolio that is approximately 0.25% per year. The fee is typically charged on a monthly basis by dividing the annual fee to 12.

Some brokers may also have a monthly minimum absolute amount charged per account in cases where the brokerage fees generated are below this minimum level. Clients should consult the account opening forms and disclosures for the exact explanation of such fees.

Pure Investment Advisers will recommend the brokerage platform providing the capabilities needed for managing the client’s portfolio offering the lowest overall cost given the level of assets available and trading requirements. In certain cases, Pure Investment Advisers may agree to manage a client portfolio at a broker chosen by the client.

Custody services are generally bundled in a seamless way with brokerage services. In most cases, clients will not pay a separate fee for the custody of the securities in the account. If a separate custody fee is charged, this will be fully explained and disclosed in the account opening documents. Certain annual administrative fees in the range of \$20 to \$30 may be charged for retirement accounts, education savings accounts or investment accounts to cover the charges of printing and mailing statements. In some cases these could be waived if the client statements are delivered electronically or if the account value is in excess of a certain limit.

The traditional way of achieving diversification was to invest in mutual funds. Clients of advisers using typical mutual funds for portfolio diversification incur extra layers of fees that are hidden (not shown on account statements). Management and administrative fees charged by mutual funds are typically in the range of 0.5% to 2.5% per year. The same mutual fund could have different classes of shares with different fee levels and structures. It is a legal industry practice not to show the mutual fund fees on the account statements. They are nevertheless real. An advisory client would have to be very diligent to find out and calculate the total amount of explicit fees paid to mutual fund management fees and expenses. This information can be found by reviewing the fund’s prospectus or from another source.

In addition to disclosed fees, mutual funds incur explicit and implicit trading costs that are not itemized. Explicit costs are related commissions and fees paid for trading activities. Implicit costs

could be incurred when trades are executed at prices that are less favorable due to the market impact of a large order or using a trade facilitation service offered by a broker.

Studies have shown that actively managed mutual funds investing in large cap US equities (representing the bulk of the stock market assets) fail to outperform the S&P Index over medium to long term. Pure Investment Advisers believes that investing through such funds for diversification purposes does not add value.

Therefore, we seek to eliminate costs related to such mutual funds by investing client portfolios directly in securities we select in a certain index or style. Alternatively, we may use Exchange Traded Funds (ETFs) to gain exposure to an index or sector. ETFs have substantially lower management and administrative fees than traditional mutual funds and are generally in the range of 0.10% to 0.25% of assets per year.

Pure Investment Advisers may use traditional mutual funds to gain access to asset classes that:

- Are not available for trading in the US market (for example Asian equities and fixed income)
- Are traded in large denominations (for example mortgages or bank loans)
- Don't have a liquid market (most fixed income securities traded in the secondary market)

We may also choose to invest in mutual funds in order to diversify into strategies that we believe will add sufficient value and diversification to client portfolios in excess to the management fees charged by the fund. An example of such strategy would be actively managed fixed income funds that generate excess returns following a relative value approach or duration management through superior forecasting of changes in the yield curve.

Along the same lines, we may determine as beneficial for client to employ strategies developed and managed by outside advisers. A certain percentage of the account value or the entire account value may be allocated to a particular strategy. The managing adviser maintains a "model" by allocating certain percentage weights to securities selected. Changes made to the model are communicated to all linked accounts and securities are automatically purchased or sold in order to match the new allocation in the model. The fees are negotiated by Pure Investment Advisers and are generally a percentage of the assets assigned to the model. Fees are paid directly from the client account to the outside adviser. Pure Investment Advisers will generally adjust the fees it charges clients lower to reflect the outsourcing of some services. Clients can thus expect to pay approximately the same level of overall fees only split between more than one adviser.

Pure Investment Advisers may also invest in Closed-end Mutual Funds that trade at attractive prices relative to their net asset value (NAV: the market or appraised value of the assets or securities held by the fund). Because shares of closed-end funds cannot be redeemed and are traded only between investors, their prices can drift away from the "true value" of the assets in

the fund. Certain disruptions between supply and demand of such shares can create opportunities allowing the purchase of such shares at a discount to NAV.

