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**Firm Brochure  
Part 2A, Form ADV**

**March 31, 2015**

This brochure provides information about the qualifications and business practices of Synergy Financial Management, LLC. If you have any questions about the contents of this brochure, please contact us at (206) 386-5455 or send an email to [info@sfmadvisors.com](mailto:info@sfmadvisors.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 Synergy Financial Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC as an investment advisor does not imply a certain level of skill or training.

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March 2015

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## Item 2      Material Changes

Synergy Financial Management, LLC updates its ADV Part 2A annually, or more frequently in the event of certain material changes. This section outlines and summarizes the specific changes made to this Brochure since our last update in March of 2014.

1. We have updated Item 4 – Advisory Business to reflect a new affiliate and our launch of a pooled investment fund; additional details regarding our Group IRA offering.
2. We have updated Item 5 – Fees and Compensation to reflect management/performance fees paid by investors in the fund; fees related to Group IRA accounts.
3. We have updated Item 6 – Performance-Based Fees to reflect the incentive fee structure of the fund.

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## **Item 4      Advisory Business**

### **Firm Description**

Synergy Financial Management, LLC (“SFM,” “we,” “our” or “us”) is a Washington limited liability company founded in July of 2001. We provide personalized confidential financial planning and investment management to a variety of clients, including individuals, businesses, business owners, and trusts. Advice is provided through consultation with the client (“client,” “you” or “your”) and may include: determination of financial objectives and goals, identification of financial issues, cash flow management, tax planning, investment management, education funding, retirement planning, and estate planning.

Rowan Street Advisers, LLC (“Rowan”) our affiliate, is the Managing Member of our private fund. Rowan (as a “Relying Adviser”) and SFM (as a “Filing Adviser”) are operationally integrated, collectively conduct a single advisory business, and are together filing a single Form ADV on reliance and guidance from the SEC and under the Investment Advisers Act of 1940 as amended (the “Act”). Relying Advisers are considered to be a registered investment adviser with the SEC and, as such, are required to comply with all the provisions of the Act and the rules thereunder that apply to registered advisers.

### **Principal Owners**

SFM is owned 99% by Synergy Financial Services, Inc. (DBA as Synergetic Finance) and 1% by Joseph M. Maas, our Principal. Mr. Maas is 100% owner of Synergy Financial Services, Inc. Rowan Street Advisers, LLC is owned 50% by Alex Kopelevich and 50% by Synergy Financial Services, Inc.

### **Types of Advisory Services**

SFM provides continuous and comprehensive wealth management and investment advisory services to our clients on a discretionary or non-discretionary basis, typically through managed accounts. We also provide asset management and investment advisory services to our private fund. The detailed terms, strategies and risks applicable to investors in the fund are described in the fund’s organizational and offering documents.

### **Tailored Advisory Services and Investment Options**

Through discussions with you, we develop a wealth management and investment plan based on, among other things, your particular circumstances, financial goals and/or objectives, risk tolerance, time horizon, and liquidity needs. We then implement the plan using internally managed custom

portfolios we have developed. When providing advice, we may also recommend hiring third party investment managers for some of your assets. In certain situations, as appropriate, we may also recommend an investment in our private fund.

## **Custom Portfolios**

As it relates to our custom portfolios, we manage most assets on a discretionary basis, meaning we have investment control to implement the plan we have developed with you without obtaining your consent prior to making a trade. We also manage portfolios on a non-discretionary basis, meaning we will manage and implement the plan we have developed with you, but will always obtain your approval prior to making any trades.

As an advisory client, you may impose reasonable restrictions on the way we manage assets held in your account(s), such as prohibiting the purchase of tobacco stocks, for example.

We only make recommendations to advisory clients regarding investing in our private fund on a non-discretionary basis, meaning that you must decide whether to accept or reject our recommendations. For our private fund, this generally involves investing a private fund's assets in accordance with the fund's organizational and offering documents.

As part of our investment process, we will also review any current investments you own and evaluate them in light of your current goals and objectives and offer our recommendations as to whether such investments should be retained.

## **GroupIRA Platform**

For clients with smaller (generally less than \$100,000) IRA accounts, we offer a platform through GroupIRA, which pools smaller accounts together, allowing for economies of scale related to fees and expenses. These accounts are managed on a non-discretionary basis. This platform allows us to offer our custom model(s), but with access to Institutional mutual fund share classes that a smaller account normally can't purchase due to minimum investment constraints put in place by the mutual fund sponsor.

GroupIRA custodies our pooled account with Benefit Trust, a qualified custodian, which acts as the settlement agent for the pooled account. GroupIRA then acts as the administrator for your assets, providing all the reporting, valuations, and performance of the assets held for your benefit.

We have provided GroupIRA with our custom models, which you can access via their online portal in order to implement the investing plan.

Clients on this platform will contract individually and directly with GroupIRA. Fees related to this platform are discussed below in Item 5.

**Financial Planning:** As requested, we provide comprehensive financial planning services as part of our services, and in connection with our broader investment management implementation, which may include:

- A net worth statement
- A cash flow statement
- A review of investment accounts, including an asset allocation review and the provision of reposition recommendations
- Strategic tax planning
- A review of retirement accounts and plans, including recommendations
- A review of one or more retirement scenarios
- An estate planning review and recommendations
- Education planning with funding recommendations

## **Assets Under Management**

As of December 31, 2014, our total regulatory assets under management were approximately \$101,878,335. Of this amount, we manage approximately \$92,491,921 on a discretionary basis and approximately \$9,386,414 on a non-discretionary basis.

## **Item 5 Fees and Compensation**

In general, we charge fees on advisory accounts based on the specific portfolio model or investment class (e.g., equity, fixed income, cash) to which the assets in the account are allocated. Excluding assets held through the GroupIRA platform, our management fees for non-discretionary accounts are the same as those for discretionary accounts. Generally, we charge an annualized management fee based on the amount of assets we manage for you. Our fees are assessed quarterly, in advance, based upon the value of your account(s) on the last day of the quarter. Unless specifically requested, we deduct the management fee directly from your account(s).

Our fees are negotiable based on the size of the account(s). Any new accounts opened during the quarter are billed initially for the days from inception to the end of the quarter.

Subsequent quarterly fees will be calculated based upon the market value of your account(s) (including accrued interest and dividends) on the last business day of the previous calendar quarter

and will become due the following business day. Any deposits made after the end of a quarter will be included in the next billing period.

The custodian of your account is normally authorized to deduct our advisory fees based on the Account Agreement we enter into with you at the onset of our relationship. All fees deducted and paid to us will be reflected on your quarterly account reports as well as on your statement from the custodian.

