

**Apella Capital, LLC (“Apella”)**

628 Hebron Avenue, Building 2, 5<sup>th</sup> Floor  
Glastonbury, CT 06033  
Phone: 860.785.2260  
Fax: 860.734.2070  
[www.apellacapital.com](http://www.apellacapital.com)

February 2015

**FORM ADV PART 2A  
BROCHURE**

This brochure provides information about the qualifications and business practices of Apella Capital, LLC. If you have any questions about the contents of this brochure, please contact us at 860.785.2260 or visit our website at [www.apellacapital.com](http://www.apellacapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Apella Capital, LLC, is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Apella Capital, LLC, is 171106.

Apella Capital, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

***SUMMARY OF MATERIAL CHANGES***

**This item will discuss only specific material changes to the Apella Capital, LLC Brochure.**

**Not applicable.**

## Table of Contents

<b><i>Material Changes.....</i></b>	<b><i>i</i></b>
<b><i>Table of Contents.....</i></b>	<b><i>ii</i></b>
<b><i>Advisory Business.....</i></b>	<b><i>1 - 3</i></b>
<b><i>Fees and Compensation .....</i></b>	<b><i>4 -6</i></b>
<b><i>Performance-Based Fees and Side-By-Side Management .....</i></b>	<b><i>7</i></b>
<b><i>Types of Clients.....</i></b>	<b><i>8 - 9</i></b>
<b><i>Methods of Analysis, Investment Strategies and Risk of Loss.....</i></b>	<b><i>10 - 12</i></b>
<b><i>Disciplinary Information.....</i></b>	<b><i>13</i></b>
<b><i>Other Financial Industry Activities and Affiliations .....</i></b>	<b><i>14</i></b>
<b><i>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</i></b>	<b><i>15</i></b>
<b><i>Brokerage Practices .....</i></b>	<b><i>16</i></b>
<b><i>Review of Accounts.....</i></b>	<b><i>17</i></b>
<b><i>Client Referrals and Other Compensation.....</i></b>	<b><i>18</i></b>
<b><i>Custody.....</i></b>	<b><i>19</i></b>
<b><i>Investment Discretion .....</i></b>	<b><i>20</i></b>
<b><i>Voting Client Securities.....</i></b>	<b><i>21</i></b>
<b><i>Financial Information.....</i></b>	<b><i>22</i></b>

## **Advisory Business**

Form ADV Part 2A, Item 4

### **A. Description of Advisory Firm**

Apella is an investment adviser registered with the Securities and Exchange Commission ("SEC"). The firm is located in Glastonbury, Connecticut and was established in 2013. The firm was founded by and is currently owned and operated under the control of David E. Connelly Jr., and Patrick A. Sweeny.

### **B. Types of Advisory Services**

#### *Investment Advisory Services*

Apella offers investment advisory services to clients through the efforts of the firm's investment adviser representatives ("IARs"). The firm's IARs assist Apella's clients in determining which of the model portfolios established by Apella's affiliate, Symmetry Partners, LLC ("Symmetry"), is most appropriate for each client. Apella's services may include the following: reviewing the client's investment portfolio at the commencement of its relationship with Apella; assessing the client's investment needs and objectives; investment policy planning and suitability; developing an asset allocation strategy designed to meet client objectives; ongoing monitoring of the performance of the accounts; reviewing accounts to ensure adherence to policy guidelines and rebalancing asset allocations when Apella, in its discretion, deems such re-balancing appropriate for the client; answering client inquiries; updating client information; and interviewing the client at least annually to determine if there has been a change in the client's financial situation. For additional information on Symmetry, please refer to Symmetry's ADV Part 2A, a copy of which is provided to each client of Apella. The IARs of Apella are dually registered as IARs of Symmetry. Apella permits clients to maintain certain securities in their advisory account(s) that are not recommended by Apella. For these securities, IARs of Apella will provide consultation services, which consist of general guidance on how those assets fit into the client's overall financial objectives.

#### *Financial Planning*

Apella also provides advice in the form of a financial plan. *This service is not a standalone service for a separate fee, but part of the established bundle of services available to and agreed-upon fee charged to each client.* The client may receive a written financial plan, providing the client with a detailed financial plan designed to achieve the stated financial goals and objectives. Implementation of financial plan recommendations is entirely at the client's discretion.