## **Consulting Fees**

Hourly consulting fees could be paid by clients in cases where

- Pure Investment Advisers provides investment or financial advisory services without directly managing a client portfolio.
- Clients need financial advisory services not directly related to the management of their investment portfolio
- Clients need financial advisory services related to their investment portfolio managed by Pure Investment Advisers where the services are:
  - Provided on a non-recurring basis, or
  - The ongoing level of service cannot be accurately estimated
  - It is more economical to pay hourly fees instead of asset-based fees

The hourly rate for financial consulting services is approximately \$300 per hour. This rate could be lower for longer-term projects and might differ depending on the education and experience level of the professional(s) assigned.

In certain cases, fixed-cost consulting contracts could be negotiated and the fees will be paid weekly or biweekly according to the percent of completion.

## **Wrap Accounts**

Pure Investment Advisers provides model portfolios of specific strategies to be used in wrap accounts as described above. The portion of the wrap account fees paid to Pure Investment Advisers is approximately 0.5% of the assets allocated to the strategy. However, fees could be negotiated and could be higher or lower depending on the complexity of the strategy and other factors that may be deemed appropriate.

## **Other Compensation**

The policy of Pure Investment Advisers is to avoid, in every way possible, potential conflicts of interest. When we act in a fiduciary responsibility and receive compensation from the client for advisory services, we will not recommend products where we would also receive a commission from the sponsoring entity. For example, certain types of mutual fund shares charge a “load” representing the portion paid to the sales person. In cases where we invest in mutual funds on behalf of the client, we use only “no-load” shares.

In general, all sales of insurance products include the compensation of the financial consultant writing the insurance policy. Our staff members who are licensed as insurance agents can provide financial advisory services to help clients create an optimal financial plan and find the type of insurance product that fits their needs. If the adviser receives advisory fees from the client and later acts as an insurance agent for which he receives compensation from the insurance carrier, the client can be credited back a part of the advisory fees which can be applied to future services.

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

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In some cases, Pure Investment Advisers may enter into performance-based fee arrangements with qualified clients. Performance based fees are typically charged for strategies involving active management. In general, these strategies require a significant amount of time from highly qualified resources.

Pure Investment Advisers may provide concurrent advisory services to clients that pay only flat-fees and clients that are charged performance-based fees with or without any flat-fees. In theory, the potential for Pure Investment Advisers to receive greater fees from performance-based fee accounts may create a conflict of interest with respect to the allocation of investment opportunities. For example, the firm may have an incentive to direct the best investment ideas to, or allocate investments in favor of accounts that pay performance-based fees.

Such potential conflicts are mitigated in the following ways:

- All qualified clients are given the option to choose performance-based fees and access strategies available to these types of accounts
- Typically, active strategies available with performance-based fees have capital requirements and use financial instruments and features that would not be suitable for individual investors and would not be qualified for performance-based fee accounts. These strategies may include: use of leverage, use of derivative instruments such as options and futures or the use of short-selling.
- If a strategy is suitable for both types of accounts - with performance-based fees and without performance-based fees - Pure Investment Advisers will offer a flat-fee schedule commensurate with the higher level of service and value provided. All clients subscribed to the strategy will receive a fair allocation in proportion to their own account value regardless of the type of fee paid.

Pure Investment Advisers will structure any performance or incentive fee arrangement (fees based on a share of capital gains on or capital appreciation of the assets of a client) subject to Section 205(a)(1) of the Investment Advisers Act of 1940 and in accordance with the available exemptions, including the exemption set forth in Rule 205-3.

## **Item 7      Types of Clients**

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Pure Investment Advisers provides investment advisory services to a variety of clients including pension and profit sharing plans, trusts, estates, charitable organizations, public funds, corporations, endowments, foundations and high net worth individuals. The firm retains the right to refuse to accept or terminate at any time any account without the need to provide a reason.