Our investment advisory (both discretionary and non-discretionary) fees are reflected in the table below.

Account Value	Quarterly Fee	Annualized Fee
\$0 - \$500,000	0.250%	1.00%
\$500,001 - \$1,000,000	0.1875%	0.75%
Amounts over \$1,000,001	0.125%	0.50%

In general, we charge advisory clients a minimum annual fee of \$3,000 per year billed in quarterly increments, though we may choose to waive the minimum fee depending on your specific circumstances. Accordingly, you will pay the greater of i) the applicable SFM fee percentage multiplied by the household assets we manage or ii) \$3,000.

We may negotiate fees with clients that are different than the fees above based on a variety of factors including the type of client, the account size and anticipated increases in account size, or pre-existing relationship. We typically combine certain related advisory client accounts for purposes of calculating a client's aggregate account size and/or management fee. Some existing advisory clients are governed by fee schedules different from the above schedule and, therefore, those existing clients may pay higher or lower fees than new clients.

We refund pro-rated management fees for any accounts terminated during the quarter. We calculate the number of days between termination and the end of the quarter and mail a check for the refund amount.

Advisory clients generally are responsible for all fees and expenses incurred by or arising in connection with an account, including custodial fees, brokerage commissions, fees and expenses charged by mutual funds and exchange traded funds, trade-away fees, clearing fees, interest, and taxes incurred in connection with trading. Advisory clients pay these fees and expenses in addition to the management fee we charge. We discuss brokerage and other transaction costs incurred by advisory client accounts in more detail in Item 12 – Brokerage Practices.

## Fees for Third Party Financial Products and Services

In addition to SFM fees, you may pay a fee to an investment fund or to a third-party investment manager. Mutual Fund fees and expenses are set forth in the applicable fund prospectus. Fees imposed by third-party managers are disclosed at the time you enter into an investment advisory agreement with the third-party manager. In situations where we recommend a third-party manager, their fees and expenses are billed directly to you either by debiting your account (with a signed discretionary advisory agreement) or via invoice to you directly.

Neither SFM nor any employees receive any compensation from any third-party manager chosen to manage a portion of your investments.

### GroupIRA Fees

Advisory Fees Paid to SFM:

Account Value	Monthly Fee	Annualized Fee
All Account Values	0.04583%	0.55%

IRA Program and Technology Fees – Paid to GroupIRA

Account Value	Monthly Fee	Annualized Fee
All Account Values	0.026667%	0.32%

In addition to the above AUM fees, GroupIRA clients will also pay an annual membership fee of \$60 annually (\$5.00 per month), however, the annual membership fee is waived if there are monthly deposits of more than \$100. All fees related to GroupIRA are charged monthly in arrears based on the value of the account on the last business day of the month.

SFM is not affiliated with GroupIRA and receives only the Advisory fees as indicated above related to accounts held on the GroupIRA platform. GroupIRA, through their client agreement, deducts all fees directly from client accounts and pays Synergy the advisory fees indicated above.

In those situations where GroupIRA platform accounts purchase mutual funds which are 'load' funds or those funds which pay a 12 b-1 fee, GroupIRA rebates those directly to the underlying account for which the fees have been generated. Neither SFM nor GroupIRA retains such fees.



## Private Funds

Fees associated with our private fund generally include a management fee or a performance-based fee or allocation. Each fund investor must be an “accredited investor” meeting one of the qualifications below:

1. a natural person who has individual net worth, or joint net worth with the person’s spouse, that exceeds \$1 million at the time of the purchase, excluding the value of the primary residence of such person;
2. a natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or
3. a trust with assets in excess of \$5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

In addition, fund investors who pay a performance fee must also meet the definition of a “qualified client”:

1. Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,000,000. For purposes of calculating a natural person’s net worth:
  - (a) The person’s primary residence must not be included as an asset;
  - (b) Indebtedness secured by the person’s primary residence, up to the estimated fair market value of the primary residence at the time the investment advisory contract is entered into may not be included as a liability (except that if the amount of such indebtedness outstanding at the time of calculation exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess must be included as a liability); and
  - (c) Indebtedness that is secured by the person’s primary residence in excess of the estimated fair market value of the residence must be included as a liability; or
2. A natural person who has assets under management with SFM in excess of \$1,000,000.

Accredited investors who do not meet the threshold of being a Qualified Client, will pay an annual management fee of 1.5% (.375% quarterly) based on the net asset value of the investor’s capital account at the end of each quarter. The management fee will be pro-rated for contributions other than at the beginning of a quarter.

Investors who meet the definition of qualified client will not pay any management fee, but will be assessed an annual performance fee of 25% subject to a 3% hurdle rate. In addition, the private fund pays all operating expenses and other costs of the fund, including fund formation costs, custodial fees, brokerage commissions, fees and expense charged by mutual funds and exchange traded funds (if any), clearing fees, interest, and taxes incurred in connection with or related to its investments. The private fund’s organizational and/or operating documents include details regarding the fees, costs and expenses associated with the fund.

## **Financial Planning**

The financial planning services we provide are in conjunction with our investment advisory services, and we generally do not charge additional fees for any of these services. However, depending on the situation, we may provide financial planning services to clients where we design the financial plan, but then are not tasked with the responsibility of implementing the plan. In those situations, and with a written agreement between us, we will negotiate either a flat fee or a fee based on the assets involved in the preparation of the plan.

## **Hourly or Flat Fees**

We may occasionally charge an advisory client an hourly fee for advice regarding investment or related planning. We negotiate the fees associated with these arrangements with the client on a case-by-case basis.

## **Other Fees**

Our advisory fees are exclusive of custodial fees, brokerage commissions and fees, transaction fees, bank service fees, interest on loans and debit balances, wire transfer and electronic fund transfer fees, interest on margin accounts, borrowing charges on securities sold short, and any other fees and taxes on brokerage accounts and securities transactions. All fees charged by the custodian are clearly detailed in the opening account form supplied by the custodian and in a separate document provided by the custodian, called a Pricing Guide.

All mutual funds/exchange traded funds incur expenses for account management services and fund administrative services by the fund company. These expenses may range from 0% to 2.0% of the net asset value for a domestic equity fund and from 0% to 2.5% for an international or global equity fund. Internal expenses of bond funds tend to be lower than for equity funds. The fees we charge to manage your account(s) are in addition to these internal fund expenses.