In general, the financial plan will address any or all of the following areas:

Personal: Family records, budgeting, personal liability, estate and financial goals.

Tax and Cash flow: Income tax and spending analysis and planning for past, current and future years.

Retirement: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.

Investments: Analysis of investment alternatives and their effect on the portfolio.

### Investment Management Services

Apella IARs manage the assets in your account and will typically invest a portion or all of your assets in accordance with one of the model portfolios of Symmetry Partners, LLC. An overview of the Symmetry model portfolio offerings available to you through Apella is provided below.

Symmetry currently creates portfolios utilizing open-end mutual funds created and managed by Dimensional Fund Advisors ("DFA") and Vanguard. These portfolios are called Symmetry Structured and Symmetry Bond Portfolios. Symmetry also creates portfolios utilizing exchange traded funds, ("ETFs"), labeled the GlobalCore® ETF Portfolios. These portfolios are currently comprised of exchange traded funds issued by Vanguard, iShares and SPDR. Symmetry portfolios typically consist of three to fifteen mutual funds or ETFs, and a small allocation to money market funds. Symmetry selects for the model portfolios the funds and ETFs that it believes are most suitable and consistent with Symmetry's investment philosophy. Symmetry is not obligated to use any specific fund in the creation of the portfolios. Symmetry is not affiliated with the sponsor or adviser of any fund.

#### *Symmetry Structured Portfolios*

The Symmetry Structured Portfolios are a suite of tax-managed and non-tax-managed asset allocation portfolios currently comprised exclusively of open-end mutual funds advised by Dimensional Fund Advisors. The Symmetry Structured Portfolios, tax-managed and non-tax-managed, are currently comprised of an equity and fixed income allocation and within the tax-managed and non-tax-managed vary only in their allocation between the equity and fixed income.

The equity portion of each Symmetry Structured Portfolio provides exposure across global equity asset classes to provide a high level of diversification, including an allocation to the United States, international developed markets and emerging markets. Symmetry directs the target allocation to each of these geographic areas as well as the underlying asset classes within each region. Generally, the portfolios overweight US, value, small and REIT stocks relative to their market capitalization. The value and small overweights are based on academic research that suggests that these asset classes outperform growth and large-cap counterparts, respectively, over time. REITs are overweighted to act as a diversifier within the portfolio. Symmetry updates the allocations from time to time based on strategic long-term considerations. Clients are rebalanced periodically to maintain their desired equity to fixed income allocation and put all positions back to or near the current target for their portfolio.

The goal of each portfolio's fixed income position is to mitigate the risk taken in the equity positions. Therefore, the bond positions take relatively little duration or credit risk relative to a mainstream fixed income benchmark such as the Barclays Aggregate Bond Index, as their function is mainly to provide a buffer against equity market downturns.

The Symmetry Structured Portfolios are designed overall to be passive, broadly diversified, and low-cost and tax efficient.

#### *Symmetry GlobalCore® ETF Portfolios*

The Symmetry GlobalCore ETF Portfolios are a suite of tax-managed and non-tax-managed asset allocation model portfolios currently comprised exclusively of ETFs in the Vanguard, iShares and SPDR ETF families. The GlobalCore ETF portfolios are comprised of an equity and fixed income

allocation and within the tax-managed and non-tax-managed vary only in their allocation between the equity and fixed income.

The equity portion of each GlobalCore ETF Portfolio provides exposure across global equity asset classes to provide a high level of diversification. The GlobalCore model portfolios are designed specifically to remain in line with the global market weights to the United States, international developed markets and emerging markets, while employing slight tilts toward small cap and value stocks in each of these arenas. Symmetry periodically updates the model allocation to keep it in line with the current relative capitalization of US, international developed and emerging markets. Clients are rebalanced periodically to maintain their desired equity to fixed income allocation and put all positions back to or near the current target for their model portfolio. The fixed income portions of the model portfolios are comprised of short-term, high-quality bond ETFs. The philosophy behind the fixed income position is to mitigate the risk taken in the equity positions. The bond positions therefore take little duration or credit risk relative to a mainstream fixed income benchmark such as the Barclays Aggregate Bond Index, as their function is mainly to provide a buffer against market downturns that will be felt on the equity side. The GlobalCore ETF Portfolios are designed overall to be passive, broadly diversified, low-cost, tax efficient core models that can be used in conjunction with outside assets or as standalone portfolios.