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

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In general, Pure Investment Advisers starts with a top-down approach based on macro-economic analysis of business cycles, inventory cycles, fiscal policies, monetary policies, changes in regulation and demographics. Equity valuations are analyzed relative to their historical levels and forward looking estimates using different metrics. The target risk level is adjusted on a tactical basis relative to the each client's strategic allocation based on the outlook for the economy and the forecast for asset values.

Next, asset classes and sectors likely to outperform are selected based on the macro-economic forecast. Lastly, individual securities are selected based on fundamental analysis of different financial ratios, discounted cash flows and relative strength within the industry or sector.

Pure Investment Advisers may trade in different securities and derivatives on an opportunistic basis when news releases or events disturb the normal supply demand balance causing the price to diverge significantly from what we believe to be fair intrinsic value.

For certain individual investors, Pure Investment Advisers recommends an optimal asset allocation taking into account the value of "Human Capital" and its correlation with different asset classes. Human Capital is the net present value of the individual's future earnings. Depending on the profession and employment situation, this "implicit asset" may be closely correlated with certain risk assets such as domestic equities. Proper diversification requires allocation of financial assets into investments that are uncorrelated or inversely correlated with the value of Human Capital.

Pure Investment Advisers also evaluates and implements trading, rebalancing or investment strategies that we believe could improve portfolio returns and add diversification. Some strategies are developed and managed internally. For the ones developed and managed by outside advisers, Pure Investment Advisers conducts certain due diligence steps and evaluates the suitability for inclusion in portfolios for different classes of investors.

Pure Investment Advisers considers the tax status of the account in designing an optimized asset allocation and investment strategy. Taxable accounts are managed differently than tax-exempt or tax-deferred accounts in terms of asset classes included and trading strategies employed.

The main sources of information used by Pure Investment Advisers include:

- Releases of Economic Indicators from the Economics and Statistics Administration
- Databases and analyses published by the Federal Reserve Board and some of the regional Federal Reserve Banks (St. Louis, New York, etc.). Fed meeting minutes.
- Bureau of Economic Analysis (bea.gov), Bureau of Labor Statistics (bls.gov), Census Bureau (census.gov)
- SEC Regulatory Filings (sec.gov) and companies' own Investor Relations websites

- International databases and analyses: Bank of International Settlements, International Monetary Fund, World Bank
- Financial data providers (Bloomberg, CapitalIQ, Reuters)
- Market data providers
- Publicly available news and analyses
- Subscription newsletters

## **Risk of Loss**

All investments involve the risk of loss. It is fair to say that returns above the interest rate paid by savings accounts of federally insured banks or the short-term government bonds are not possible without incurring some level of risk. Investors expect to be compensated with higher returns for taking the risk of loss.

Risk of loss can include loss of principal or “opportunity costs” when dividends or other distributions are lower than the risk-free rate that could be received in deposit accounts, CDs or government bonds.

Causes of risk include financial risks and non-financial risks.

Among the financial risks are: market risk (risks that cannot be diversified away), interest rate risk, currency risk, liquidity risk, inflation risk and issuer-specific credit risk.

Non-financial risks include: event risk (terrorism, natural catastrophe), political risk, tax risk, regulatory risk, legal risks, accounting risk, operational risks and model risks.

Risks can be further classified into: known risks and unknown risks. Known risks are the ones listed above. Known risks are generally discounted to some extent in the current asset prices. In addition, there is always the possibility of a certain type of event materializing that has not been considered at all: an unknown risk. Unknown risks are not discounted in the current prices.

It should be mentioned that all assets classes are exposed to risk of loss when measured in terms of purchasing power. When measured in monetary terms, some assets, such as cash, are “risk free”. Clearly, a banknote of one hundred dollars will always be worth \$100. However, that same \$100 bill could buy more or less quantity of different types of goods or services. When a representative basket of goods goes up in price it is called inflation and the money loses its purchasing power. High levels of inflations have occasionally occurred throughout history. In such instances, asset classes considered “safe” such as cash, savings accounts and government bonds could risk the loss of some and sometime all their purchasing power becoming effectively worthless.