Certain of the open-end mutual funds which may be acquired for your account, may, in addition to assessing management fees, internally assess a distribution fee pursuant to section 12(b)1 of the Investment Company Act of 1940, as amended, or an administrative or service fee. SFM may be eligible, or may become eligible in the future, to share in such fees, which generally equal 0.25%, or may exceed this amount, each year based on the mutual fund account balance. These fees are included in the calculation of operating expenses of a mutual fund. These fees are disclosed in the prospectus for each mutual fund.

Sometimes we may purchase a no-load mutual fund through the custodian in your account. When purchased at the custodian, there may be a transaction fee assessed by the custodian. You may

purchase mutual funds, which charge no sales load directly with the sponsoring fund organization or, possibly from an unaffiliated broker, with no transaction fee.

SFM receives no part of any of these fees charged by the custodian or mutual fund company, so there is no conflict of interest in the selection of assets that are purchased for your account. SFM's compensation related to individually managed accounts is entirely from the management fees based on the asset value of the account.

Please refer to Item 12 – Brokerage Practices below for additional information regarding brokerage that may be relevant to this discussion of fees.

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

Rowan Street Advisors, LLC, our affiliate, serves as the Managing Member to our private fund, Rowan Street Capital, LLC (the “fund”). As described in Item 5 – Fees and Compensation, SFM/Rowan receives a management fee (only for accredited clients) and a performance incentive fee (only for qualified clients) for performance in excess of a specified hurdle. Specific details describing management and incentive fees are more fully described in the offering documents for the fund. Our performance fees are charged in accordance with the requirements of Rule 205-3 under the Investment Advisors Act of 1940, as amended. Specifically:

- In measuring assets for the calculation of performance-based fees, we include realized and unrealized capital gains and losses.
- We have procedures designed and implemented to ensure that all clients subject to any performance or incentive fee arrangements are treated fairly and equally.
- Upon the redemption or withdrawal of an investor's interest in the fund, the pro-rata portion of the performance allocation or fee allocation is charged at the next instance a performance fee is assessed.
- Our fund is subject to an annual audit conducted by a qualified, PCAOB member, independent auditor.

Our compensation from the private fund (a higher management fee/performance incentive) creates a conflict because we charge advisory clients an asset based fee for the services we provide, but we (including Rowan) are entitled to receive performance-based fees or allocations from the fund. As a result, we may have an incentive to recommend that an advisory client invest in our private fund, as opposed to holding assets only in separate accounts and allocating those assets to investment options through which we would not be entitled to receive performance-based fees or allocations.

We seek to address this conflict by emphasizing our duty to place the interests of our clients first. We have procedures designed and implemented to ensure that all clients/fund investors are treated fairly and equally.

## **Item 7      Types of Clients**

SFM provides investment advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Business owners
- Trusts and estates of individuals and high net worth individuals
- 401(k) plans
- Corporations or other business entities

We do not require a minimum account size, though we generally charge advisory clients a minimum annual fee of \$3,000 per year, however, we may choose to waive the minimum depending on the specific situation. Please refer to Item 5 – Fees and Compensation for additional information regarding the fees and compensation we receive.

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

### **Methods of Analysis**

We are devoted to performing two primary, value-added wealth management services – investment management and comprehensive financial planning. We believe in a team approach to addressing comprehensive financial needs. This team may include SFM, as the quarterback of the team, a CPA, an attorney, a banker, a mortgage broker, or other professionals that you may rely on. As part of this process we use the following approach:

- Identify and prioritize goals in a discussion with you
- Obtain quantitative and qualitative data through the use of comprehensive questionnaires
- Analyze the data from the questionnaires and document our findings in a formal document
- Present and discuss our findings, including any issues we see along with our proposed solutions
- Implement the strategies we have outlined
- Monitor and adjust the plan as needed based on regular meetings and any changes occurring in your life.

## Financial Planning Foundations

Investment theory and historic capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return. Returns can also be evaluated by comparing relative returns to absolute returns.

Given this relationship between risk and return, a fundamental step in determining the investment policy for a portfolio is the determination of an appropriate risk tolerance. There are two primary factors that affect an investor's risk tolerance:

- Financial ability to accept risk associated with the investments, and
- Willingness to accept volatility in the expected returns

These two factors along with the responses to the questionnaire you complete determine your Risk Tolerance.

**Return:** We manage all portfolios from a total return perspective and separate returns by “required” and “desired”. Required returns are associated with primary goals, and desired returns are associated with secondary goals. If there are discrepancies between the two types of returns or if the current required return is not realistic under current market conditions, we may need to discuss the risk/return characteristics and review other variables that can provide solutions to meeting your goals.

Further, returns can be considered in nominal terms and in real terms. Nominal returns include inflation, and real returns address the return without inflation. We also consider returns on both a pre-tax and a post-tax basis. In addition, return characteristics can be considered from a principal conservation perspective or a principal invasion perspective. Using financial modeling, scenario and sensitivity analysis, and Monte Carlo simulation, we fully explore a range of possible portfolio outcomes. For principal conservation, we can simply state the current return requirement. To provide for income needs, we can employ an income portfolio strategy in addition to a growth portfolio or overlay it on top of a growth strategy.

**Time Horizon:** While past performance is no guarantee, historic asset class return data suggests that the risk of principal loss over a holding period of at least 10 to 20 years may be minimized with a long-term investment mix.

A series of facts determine a your personal time horizon. A single family may have short-term investment goals, mid-term investment goals, and long-term investment goals, determined by their

situation. We review all these needs and link them with risk objectives to determine the period of your time horizon.

**Taxes:** Taxes can affect the investment policy in several ways and should be analyzed by comparing pre-tax vs. post-tax opportunities, such as:

- The determination as to the appropriate investment vehicles for a portfolio, either taxable or tax-free, and/or income producing or growth through capital appreciation.
- The selection of either an active or passive strategy to be employed for a particular asset class and/or account type.

Initial portfolio implementation and portfolio rebalancing may have adverse tax consequences. Ordinary income and both short and long term capital gains taxes may apply.

**Liquidity:** We consider liquidity needs to be any need for cash flow with in a twelve (12) month period. For these requirements, we use savings vehicles or equivalents so those assets are not subject to systematic market risk.

## Unique Circumstances

**Marketability of Assets:** A passive/active portfolio can be invested in illiquid, long-term investments. Such investments may include, but shall not be limited to, mutual funds, pooled investment vehicles, unit investment trusts, fixed and variable annuities, stocks, bonds, and options. Please be advised that most annuities have surrender charges and may also contain management or participation fees. A commission may also be earned by the insurance agent.