#### *Symmetry Bond*

The Symmetry Bond Portfolios are two standalone fixed income asset allocation portfolios, one tax-managed, one non-tax-managed. The Portfolios are comprised of open-end mutual funds from Dimensional Fund Advisors and Vanguard. The portfolio is designed as a standalone fixed income product that takes some fixed income risks. The tax-managed version of the portfolio features an allocation to national, short-term, high-quality municipal bonds in addition to other holdings. The non-tax-managed version holds a short-term bond fund in addition to other holdings.

#### *Custom Model Strategies*

IARs of Apella may create a custom model strategy by combining the holdings comprising one or more of the above-mentioned model portfolios to create a new portfolio and asset allocation. IARs may also customize portfolios to address the client's stated investment objective, including, without limitation, tax sensitivity or allocation criteria.

### **C. Individual Tailored Services and Reasonable Restrictions**

Apella's IARs assist clients in determining which of Symmetry's model portfolios is most appropriate for each client's particular needs. IARs of Apella may also customize portfolios to meet the unique needs and situations of clients. All clients may place reasonable restrictions on their accounts. However, Apella may decline a restriction request upon notice to the client if the request is fundamentally inconsistent with Apella's investment philosophy, is counter to the client's stated investment objectives, or would prevent the firm from properly servicing client accounts.

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

Apella is not a sponsor of or a portfolio manager to a wrap fee program.

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

Apella's current assets under management total for discretionary accounts is \$123,000,000 as of 08/2014.

## ***Fees and Compensation***

Form ADV Part 2A, Item 5

### **A. Fees**

The client's fee is deducted from the client account. The client is also charged a custodian fee and may incur transaction costs such as, but not limited to, wire fees, commissions and termination fees. In addition, the client also pays fees and expenses related to the client's investments in mutual funds and ETFs. A description of these fees and expenses can be found in each fund's prospectus.

Apella will charge an annual fee based on the client's assets under management. Apella's standard fee schedule (which may, in certain circumstances, be negotiable) is as follows:

<u>Range Start</u>	<u>Range End</u>	<u>Percentage</u>
\$0	\$2,500,000	1.00%
\$2,500,001	\$5,000,000	0.75%
\$5,000,001	over	0.50%

### **B. Fees Calculation and Process**

Fees are generally billed quarterly in arrears, based on the quarter-end values of a client's account on the last trading day of the quarter. The first quarter's fee will be based on the client's initial assets under management and pro-rated from the date the assets are traded in the account. Should an account be terminated the fee will be calculated based on the ending value of the previous day market value. Per the advisory contract, the client directs the firm to direct the custodian to deduct fees from the account.

Apella's fee is calculated as follows:

Market Value on last trading day of Quarter x Annual Fee Percentage for Apella/4 = Quarterly Fee Amount.

The Market Value of the accounts is determined by the custodians on the appropriate day at quarter end.

Apella's fees may be amended if administratively feasible and at its discretion.

The client may request that related accounts be combined in order to meet fee breakpoints and reduce the advisory fee charged. We reserve the right to waive the advisory fee for certain accounts, such as employee accounts. The standard fee schedules and minimum account sizes indicated for the investment management services are negotiable and as a result, clients with similar assets may have differing fee schedules and pay different fees. Clients who negotiate a flat fee schedule may or may not pay a higher fee than those who pay under a tiered schedule, depending on asset levels. Clients will be charged a fee on all assets (securities, cash and cash equivalents), in the account unless otherwise agreed upon between parties.

### **C. Custodian Fees and Other Expenses**

#### **Trust Company of America**

Trust Company of America will charge the lesser of 0.20% or \$500.00 per annum on accounts \$100,000 and greater. Trust Company of America will charge 0.24% on accounts less than \$100,000. All ETF and equity trades are directed through Trust Company of America to Bank of New York for trade execution.