There are instances, not as frequent, where the opposite takes place: asset prices and commodities become cheaper when measured in monetary terms. This is called “deflation” and is the case of Japan for two decades after 1990.

The mission of Pure Investment Advisers is to guide clients through different economic environments, help them navigate through the inevitable challenges that occur along the way and manage investments in such a way as to maintain and grow their wealth in terms of real purchasing power.

## **Item 9      Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary event that would be material to a client or potential client's evaluation of the firm and its management. Pure Investment Advisers has no information to disclose that is applicable to this item.

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

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As of June 10, 2013 Robert Andriano is registered as a Broker-Dealer Representative with National Securities Corporation in New York. It is expected that upon the completion of registration of Pure Investment Advisers, Robert Andriano will remove his registration as a registered representative with National Securities. Any future registration with another broker-dealer will be disclosed at that time.

Robert Andriano is registered as an insurance agent in the state of New York. He currently holds licenses to sell life insurance products and health insurance including disability insurance and long-term care insurance.

Persons holding multiple registrations could be exposed to conflicts of interest. Representatives of registered investment advisers such as Pure Investment Advisers hold the duty of "fiduciary standard" to their clients. Simply put, this means that they are required to act in such a way as to always put the interests of their clients above their own.

Representatives of broker-dealers and insurance agents are bound by the "suitability standard" which means that the representative can make a recommendation if there is sufficient reason to believe that the investment or product is "suitable" for the client based on the information provided.

One of the important differences is that the "fiduciary standard" requires continuing monitoring of the investment and the situation of the client whereas the "suitability standard" does not.

Broker-dealers and insurance agents are compensated via commissions when they execute securities transactions or write insurance policies. Therefore, there is an intrinsic incentive to persuade clients to execute a greater number of transactions. However, a relatively frequent buying and selling of securities or the replacement of insurance policies can be very detrimental to the financial situation of the client.

Some representatives of Pure Investment Advisers hold multiple registrations and licenses in good faith in order to facilitate client's legitimate needs for certain products sold only through broker-dealers or insurance agents. We avoid charging the client multiple times for the same service: if a representative is compensated in the form of commission for the sale of a product, any advisory fees charged for the work leading to the sale of the product are credited back to the client's account and applied to payments for future advisory services.

All representatives of Pure Investment Advisers and affiliated persons are required to apply always the "fiduciary standard" in all dealings with clients regardless of the capacity in which they act. Therefore, a representative of Pure Investment Advisers acting as a broker-dealer or insurance agent must always act in the best interest of the client by:

- Maintaining a high level of knowledge and competence
- Conforming to the high ethical standards set by Pure Investment Advisers
- Having a thorough understanding of the client's financial and personal situation
- Providing continuous monitoring of the product and the client's situation

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

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Pure Asset Management has adopted a Code of Ethics including the following standards published by the CFA Institute:

- CFA Institute Code of Ethics and Standards of Professional Conduct
- CFA Institute Asset Management Standard of Professional Conduct

(Please follow the links below to read the entire content of both publications)

<http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2010.n2.1>

<http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2009.n8.1>

A complete set of documents representing the internal Code of Ethics is available to clients upon request in electronic format delivered via email or at the company's website. Please send an email with your request to [info@pureinv.com](mailto:info@pureinv.com)

Notes:

Pure Investment Advisers claims compliance with the CFA Institute Code of Ethics and Standards of Professional Conduct. This claim has not been verified by CFA Institute.

Pure Investment Advisers claims compliance with the CFA Institute Asset Manager Code of Professional Conduct. This claim has not been verified by CFA Institute.

## **CFA Institute Code of Ethics and Standards of Professional Conduct**

(Excerpt)

Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation (“Members and Candidates”) must:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity of and uphold the rules governing capital markets.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

## **Personal Trading and Conflicts of Interest**

Pure Investment Advisers allows our employees and associated persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients. Owning the same securities we recommend to you presents a potential conflict of interest that we disclose and mitigate through policies and procedures.