**Diversification:** Investments will generally be limited to individual marketable securities or packaged products (for example, mutual funds, or unit investment trusts) in categories as listed below. We may add or delete classes as necessary depending on your individual circumstances:

**Asset Classes we use may include but are not limited to:**

1. Cash and cash equivalents
2. Fixed Income – Domestic Bonds
3. Fixed Income – Non-U.S. Bonds
4. Equities – U.S.
5. Equities – Non-U.S.
6. Equities – Emerging Markets
7. Equities – REITs

8. Mortgages
9. Precious Metals

Security Types we use may include but are not limited to:

1. Mutual Funds – Stocks, Bonds, Money Market Funds
2. Individual Stocks, as long as they are traded on the major exchanges
3. Individual Bonds, as long as they are rated BBB or better.
4. Closed-end funds
5. Unit Investment trusts
6. Covered Call Options
7. Deferred Annuities issued by an insurance company with a Best rating of A or better
8. Bank certificates of deposit
9. Listed Options
10. Commodity ETFs or Pooled Investments

## Investment Strategies

Asset allocation is an approach to investment selection that involves diversifying (spreading investment funds, among different types of investments called asset classes) to reduce return-rate volatility and risk.

In traditional asset allocation, a range of best-diversified portfolio mixes of asset classes is determined, offering various expected return rates each with the least possible risk. This range of portfolios is called the efficient frontier, commonly shown as a curve on an efficient frontier graph.

To obtain the benefit of diversification, the most important step is to select several asset classes that are fundamentally different and, therefore, are likely to vary above and below their expected return rates at different times. If, during a year, one asset class goes down, others are likely to offset that decline by going up.

The second step in the process is to apply a mathematical analysis called Modern Portfolio Theory, which identifies the range of best-diversified portfolios or mixes of the selected asset classes.

## Active Strategy

SFM currently manages two active, custom, non-diversified strategies that seek to earn a return above their respective benchmarks. This excess return is called alpha. In seeking alpha, we may employ either or both of these strategies in the portfolio. Your ability and willingness to take risk are the primary determinants of which strategy (or combination of strategies) is implemented.



Concentrated Equity Strategy: This proprietary strategy seeks to identify alpha opportunities through event-driven, opportunistic and/or intrinsic value principals and blends bottom-up research with top-down considerations. We look for companies which have had strong historic performance and continue to have prospects for sustainable performance in several key value drivers, i.e., return on invested capital, growth, cash flows, and valuations. In addition to fundamental analysis, technical analysis is used to help identify execution decisions.

At any given time, the active equity strategy may contain stocks in various sectors, or it may contain concentrated sector allocations as well as various or concentrated market capitalizations. For small-cap companies, the discount from intrinsic value we look for is larger than the discount for mid-cap companies, and the mid-cap category requires a higher discount than the large-cap companies.

We manage risk in this strategy by initiating position limits and executing stop loss orders when appropriate. Further, we take a long-term hold focus on our positions, which helps achieve the goal of minimizing taxes and transaction costs. Moreover, our target holding period is a minimum of twelve months. Taxable and non-taxable accounts may be treated differently, and a sale within twelve months may be appropriate in some situations.

To aid in the exit strategy of positions, we have several sell disciplines, some of which are soft rules and others are hard rules. The following are some reasons we may want to exit a securities position:

- Deteriorating fundamentals
- Price has risen well above its intrinsic value
- Better investment opportunities have been identified
- A percentage drop from the original position

Mutual Fund/Exchange Traded Fund Strategy: Active mutual fund selection starts with investment strategy – how a manager goes about analyzing, buying, and selling securities. Alpha drivers are formed around the various strategies employed by managers, and we attempt to identify mutual fund managers who are providing the highest risk-adjusted alpha.

Alpha driver groups don't replace the due diligence we perform on mutual funds we invest in; rather, alpha driver strategy peer groups help us in comparing managers based on how they will manage the fund. This is a different comparison than the popular Morningstar-style boxes.



We identify a manager's strategy by gathering a few key value drivers that allow us to identify mutual funds manager who are actively managing their strategy with high alpha and low correlations to other standard mutual funds selection criteria. We may employ (allocate/optimize) just one fund or several funds to complete our active mutual fund strategy.

Conservative Strategy: The conservative strategy is comprised of various investment vehicles and/or strategies designed to provide a secure foundation to the Client's overall portfolio. Investments may include but are not limited to: cash equivalents, CDs, money market instruments, T-bills, government and credit fixed income instruments, and fixed annuities.

Various strategies over short-term, intermediate-term and long-term time periods may be executed to help you meet your goals and objectives. The following are a few of the strategies that may be employed:

- Bullet strategies
- Barbell strategies
- Immunization strategies
- Cash flow matching strategies
- Combination strategies
- Laddering strategies
- Asset & Liability matching strategies

The use of each one of these strategies and/or investment instruments will be determined through a variety of factors including: economic analysis, general trends in fixed income and equity markets, yield curve analysis, credit analysis, spread analysis, risk adjusted returns, quality analysis, sector analysis, and total return projections. These financial factors will be considered along with personal circumstances and your specific portfolio objectives and constraints. In addition, on occasion, a client may have a favorite equity or other assets they prefer to hold outside of SFM models. If applicable, the details will be outlined in your personal Investment Policy Statement.

## Private Funds

We may, directly or through our affiliate, form and control various private funds designed primarily to provide our clients with exposure to alternative investment strategies. We do not tailor the strategy of our fund(s) to the needs of individual investors in the private fund and all investors must complete and submit subscription documentation and be accepted by SFM/Rowan as an investor in the fund.

Private funds may employ a variety of investment strategies and techniques, including, among others:

- long/short equity strategies, where the portfolio has both long and short positions; or
- distressed investing or arbitrage strategies, including equity-related investments, loans or other debt, structured finance, bonds or other asset classes and types; or
- the purchase of interests of a single private fund issuer sold in the secondary market; or
- cleared and over the counter financial instruments, including options on securities or groups of securities, swaps, futures and other derivatives, designed to increase return or act as a hedge against other positions or against certain market or interest rate risks, or as part of other trading strategies.

## Material Risks

Any investment activity, including investing in securities, involves risk of loss that clients should be prepared to bear. All investments carry the risk of loss, including complete loss, and there is no guarantee that any investment strategy will meet its objective. Any past success of a particular investment strategy or methodology does not imply or guarantee future success. We ask that you work with us to help us understand your tolerance for risk.