Please see Trust Company of America's fees listed below:

<b><u>Fee Type</u></b>	<b><u>Rate</u></b>
Termination Fee	\$100.00/Account
Check Distribution Fee	\$12.50/Occurrence
Wired Funds Fee	\$15.00/Wire
Returned Check Fee	\$25.00/Occurrence
Cancelled Check Fee	\$12.50/Occurrence
Transfer Out/Asset Re-registration	\$25.00/Asset
Overnight Express	\$15.00/Occurrence
SoloK Maintenance Fee	\$200.00/Year
5500 EZ Filing (if needed)	\$125.00/Filing
SoloK Loan Fee	\$100.00/Loan

#### **Trading**

Equities traded on foreign exchange \$250.00 per trade + \$.02 per share.

Mutual Funds	No trading costs
Government Issued Bonds	\$50.00 per trade
Corporate Bonds	\$50.00 per trade
Mortgage Bonds	\$50.00 per trade
Advanced Distribution Fee	\$35.00/Occurrence

Trust Company of America's fees are subject to change without notice.

#### **Charles Schwab**

##### **Asset Based Pricing Schedule**

Assets from \$0 to \$250,000	0.15%
From \$250,001 to \$500,000	0.12%
From \$500,001 to \$1,000,000	0.10%
From \$1,000,001 and over	0.08%

##### **Transaction Based Pricing Schedule**

Equities LIVE*:	1-999: \$0.08/share; (\$20 min)
	1001-4999: \$0.07/share
	5001-14999: \$0.06/share
	15000 - +: \$0.04/share
Equities ELEC*:	(enrolled in eDelivery) \$8.95 per trade



	<\$1MM (not enrolled in eDelivery): \$19.95 +\$0.015/share above 1,000
	\$1MM+ (not enrolled in eDelivery): \$8.95 per trade
Options LIVE:	\$38.95 + \$1.40 per contract
Options ELEC:	\$8.95 + \$1.40 per contract
Bonds LIVE:	\$1.20 per bond (\$10 min, \$275 max)
Bonds ELEC:	\$1.00 per bond (\$10 min, \$250 max)
Mutual Funds LIVE:	0.10% principal (\$20 min, \$74.95 max)
Mutual Funds ELEC:	0.10% principal (\$20 min, \$49.95 max)

\*LIVE = Phone order.

\*ELEC = Schwab Institutional Website.

Charles Schwab's fee schedule is subject to change without notice.

Please be advised that should an account terminate with Charles Schwab, final quarter fees may not be able to be assessed.

#### TD Ameritrade

TD Ameritrade will charge the lesser of 0.14% or \$300 per annum on accounts. These charges are billed monthly in arrears in the same manner as the Firm's fee is billed. There are no transactions or trading charges for mutual funds. There are additional charges for various services including, but not limited to, equity trading, terminations fees and mailroom requests. All of which are available upon request.

TD Ameritrade's prices are subject to change without notice.

Please be advised that should an account terminate with TD Ameritrade, final quarter fees may not be able to be assessed.

#### **D. Fees in Advance**

Apella does not charge fees in advance.

#### **E. Compensation**

Apella does not receive any transaction-based compensation for the sale of securities or investment products, asset based sales charges, or service fees from the sales of mutual funds.

***Performance-Based Fees and Side-By-Side Management***

Form ADV Part 2A, Item 6

Apella does not assess performance fees.

## ***Types of Clients***

Form ADV Part 2A, Item 7

### **A. Types of Clients**

Apella provides services to individuals, trusts, corporations, charitable organizations, pensions and profit sharing plans.

### **B. Conditions for Managing Accounts**

#### *General Information on Portfolios*

There is typically a 2% cash position in each portfolio. The cash positions will be invested in a money market fund, which will vary depending on the custodian.

Changes to portfolio holdings which comprise the portfolios may have tax consequences. If you sell assets in a taxable account, you may have to pay tax on any gain. While Apella seeks to mitigate tax exposure when possible, clients may incur a taxable event in connection with Apella's management of their portfolios.

#### *Mutual Fund Portfolios*

Clients' investments may not match exactly the target allocations for the applicable model portfolio due to a variety of implementation factors, including but not limited to: the custodian or trading platform's own trading algorithm, any changes in price that from the time the positions are calculated to the time they are actually traded. In some cases for certain custodians, positions with small allocations may be eliminated altogether. Apella may determine not to implement for a client changes made to the applicable model portfolio due to client-specific factors, such as the desire to avoid realizing capital gains or otherwise.

The holdings comprising the model portfolios and the allocations to those holdings have changed over time and may change in the future.