Our internal Code of Ethics restricts trading using material non-public information. It also includes procedures for reporting and compliance review of all personal securities trading by our staff members and associates. We may at times have an interest or positions in certain securities, which may also be recommended to clients or traded for their benefit in our discretionary accounts. According to the US Securities Laws and the CFA Institute standards, Pure Investment Advisers employees and associates are restricted from transacting in any security that would create an adverse effect on any Client transaction or portfolio.

## **Item 12 Brokerage Practices**

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Broker-dealers are specialized financial firms providing capabilities for executing securities transactions. As a rule, investment accounts also include “custody services”: the safekeeping of client assets (cash and securities). Securities custodians are insured by SIPC (Securities Investor Protection Corporation). SIPC insures the securities themselves, not their value.

## A. Recommendation of Custodians

In general, Pure Investment Advisers recommends the broker-dealers that are best suited for the needs of the client, types of securities available for trading, portfolio management features, quality of executions and low cost.

Clients can choose to use a different broker-dealer and custodian than the one(s) recommended. Pure Investment Advisers has the right to refuse managing accounts held at brokers-dealers other than the ones recommended if such firms lack the necessary capabilities for managing the client accounts or if doing so would lower the quality of executions and create excessive administrative burdens. Pure Investment Advisers may agree to work with non-recommended broker-dealers chosen by the client and has the right to negotiate higher management fees as compensation for any increased workload.

Following are additional details regarding the brokerage practices of the Advisor:

1. **Soft Dollars.** Soft dollars are revenue programs offered by broker-dealers whereby an advisor enters into an agreement to place security trades with the broker in exchange for research and other services. Pure Investment Advisers does not participate in soft dollar programs sponsored or offered by any broker-dealer.
2. **Brokerage for Client Referrals.** Securities laws allow the practice of referrals of new clients by broker-dealers in exchange of placing trades with the broker-dealer making the referral as long as the arrangements are disclosed. Pure Investment Advisers does not engage in this practice as it believes it creates a conflict of interest that is not in the best interest of clients.
3. **Directed Brokerage** – executing trades through a specific broker. All discretionary trade orders are placed by Pure Investment Advisers in the client accounts through the broker with whom the account is open. Clients have the right to direct trades with any broker. If clients wish to place trades with a broker different than the one where the account is held, the client can either open a new account or move such account (subject to the conditions explained above). In such cases, Pure Investment Advisers may not be able to achieve the most competitive trade executions in terms of explicit and implicit costs. One of the factors contributing to this may be the inability of Pure Investment Advisers to achieve aggregation of order and trade allocation as explained below.

## B. Aggregating and Allocating Trades

The primary objective in placing orders for the purchase and sale of securities for Client accounts is to obtain the most favorable net results taking into account different factors as price, size of order, difficulty of execution, confidentiality and skill required of the broker.

Pure Investment Advisers may aggregate orders in a block trade or trades when securities are purchased or sold through the same broker-dealer for multiple accounts. If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation or other written statement. This is done in a way that is fair for all clients and would not consistently advantage or disadvantage particular client accounts.

## **Item 13    Review of Accounts**

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### **A. Frequency of Reviews**

Accounts are monitored on a regular and continuous basis. Clients are contacted via email or by phone when certain market developments or portfolio-related matters require their attention. Formal reviews are generally conducted at least annually or more or less frequently according to the level of service contractually assigned to the account.

### **B. Causes for Reviews**

Reviews may be conducted due to portfolio asset values drifting outside established bands, at regular calendar intervals, in response to a change in client's financial or personal situation, for tactical rebalancing purposes when the outlook for certain asset classes changes or at the Client's request. Clients are encouraged to inform their advisor about personal changes that could have a material effect on their investment policy.