Depending on the investment strategy and the type of financial instruments used at any given time to implement that strategy, advisory clients may face the following material investment risks:

***Equity Instruments:*** Investments in equity securities generally involve a high degree of risk. Stock prices are volatile and change daily, and market movements are difficult to predict. Movements in stock prices and markets may result from a variety of factors, including those affecting individual companies, sectors or industries. Such movements may be temporary or last for extended periods. The price of an individual stock may fall or fail to appreciate, even in a rising stock market. You could lose money due to a sudden or gradual decline in a stock's price or due to an overall decline in the stock markets generally.

***Fixed Income Instruments:*** Generally, prices of fixed income instruments can exhibit some volatility and change daily. Investments in fixed income instruments present numerous risks, including credit, interest rate, reinvestment and prepayment risk, all of which affect the price (i.e., value) of the instruments. For instance, a rise in interest rates may cause fixed income instruments to lose value. We make certain assumptions regarding interest rates when evaluating fixed income securities including, among other things, the yield curve of the security. A variation in the slope of a fixed income security's yield curve from the slope we assumed would be present will have an impact in allocating assets to these fixed income securities. Such variation could have a material adverse affect on the value of your account. In addition, the value of fixed income instruments may decline in response to events affecting the issuer, its credit rating or any underlying assets backing the

instruments. High-yield fixed income instruments (often referred to as “junk bonds”) are speculative and involve a greater risk of default and price change than investment grade fixed income instruments. Prices of high-yield instruments are especially sensitive to developments affecting the issuer’s business and to changes in the ratings assigned to the issuer by rating agencies. High-yield instruments can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, sales by major investors, default, perceived creditworthiness or other factors. The secondary market for high-yield fixed income instruments may be less liquid than the market for investment grade instruments, and you may not be able to sell illiquid high-yield instruments at an advantageous time or price. In all cases, developments in the credit markets may adversely affect fixed income instruments held in your account and could result in substantial losses. An event of default by an issuer may result in the issuer’s fixed income instruments being worthless.

***Small and Mid-Capitalization Companies:*** Depending on the investment strategies we use to manage your assets, we may allocate a substantial portion of the assets to a manager that focuses on smaller and less established companies (i.e., small-capitalization and mid-capitalization companies). These smaller companies may present greater opportunities for capital appreciation, but typically are more volatile and involve greater risk than companies that are larger and more established. Such smaller companies may have limited product lines, markets or financial resources and their securities may trade less frequently and in more limited volumes than the securities of larger, more mature companies. As a result, the prices of the securities of such smaller companies may fluctuate to a greater degree than the prices of the securities of other issuers and these companies may be more likely to fail, which could result in substantial losses.

***Non-U.S. Investments:*** We may allocate to a manager that invests in instruments issued by non-U.S. companies and governments, including those in developing nations, emerging markets and frontier markets. Such investments involve a number of risks not usually associated with investing in securities of U.S. companies or the U.S. government. Those risks include, among other things, trade balances and imbalances and related economic policies, currency exchange rate fluctuations, imposition of exchange control regulation, withholding taxes, limitations on the repatriation of funds or other assets to the U.S., possible nationalization of assets or industries, political difficulties and political instability, any of which could lead to substantial losses.

***Turnover:*** We may, either directly or through an outside manager, trade in your account many times per month. A higher turnover rate, or increased trading in your account, may result in higher transaction costs and higher taxes in taxable accounts, and may materially affect performance. Since we primarily employ no-load mutual funds, high turnover costs are unlikely to be experienced by our clients.

***Management:*** Our judgments regarding the attractiveness, value or potential appreciation of a particular asset class or investment instrument may be incorrect and there is no guarantee that any asset class or instrument will perform as we expect. We may fail to implement a strategy as we

intended or we may not identify all risks associated with a strategy or a shift in strategy, all of which may cause substantial losses.

**Market Risk; Liquidity Risk:** General economic and market conditions, such as interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws, trade barriers, currency fluctuations and controls, and national and international political circumstances can materially affect your account. For example, any of these factors may affect price volatility and the liquidity of instruments held in your account. Even an instrument that generally is, or recently was, liquid may unexpectedly and suddenly become illiquid. Such volatility or illiquidity could result in substantial losses.

**Extraordinary Events:** Global terrorist activity and armed conflicts may negatively affect general economic conditions, including sales, profits and production, and may materially affect prices and/or impair our trading facilities and infrastructure or the trading facilities and infrastructure of our sub-advisors, counterparties or the exchanges or markets on which we (they) trade.

**Regulatory Developments:** The legal, tax and regulatory environment worldwide in the financial industry is evolving, and changes in regulations affecting the financial industry, including SFM and the issuers of financial instruments held in your account(s), may have a material adverse effect on our ability to pursue the investment strategies described above or the value of the instruments held in your account(s). There has been an increase in scrutiny of the financial industry by governmental agencies and self-regulatory organizations. Various national governments have expressed concern regarding the disruptive effects of speculative trading and the need to regulate the financial markets in general. New laws and regulations or actions taken by regulators that restrict our ability to pursue our investment strategies or conduct business with broker-dealers and other advisors or counterparties with whom we work could adversely affect your account(s).

**Concentration:** Your account(s) may hold highly concentrated positions in issuers engaged in one or a few industries. This increases the risk of loss relative to the market as a whole.

**Derivatives:** Derivatives (a term that includes a broad range of investments, including futures, options, forward contracts and swaps) may trade in unexpected ways due to the use of leverage and other factors and may result in increased volatility or losses. Many derivatives, particularly those negotiated over-the-counter, are substantially illiquid or could become illiquid under certain market conditions. Use of derivatives also involves counterparty risk, meaning that the counterparty to a derivative contract may fail to comply with the terms of the contract. Any dispute concerning a derivative contract could be expensive and time consuming to resolve, and even a favorable resolution could come too late to prevent liquidity problems and substantial losses.

**Short Sales:** In certain circumstances, based on a client's goals and objectives, and to facilitate a particular strategy for a client, and, if appropriate given the size and sophistication of the client, we may sell securities short in a client's account or may purchase an investment vehicle in which short sales are employed. Short sales can result in profits to your account if the price of the securities sold short declines. In a short sale, securities are sold that have been borrowed, usually from a broker. To obtain the borrowed shares, we typically will pledge cash or securities held in your account in an amount equal to or exceeding the value of the borrowed securities. The amount of the deposit may increase or decreased to reflect changes in the market value of the borrowed securities, and the lender generally may demand the return of the borrowed securities at any time. Your account will profit only if it repays the lender with securities purchased at a lower price than it borrowed them. Your account could experience losses if it is required to replace borrowed securities by purchasing them in the market at a time when the market price is higher than the price at which it borrowed them. Accordingly, short sales generally involve the potential for unlimited loss.