#### *Exchange Traded Fund Portfolios*

Clients' investments may not match exactly the target allocations for the applicable model portfolio due to a variety of implementation factors, including but not limited to: the custodian or trading platform's own trading algorithm, any changes in price from the time the positions are calculated to the time they are actually traded and the fact that ETFs can only be purchased in whole shares. In some cases for certain custodians, positions with small allocations may be eliminated altogether from time to time. Apella may also determine not to implement for a client changes made to the applicable model portfolio due to client-specific factors, such as the desire to avoid realizing capital gains or otherwise.

The holdings comprising the model portfolios and the allocations to those holdings have changed over time and may change in the future.

### *Operational Requests*

Apella uses the services of Symmetry for certain operational requests and back office support and as such has adopted the following operational protocols which may affect the processing of your account and requests.

Some requests, including but not limited to, distributions and liquidations, will ordinarily be processed on the same day if received by Symmetry, in good order, by 12 noon EST. All requests received after 12 noon EST will be handled on a best efforts basis.

Please note that Apella will use best efforts to invest deposits and process model change requests within 5 business days of receipt. Distributions from accounts may take up to 10 business days from receipt of request due to settlement dates, administrative duties and other involved institutions' various timelines. Please note that distributions or transfers related to the closing of an account may take up to 30 business days.

### *Trade Error Policy and Process*

Apella's policy and process is to reconcile all trading activity. Apella seeks to identify and resolve trade errors in a reasonable timeframe, document each trade error with appropriate supervisory approval; and maintain a trade error file. Apella does not engage in any soft dollar arrangements to correct trades, and does not correct trades by selling to or purchasing securities from other clients' accounts.

#### **Trust Company of America**

If a trade error is made on a client account maintained by Trust Company of America, the client may be made whole by correcting the trade error through the use of an error account with the custodian. Any consequent losses are absorbed by the party at fault: Apella or custodian and/or broker-dealer.

#### **Charles Schwab**

If a trade error is made on a client's account maintained by Charles Schwab, the client may be made whole by correcting the trade error through the use of an error account with the custodian. Any gains generated by errors are transferred to the error account and used to offset future error losses until quarter end. At quarter end, gains remaining in error account over \$100.00 will be donated to charity. If a loss occurs greater than \$100.00 and there is no gain to offset the loss in the error account, the party at fault for the error (i.e. Apella, the custodian, or the broker dealer) will pay for the loss. Schwab will maintain the loss or gain if it is under \$100.00 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted. Further, in certain circumstances, a client's account may be made whole through a deposit to the account with the appropriate amount to rectify the error.

#### **TD Ameritrade**

If a trade error is made on a client's account maintained by TD Ameritrade, the client may be made whole by correcting the trade error through the use of an error account with the custodian. Any gains generated by errors are donated to the American Red Cross or to the 501(c)(3) charity of our choice. If a loss occurs the party at fault for the error (i.e. Apella, the custodian, or the broker dealer) will pay for the loss.

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

Form ADV Part 2A, Item 8

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

Apella IARs will assist each client in identifying the client's financial objective through the use of approved documentation and third-party software. IARs will recommend asset class and allocation strategies, which will likely include model portfolios made available to Apella through Symmetry, based on the client's risk tolerance. The strategy behind the model portfolios is based on the following method of analysis, which Apella has adopted through its arrangement with Symmetry.

The methods of analysis and investment strategies are based on academic research into optimal investing, with an emphasis on Modern Portfolio Theory. The analysis methods may include: use of MPT metrics such as return, standard deviation, Sharpe Ratio, etc.; regression analysis to determine risk factor exposure, and Monte Carlo simulation to consider probability of outcomes. Please see definitions of these terms below. The investment strategies consist of equity and fixed income components (or one or the other) and are comprised of open-end mutual funds and exchange traded funds. The equity strategies are broadly diversified across global markets and are "passively managed" with respect to market timing and stock picking, meaning that we do not engage in these activities. The firm does overweight or underweight at the asset class level in an effort to capture premiums that have historically been available. The fixed income strategies are generally shorter term in nature and primarily investment grade or higher quality depending upon the strategy.

**Modern Portfolio Theory:** Put forth by academics such as Nobel-Prize Winner Harry Markowitz, Modern Portfolio Theory is a method that seeks to invest assets so as to maximize the amount of return offered by the investment per unit of risk taken.