### **C. Review Reports**

The Client will receive brokerage statements from the custodian, generally on a monthly basis but no less frequently than quarterly. These brokerage statements are sent directly from the custodian to the Client. The Client may also establish electronic access to the custodian's website so that the Client may review the current status of their account, positions and activity history. Client brokerage statements will include all positions, transactions and fees relating to the Client's account[s]. Pure Investment Advisers may also provide Clients with periodic verbal or written reports regarding their holdings, allocations, and performance.

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

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### **A. Compensation Received by Pure Investment Advisers**

As a registered investment advisor, Pure Investment Advisers primarily receives its compensation directly from its Clients. Investment Adviser Representatives, may have other separate capacities, and could receive commissions for implementation as explained above in Item 10.

Pure Investment Advisers may refer Clients to third-parties who provide certain financial services necessary to meet the goals of its Clients. Likewise, Pure Investment Advisers may receive referrals of new Clients from third-parties.

Pure Investment Advisers does not provide and does not expect to receive any economic benefits from referrals to and from third parties.

### **B. Client Referrals from Solicitors**

Pure Investment Advisers has no paid solicitors for Client referrals.

## Item 15 Custody

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Pure Investment Advisers does not accept or maintain custody of any Client accounts. All Clients have their assets placed with a qualified custodian. Clients may have a choice to select their own custodian to retain their funds and securities and direct Pure Investment Advisers to utilize that custodian for the Client's security transactions. For more information custodians and brokerage practices, see Item 12 - Brokerage Practices.

While Pure Investment Advisers does not have custody of Client funds or securities, payments of fees may be paid by the custodian from the custodial brokerage account that holds Client assets. In certain jurisdictions this may be deemed constructive custody. Prior to permitting direct debit of fees each Client provides written authorization permitting that payment of fees be made directly from the custodian. Pure Investment Advisers will send the Client and the custodian a bill showing the amount of the fee and the way in which it was calculated. The custodian sends every Client an account statement at least as frequently as once every quarter. The statement shows all account activity, including the amounts disbursed from the account to Pure Investment Advisers.

## Item 16 Investment Discretion

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**Investment discretion** is defined to mean that the Adviser selects the securities, the amounts to be bought or sold and directly places the orders in Client accounts without obtaining prior consent or approval from the Client.

By default, Pure Investment Advisers, in its capacity as adviser and portfolio manager, has discretion over the client accounts unless specific limitations are placed in the Advisory Agreement document that all clients are required to fill out and sign. All discretionary investment decisions are made by Pure Investment Advisers in accordance with each Client's investment objectives, risk tolerance and constraints.

**Non-Discretionary** investment management – A significant number of limitations, constraints or special requirements could hinder the ability of Pure Investment Advisers to implement the strategy that it deems most appropriate for managing a client's investment portfolio in accordance to her personal needs and objectives. For example, the client may require a pre-approval of any security selections or may wish to invest in certain securities that are not selected by the Adviser. An account with such limitations or restrictions is considered "non-discretionary". It is entirely the responsibility of the Client to write in detail in the Advisory Agreement all imposed limitations, constraints and rules.

## **Item 17    Voting Client Securities**

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Pure Investment Advisers is authorized and will generally vote proxies on behalf of Clients. However, Pure Investment Advisers is not required to do so and occasionally may send recommendations on how clients should vote their shares. Mutual funds in which Pure Investment Advisers allocates assets, routinely vote proxies of portfolio companies owned by the funds.

Pure Investment Advisers has a fiduciary duty to act solely in the best interests of its Clients when exercising proxy voting authority. Therefore Pure Investment Advisers will make voting decisions that are in the best interests of Clients.

## **Item 18    Financial Information**

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Pure Investment Advisers does not require or solicit payment of more than \$1,200 six months or more in advance. Therefore it is not required to include a balance sheet for the most recent fiscal year.

Neither Pure Investment Advisers, nor its management has any adverse financial situations that would reasonably impair the ability to meet all obligations to its Clients.

Neither Pure Investment Advisers, nor any of its advisory persons, has been subject to a bankruptcy petition in the last ten years.



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