**Leverage:** Notwithstanding the above, we do not, as a general rule, employ leverage (i.e., borrowing cash or securities in connection with an investment position) in a client accounts. Nevertheless, upon request, and if appropriate given the size and sophistication of the client, we may employ leverage in that client's account, typically for a relatively brief period of time. Some examples of investment positions that use leverage include derivatives, short sales and purchasing securities on margin. The use of leverage generally involves a high degree of risk. Typically, your account will be required to post cash or securities as collateral against the amount borrowed. If the value of the derivatives or securities in the account that have been posted as collateral falls below the margin or collateral levels required by the lender, then additional margin or collateral would be required. Failing to post additional margin or collateral could cause the lender to terminate the transactions and liquidate or retain the collateral and margin. In addition, because the use of leverage allows the account to hold a position worth more than the amount of the investment in the position, the amount the account may lose if the price moves against the position will be high in relation to the amount invested.

**Alternative Investments (Private Funds) Risk:** In addition to the above risks, our private fund and the strategies we use may include additional risks, including:

- The private fund is exempt from SEC registration and only available to "accredited investors" or "qualified purchasers" who are assumed to be sophisticated purchasers who have little or no need for liquidity from such investments, and are able to withstand the loss of some or all of their investment.
- Limited withdrawal rights and restrictions on transfer create higher liquidity risk and investors should view an investment in the private fund as a long-term investment.
- Fees and expenses may be a higher percentage of net assets than traditional investment strategies, and investors typically are subject to performance or incentive fees or allocations in addition to management fees.



- Private fund investments may be more sensitive to interest rates and include the possibility of more volatility than other investments.

*The various risks summarized above and in this section are not the only potential or actual risks associated with an investment in our private fund. Before making any investment decision regarding the private fund, you must carefully review and evaluate all of the applicable fund documents, including the private fund's private offering memorandum, and the specific disclosures regarding risk factors and conflicts of interest applicable to the private fund.*

## **Item 9      Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to your evaluation of our advisory business or the integrity of our management. SFM has had no legal or disciplinary events to disclose.

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

Rowan Street Advisors, LLC ("Rowan"), our affiliate and Managing Member of our private fund, has the right to receive a performance-based fee or allocation from the private fund and has the power to determine who will serve as the investment manager to the fund. Because of this, Rowan may be considered to be acting as an investment adviser. To the extent that is true, Rowan and SFM collectively conduct a single advisory business. Accordingly, Rowan is registered with the SEC as an investment adviser in reliance on our Form ADV. We have disclosed in the Miscellaneous Section of Schedule D of Part 1A of our Form ADV that Rowan and SFM are together filing a single Form ADV in reliance upon guidance expressed in a SEC no-action letter.

Depending on the situation, we may recommend that an advisory client invest in our private fund. Because SFM and our affiliate serves as investment manager and Managing Member of the private fund, we and/or our affiliate is entitled to receive a management fee and a performance-based fee or allocation. This creates a conflict of interest because we have an incentive to recommend an investment in the private fund based on our own financial interest, rather than solely based on the interest of our clients. Please see Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, for further discussion of this and other conflicts of interest and how we seek to address them.

SFM, through its affiliated entity Synergy Financial Services, Inc., a Washington state licensed Insurance Producer, may recommend insurance products to clients based on our financial planning process. This can create a conflict whereby SFM may benefit from the purchase of such products by advisory clients. However, clients are under no obligation to purchase insurance products recommended by Synergy Financial Services, Inc. Synergy Financial Services, Inc. is also the parent

company of Synergy Business Valuations & Consulting, LLC, a Washington corporation, which offers business valuation services to individuals and entities; and Synergy Mergers and Acquisitions, LLC, a Washington corporation which offers real estate brokerage services to individuals and entities. Please see Item 11 – Code of Ethics below for further discussion of these and other conflicts of interest and how we seek to address them.

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

### **Code of Ethics**

We have adopted a Code of Ethics (the “Code”), which sets forth the high ethical standards of business conduct that we expect of our employees and emphasizes our fiduciary duty to you. The Code provides guidance and specific standards of conduct for situations where violations, inadvertent or otherwise, could occur in the conduct of business. Employees must avoid situations where their personal interest conflicts with the interest of our company and our clients.

The Code describes appropriate conduct surrounding gifts, outside employment, fiduciary appointments, political activities, personal investments, and trading activities. In addition, the Code prohibits dishonest and fraudulent acts and reaffirms our commitment to client confidentiality. Every employee is required to annually sign a statement acknowledging that he or she agrees to follow the standards set forth in the Code.

Employees of SFM/Rowan may, from time to time, purchase or sell shares of the same securities, which are held in our clients’/fund accounts. As part of our fiduciary duty, all employees must put client interests ahead of their own, and this includes not trading ahead of clients (i.e., ramping or front-running). Given the market capitalization of these securities and the daily trading volume they experience, we do not believe there is a material risk that our employees’ personal trades that may coincidentally be placed at or near the time of client trades would in any way be detrimental to our clients, however, all employees must obtain written pre-approval prior to placing trades in their personal (or related) accounts. Furthermore, our policy prohibits insider trading by any of our employees. The Code is designed to ensure that the personal securities transactions, activities, and interests of all employees will not interfere with making decisions in the best interest of our advisory/fund clients, while, at the same time, allowing employees to invest for their own accounts.

A complete copy of our Code of Ethics is available to current or prospective clients upon request.

## Item 12 Brokerage Practices

SFM recommends that clients use the custodial account services of Charles Schwab & Co., Inc. (“Schwab”), TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (“TD”), or Benefit Trust Company. While we recommend the custodial and brokerage services of Schwab and TD, and the custodial services of Benefit Trust, as the client, you are ultimately responsible for deciding whom to open a custodial account with. You are not under any obligation to select TD or Schwab as your custodian, however, clients with accounts on the GroupIRA platform must custody with Benefit Trust. We reserve the right to decline the acceptance of any client account, for which you have selected a custodian other than TD or Schwab, if we believe that the choice would hinder our ability to fulfill our fiduciary duty to you and/or our ability to service your account(s). Our choice in custodians is based upon each custodian's proven operational capabilities, research services, product availability, and competitive commission charges. We have an institutional relationship with these custodians, and we feel that we can best serve you because of these relationships.