**MPT Metrics:** Modern Portfolio Theory metrics such as return, standard deviation, and Sharpe Ratio.

**Return:** A measure of the amount the investment has earned as a percentage of the amount that was invested.

**Standard Deviation:** A measure of volatility or the dispersion of returns that the investment has experienced. A high standard deviation indicates a wide dispersion, which is considered to indicate a higher risk than an investment with a low standard deviation.

**Sharpe Ratio:** A measure that combines return and standard deviation in an attempt to show the client the amount of return the investment offered for the level of risk that was taken. Specifically, Sharpe ratio measures the return of the investment over and above the return that could have been obtained in a relatively risk free investment instrument (such as Treasury Bills), divided by the standard deviation of that additional return.

**Regression Analysis:** A statistical measure that attempts to determine whether there is a relationship between two or more variables. Regression analysis is often used to determine whether the behavior of one investment asset is dependent upon the behavior of one or more other assets. For example, whether the performance of a certain mutual fund is dependent upon the performance of the stock

market in general.

Monte Carlo Simulation: A software tool that runs multiple trials of the same analysis, with changes in inputs for each trial, so that the analyst can get a sense of the probability of various outcomes given numerous possible inputs.

As with any investment strategy, there is a possibility of loss. No current or prospective client should assume that future performance of any specific investment strategy or product made reference to directly or indirectly in this material will be profitable.

### **B. Risk of Loss Involved for Investment Strategy**

The primary risk inherent in using Modern Portfolio Theory metrics is that these measures are necessarily based on historical returns. If a fundamental shift in relationships among the various asset classes or other inputs should occur, historical data will not represent what can be expected going forward. Additionally, MPT metrics require good data, and will be compromised by any inaccuracies in the input information. Regression analysis and Monte Carlo simulations both use the same historical data as is used in the calculation of MPT metrics and are therefore vulnerable to the same risks. Apella does not believe in making predictions about future returns and therefore generally does not use "forward-looking" forecasts as inputs for its analyses.

Diversification is intended to reduce volatility by spreading your investment dollars into various asset classes to add balance to your portfolio. Using this methodology, however, does not guarantee a profit or protection from loss in a declining market. Passively managed portfolios are designed to closely track their respective benchmark index rather than seek outperformance. As a result, the portfolio may hold securities regardless of the current or projected performance of a specific security or a particular industry or market sector. Maintaining investments in securities regardless of market conditions or the performance of individual securities could cause the portfolio to lose value.

In addition, the client should be aware of the following general rules when investing. Higher potential return generally involves greater risk, short term volatility is not uncommon when investing in various types of funds including, but not limited to: sector, emerging markets, small and mid-cap funds. International investing involves special risks such as currency fluctuation, lower liquidity, political and economic uncertainties, and differences in accounting standards. Risks of foreign investing are generally intensified for investments in emerging markets. Risks for emerging markets include risks relating to the relatively smaller size and lower liquidity of these markets, high inflation rates and adverse political developments. Risks for investing in international equity include foreign currency risk, as well as, fluctuation due to economic or political actions of foreign governments and/or less regulated or liquid markets. Risks for smaller companies include business risks, significant stock price fluctuation and illiquidity. Investing in real estate entails certain risks, including changes in: the economy, supply and demand, laws, tenant turnover, interest rates (including periods of high interest rates), availability of mortgage funds, operating expenses and cost of insurance. Some real estate investments offer limited liquidity options. Investing in higher-yielding, lower-rated bonds has a greater risk of price fluctuation and loss of principal or income than U.S. government securities, such as U.S. Treasury bonds and bills.

As with any investment strategy, there is a possibility of loss. No current or prospective client should assume that future performance of any specific investment strategy or product made reference to directly or indirectly in this material will be profitable.

### **C. Risks of Specific Securities Utilized**

Apella recommends both open ended mutual funds and exchange traded funds. The following are risks involved with these investments.

#### *Exchange Traded Funds*

ETFs do not sell individual shares directly to investors and only issue their shares in large blocks. Exchange traded funds are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. ETF shares are bought and sold at market price (which may be higher or lower than NAV) and are not individually redeemable from the fund. Brokerage commissions will reduce returns. An investor should consider investment objectives, risks, charges and expenses before investing. A description of these risks can be found in each ETF's prospectus.

#### *Mutual Funds*

Past performance does not guarantee future results. The investment return and principal value of a mutual fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Investors should consider the investment objectives, risks, and charges and expenses of the investment company carefully before investing. A description of these items can be found in each fund's prospectus.

***Disciplinary Information***

Form ADV Part 2A, Item 9

**Not Applicable.**



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

Form ADV Part 2A, Item 10

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Apella and members of the management personnel are not registered, nor do they have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.**

Apella and members of the management personnel are not registered, nor do they have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### **C. Arrangements with Related Persons**

Apella has an arrangement with Symmetry Partners, LLC under which Symmetry makes model portfolios available to Apella for use with Apella's clients

The managers and members of Apella, LLC are also the managers and members of Symmetry Partners, LLC. Investment Adviser Representatives of Apella are also IARs of Symmetry Partners.

### **D. Selection of other Advisors or Managers**

Apella may recommend or select other investment advisers for clients and pay a portion of the investment advisor fee received by Apella from the client to those advisors for their services.

Form ADV Part 2A, Item 11

**A. Code of Ethics**

Apella, through its Code of Ethics, strives to ensure high standards of ethical conduct among its associates. In addition, the Code of Ethics sets forth processes for compliance with applicable Federal securities laws with respect to, for example, insider trading and personal securities transactions. The goals of the Apella Code of Ethics are to protect the firm's clients and the firm's reputation by educating employees about their fiduciary duties and the laws governing their conduct. A copy of the Apella Code of Ethics is available upon request by calling 860.785.2260.

**B. Material Financial Interest**

Neither Apella nor its related persons have any material financial interest in the securities it recommends to its clients.

**C. Invest in the Same Securities that are Recommended to Clients**

Apella's employees and related persons are allowed to invest in same securities (open-end mutual funds and ETFs) that are recommended to clients. All employees and related persons of Apella are prohibited from profiting at the expense of clients and competing with clients with respect to transactions in "reportable securities" as defined in Rule 204A-1(e)(10) under the Investment Advisers Act of 1940. Apella employees' and related persons' personal transactions in reportable securities are reviewed on a quarterly basis to assure compliance with all personal security transaction policies. Because the securities recommended by Apella, including shares of mutual funds and ETFs, are generally not "reportable securities," the Apella Code of Ethics does not ordinarily limit the ability of Apella's employees and related persons to invest in same open-end mutual funds and ETFs that are recommended to clients.

**D. Buy or Sell Securities for Client's Accounts at or about the same time it Buys the Same Securities for its Own Account.**

Apella recommends only transactions in open-end mutual funds and ETFs. Apella does not transact in such securities.

## Brokerage Practices

Form ADV Part 2A, Item 12

### A. Selecting or Recommending Broker-Dealers for Client Transactions

Apella does not recommend transactions in securities other than shares of mutual funds and ETFs. As such, Apella does not recommend broker-dealers for client transactions. Apella would seek best execution of client transactions were it to choose a broker-dealer to execute client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction but the best overall qualitative execution in the particular circumstance. Transactions in mutual fund shares are effected directly between a client's custodian and the mutual fund or its agents. Because such transactions are, pursuant to Rule 22c-1 under the Investment Company Act of 1940, required to be effected at a price based on the net asset value of such shares next computed after the order to purchase or sell such shares is received, and clients do not pay any sales loads in connection with such transactions, a price based on the net asset value of the mutual fund shares next computed after the order to purchase or sell such shares is received will be the most favorable trade execution reasonably available. At present, there are three custodians that are operationally set up to maintain client accounts, and each client selects his or her own custodian. In selecting its custodian, each client will be deemed to have directed Apella to effect any transactions in ETF shares through such broker as the client's custodian may from time to time direct.

#### 1. Research and Other Soft Dollar Benefits

Apella does not in any way direct clients to a broker dealer or custodian for the exchange of products, research or services.

#### 2. Brokerage for Client Referrals

Apella does not in any way direct clients to a broker-dealer or third party for client referrals.

#### 3. Directed Trades

As noted above, each client directs its own trades with respect to ETFs. As a result, the client may incur higher commissions, greater spreads or less favorable net prices than if the client had chosen a different custodian and thereby directed Apella to execute ETF trades through another broker-dealer. Apella may not be able to obtain best execution for such trades.