You will sign a separate agreement with the selected custodian that details the compensation to be paid to those firms. Depending on the specific circumstances, both TD and Schwab generally provide their custodial (TD, Schwab, and Benefit Trust) and execution services (TD and Schwab only) to SFM clients for an annual asset-based charge. All custodians typically assess other fees and charges, in addition to the commissions or asset-based fees, for services such as wire fees, retirement plan maintenance fees, transfer and termination fees, etc. We do not have any obligation to place trades with these custodians. Many times, we will execute smaller trades (e.g., rebalancing trades, trades that are not aggregated or small aggregated block trades) through TD or Schwab, consistent with our duty to seek best execution. In addition, if an advisory client account held at TD or Schwab does not meet the minimum asset size to be prime broker eligible (at least \$100,000) then we would not be able to effect trades in that account away from the applicable custodian. In an effort to ensure all advisory client accounts receive the same trade price on trades made away from TD, Schwab, or Benefit Trust, we typically trade prime broker eligible accounts directly with the executing broker-dealer (i.e., away from TD or Schwab) and non-prime-broker eligible accounts are bundled together by the applicable custodian and traded by the custodian directly with the executing broker-dealer (i.e., the non-prime broker eligible trade is ‘stepped-out’). In that case, the advisory client accounts included in the stepped-out portion of the trade do not pay a commission to the executing broker-dealer, but those accounts will pay the applicable custodian a commission based on the custodian’s commission schedule.

### Best Execution

Unless otherwise designated in your discretionary/non-discretionary agreement with us, we will determine the brokers used and the commissions paid in connection with transactions for your account(s). We have a duty to seek to obtain “best execution” for clients on each brokerage transaction. We believe that the ability to execute through a wide network of broker-dealers provides



us with the flexibility to seek best execution. We will allocate brokerage transactions to those brokers, dealers, and markets, and at such prices and commission rates, as we, in our good faith judgment, expect to be in the best interest of our clients. In making such allocations, we may take into account a variety of factors, including execution capabilities and research, transaction size, quality of execution and services (including research services) provided by the broker-dealer, block positioning, custodial or other services provided by the broker-dealer that we believe could enhance our general portfolio management capabilities and the value of ongoing relationships with the broker-dealer. It is not necessary that such factors provide a direct benefit to a particular client, and we do not have any duty or obligation to seek advance competitive bidding for the most favorable commission rate. Accordingly, although we will seek competitive commission rates, we will not necessarily obtain the lowest possible commission rate in respect of a transaction.

Third-party managers typically determine the broker-dealers to be used to trade securities in the client accounts they manage and are responsible for obtaining best execution for those clients.

## **Soft Dollars**

Subject to meeting our fiduciary responsibility to seek best execution for all client transactions, we may obtain research products or services that fall within the 'safe harbor' established by Section 28(e) of the Securities Exchange Act of 1934. We may purchase brokerage or research services consistent with the requirements of Section 28(e) with soft-dollar commissions generated by trades for clients (including the private fund), even if that service may not be directly or fully useful to that client as long as we have determined that the services would be useful to our clients (including the private fund) as a whole. When using client brokerage commissions to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products, or services.

In general, we use soft dollar benefits to service all client accounts, including those accounts that do not generate the soft dollar credits. This creates a conflict because some clients may receive the benefit of research or services received due to another client's commission dollars. For instance, we treat the private fund as a client account for these purposes. In many cases, trades placed by the private fund may be larger than those placed by advisory client accounts or, if the private fund and the advisory client accounts trade on an aggregated basis, the portion of the trade allocable to the private fund is larger than the portion of the trade allocable to the advisory client accounts. Nevertheless, we use any soft dollars generated by private fund trades to benefit the advisory client accounts without regard to whether or to what extent advisory client accounts participated in the trade. We do not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits generated by such client accounts. We have various controls in place designed to manage these conflicts, including:

- On a periodic basis, we review soft dollar practices to determine that commissions paid were reasonable in relation to the value of research or services received;
- We review commission rates periodically relative to peers; and
- We periodically review products and services acquired with soft dollar commissions to assess their benefit to clients.

Because the research and services received could benefit us, we may face a conflict of interest when choosing how to allocate brokerage business for client accounts. In other words, we might have an incentive to execute client transactions through a broker-dealer that provides valuable services or products to us and pay transaction commissions charged by that broker-dealer, rather than based on a client account's interest in receiving most favorable execution. We could also have an incentive to cause client accounts to engage in more securities transactions than would otherwise be optimal in order to generate soft dollars with which to acquire research products and services. Additionally, in some cases, a client's transaction may be executed by a broker-dealer in recognition of services or products that are not used in managing that client's account. We do not exclude a broker-dealer from consideration when making a trading decision regarding a client's account simply because the broker-dealer has not provided research services or products to us, although we may not be willing to pay the same commission to that broker-dealer.

We seek to address some of these conflicts of interest by "unbundling" the commission amounts we pay to a broker-dealer. In other words, we have agreed with those broker dealers that a predetermined amount (e.g., 1.5 cents) of commission will represent execution services provided by the broker-dealer and the remainder of the commission (e.g., 1.5 cents) will be allocated to soft dollars. Pursuant to commission sharing agreements we have with these broker-dealers, each broker-dealer places the amount of commissions allocated to soft dollars in an account for our benefit. We then periodically direct the applicable broker-dealer to pay itself or third parties from the account for products or research created or developed by it or those third parties.

We may cause client accounts to pay a brokerage commission higher than another broker-dealer might have charged for effecting the same transaction. We would do this if we determine, in our good faith, that the commission is reasonable in relation to the value of the brokerage and/or research services provided by the broker-dealer, viewed in terms of either the particular transaction or our overall responsibilities with respect to our client accounts.

If we receive a product or service that has a research or brokerage use and a non-research or non-brokerage use, we will use our judgment to make a reasonable allocation of the cost of the product or service according to its use (i.e., the component that relates to research or brokerage use vs. the component that relates to non-research or non-brokerage services). We would then pay the portion allocable to research or brokerage using soft dollars, while paying the portion allocable to non-research or non-brokerage portion using hard dollars paid by us. In making an allocation, we will

consider users of the product or service and usage, including relative importance, costs of use, frequency of use, and available substitutes.

Services we may acquire with soft dollars include research reports, counsel on market analysis and execution strategies, discussions with research analysts, research related to the market for securities, including pre- and post-trade analytics, seminars or conferences, software that provides analysis of portfolios, corporate governance research and market data, company financials and economic data. We will allocate soft dollars to a broker-dealer to receive the broker-dealer's proprietary research (i.e., research created or developed by the broker-dealer to which we are allocating soft dollars), and we also use soft dollars generated with a broker-dealer to pay for research created or developed by a third-party. In the case of a third-party, the broker-dealer may provide us with such third-party research or may pay such third-party directly and instruct the third-party to deliver the research to us.