### B. Trade Aggregation

Although Apella does not aggregate trades for execution, Apella transmits instructions with respect to transactions in mutual funds and ETFs to its clients' custodians at various times throughout the day, and instructions with respect to transactions on behalf of multiple clients with the same custodian may be transmitted at the same time. Client transactions in ETFs may be held for part of a trading day until the next regular transmission to their custodians, which may adversely affect the price at which they are effected. A client's custodian may aggregate such orders for execution.

## ***Review of Accounts***

Form ADV Part 2A, Item 13

### **A. Frequency, and Responsible Parties of Periodic Reviews**

Clients accounts are monitored on a periodic basis, annually and as needed. Financial plans are reviewed on an annual basis and as needed with the client. Apella investment adviser representatives conduct the reviews.

### **B. Factors that will trigger a non-periodic review**

A non-periodic review of a client's account can be triggered by a change in the client's financial circumstances such as, but not limited to, termination of employment, moving or retirement. A material market event could also trigger a review.

### **C. Reports**

Clients receive either a quarterly or monthly statement from the custodian. Apella also provides quarterly performance reports of clients' accounts to clients. In addition, Apella has other tools it may use in connection with the review of clients' accounts which may include, without limitation, research notes, white papers, and analysis on related market events.

### ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

#### **A. Individual who is not a Client Provides an Economic Benefit in Connection with Giving Advice to Client**

Apella does not receive any economic benefit including, but not limited to, commissions, equipment, research services, sales awards and/or prizes from any non-client in connection with giving advice to clients.

#### **B. Indirect or Direct Compensation to Third Parties for Client Referrals**

##### *Indirect Compensation*

Apella does not compensate any third party for client referrals.

##### *Direct Compensation*

Apella pays a portion of its advisory fee to an affiliate, Symmetry Partners, to assist with functions associated with the management of your account. Such tasks may include, but are not limited to, sub-advisory services, back office operations and trading, reporting, and investment research.

### ***Custody***

#### Form ADV Part 2A, Item 15

Apella, LLC has custody of clients' assets, but custody is limited to the specific circumstance of fees being deducted from clients' accounts. When a client opens an account with Apella, the assets are held with a qualified custodian. Clients will receive monthly or quarterly account statements, depending on the custodian. Please review the statements carefully for accuracy of information. In addition, Apella can provide quarterly performance reports of clients' accounts to share with clients. When reviewing this report, please note that this report does not take the place of brokerage statements, any fund company statements, or 1099 tax forms. The client is urged to compare this report with the statement received from the custodian covering the same period.

### ***Investment Discretion***

#### Form ADV Part 2A, Item 16

Prospective clients of Apella are asked to sign an investment advisory agreement with the firm outlining the responsibilities of each party. By signing the agreement, the client grants Apella discretionary authority to implement all investment decisions such as, but not limited to, investment selection, asset allocation and rebalancing. Apella will assist the client in determining the most appropriate model portfolio for the client, and will offer the client an opportunity to place reasonable restrictions on the account. Apella will assist the client in understanding and evaluating the possible impact of these restrictions on the account. Clients appoint Apella as client's agent and attorney-in-fact with respect to trading authorization. Apella manages the asset allocation on a continuous basis and all allocation and investment decisions are reviewed and monitored.

### ***Voting Client Securities***

Form ADV Part 2A, Item 17

#### **Proxy Voting Statement**

Apella's standard policy regarding discretion to vote proxies is as follows: Unless Apella and client otherwise agree in writing, Apella is precluded from and the Client shall be responsible for: (a) directing the manner in which proxies solicited by issuers of securities you beneficially own shall be voted; and (b) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other events pertaining to the securities in the account. Client authorizes and directs the custodian to forward to the client all proxies and shareholder communications relating to the assets. Should a client wish to grant Apella discretion to vote proxies, the client must do so in writing, and such voting authority will not be effective until accepted in writing by Apella.



***Financial Information***

Form ADV Part 2A, Item 18

Apella is required to disclose certain information to clients regarding financial matters of the firm.

A. Apella does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

B. Apella has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

C. Apella has not been subject of a bankruptcy petition at any time.