We might also receive brokerage specific services, including communication services related to execution, clearing, and settlement of transactions and other functions incidental to effecting securities transactions, post-trade matching, electronic communication of allocations routing and settlement instructions, client reporting software, trading software to route orders to market centers or brokers and direct market access.

In our last fiscal year we used soft dollars to pay for many of the above-listed items, including research regarding external managers and general research services such as Morningstar.

## **Trade Aggregation**

When we deem the purchase or sale of securities to be in the best interest of one or more accounts, we may aggregate the securities to be purchased or sold for all such clients for a variety of reasons, including seeking best execution. In such situations, we typically will allocate any securities purchased or sold as discussed below. We strongly prefer to allocate all transaction costs (including commissions) for aggregated orders pro-rata based on each client's participation in the aggregated order. Many times, however, it is not possible or practical to share all costs pro-rata due to the nature of the client accounts participating in the order. For example, as discussed above, we may aggregate prime broker eligible and non-prime broker eligible accounts so all accounts participating in the aggregate order receive the same execution price an/or for purposes of best execution. In such cases, the prime broker-eligible accounts would pay the executing broker's commission on a pro-rata basis. The non-prime-broker eligible accounts would pay a fee to the applicable custodian on such account according to each account's custodial fee schedule, because such accounts cannot pay or participate in the payment of the executing broker's commission.

Any aggregation or bunching of trades will be consistent with our duty to seek best execution.

## Trade Allocation

We allocate securities purchased or sold across portfolios and the private fund in accordance with an order allocation statement we prepare. The order allocation statement specifies how we intend to allocate the order among the client accounts participating in the transaction. The private fund is treated as a client account for this purpose and may participate in allocations along with advisory client accounts. If an order is partially filled, we generally allocate the filled portion of the order on a pro-rata basis based on account size.

Although we may allocate on a pro-rata basis, we will not always do so. There are instances where, in our judgment, allocating an order on a pro-rata basis is not desirable or appropriate for client accounts. For example, filling a relatively small or large percentage of an order may have the potential for clients to receive multiple statements and/or trade confirmations reflecting the allocation of a relatively small number of shares over the course of multiple days. In that case, we may allocate the partially filled order on a random and full basis. Typically, we seek to fill the remaining portion of the order during subsequent trading days. However, it is possible that the security will not trade at a price that is desirable for future buys or sells, as the case may be, in which case client accounts that were not filled in full will not trade any amount of the securities. In addition, a partially filled buy order may cause or contribute to an increase in the price of the security during subsequent trading days, and a partially filled sell order may cause or contribute to a decrease in the price of the security during subsequent trading days. In addition to the foregoing, we may allocate orders on a basis different from that specified in the order allocation statement if all client accounts receive fair and equitable treatment over time. No client will be favored over another client, though each client will not necessarily be offered or participate in every investment opportunity. We will endeavor to make all investment allocations in a manner that we consider to be fair and equitable over time.

From time to time, we, or our affiliate (Rowan) may be presented with investment opportunities in connection with our and their management and control of the private fund. For various reasons, we may determine that those opportunities are not appropriate or desirable investments for the private fund, or that only a portion of an available opportunity is appropriate or desirable for the private fund. In general, we believe advisory clients should access investments made by, or investment opportunities presented to, the private fund by making an investment in the private fund. Accordingly, in such cases we or our affiliate may, but is not obligated to, in our discretion, offer the available investment opportunity to any one or more persons, including: investors in the private fund, persons or entities that are not investors in the private fund, and/or personnel employed by us. In each of the foregoing cases, any such offer will be on such terms and conditions as we determine in our discretion.

We may not, and are not obligated to, offer such available investment opportunities to advisory clients, and we, our affiliate, and/or personnel employed by our affiliate or us may invest in such investment opportunities without allocating any portion of the investment opportunity to advisory

clients and without providing notice to, or obtaining consent from, any advisory clients. In addition, we, our affiliate and/or personnel employed by our affiliate or us may invest in the same investment opportunities as our clients on more favorable terms than our clients, including fee and liquidity terms that are more favorable than the terms on which our clients invest. See the section regarding Participation or Interest in Client Transactions and Personal Trading in Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) for additional information.

## **Trade Errors**

If a trade error occurs in your account, it is our policy to correct the error at no cost to you and to restore the account to the position it should have been in had the trade error not occurred. We will not use any soft dollars to correct trade errors, and we will not use the promise of future brokerage commissions to compensate a broker-dealer for absorbing the cost of a trade error. If a trade error results in a loss, we will cover the cost of the loss so it will not be borne by you. If a trade error results in a gain, you will be asked to sign a form donating that gain to a charitable organization.

## **Investment/Brokerage Discretion – Private Fund**

With regard to the private fund, we will have full investment discretion with respect to all portfolio securities transactions in the fund and full authority to select broker-dealers to execute such transactions. Allocation of investment opportunities and investments will be determined in accordance with the provisions of the fund offering documents and our allocation policies and procedures. In general, we endeavor to allocate liquid market transactions under guidelines materially similar to those described in Item 12A above. Notwithstanding the forgoing, we/Rowan are not precluded from directly or indirectly purchasing, selling or holding assets or investments for our or their own accounts, regardless of whether the fund also purchases, sells, or holds the same assets or investments.

## **Directed Brokerage**

We do not routinely recommend, request, or require that a client direct us to execute transactions through a specified broker-dealer, and we generally will do so only on a case-by-case basis. In the event a client does direct us to use a particular broker-dealer and we agree to do so, we will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, under these circumstances, a disparity in commission charges may exist between the commissions charged to other clients.

## Item 13     **Review of Accounts**

Every quarter, the investment team (Joe Maas and Katie Vercio) conducts a formal review of client accounts. The team reviews the quarterly performance percentages for each client, including overall account performance and strategy performance data (active, semi-passive, and conservative strategies). After compiling the information, the data is reviewed using several statistical measures, such as, averages, range, deviation, dispersions, regression, etc. The many measures used help the team assess relative and absolute performance of the accounts. Finally, the reports are reviewed line by line and compared to internal benchmarks.

If an account's return is outside the expected range, the account is marked for allocation review to determine the cause of the diversion from expected return. Accounts may be reviewed additionally during the year for a number of reasons:

- We see changes in the market that warrant action
- The account is rebalanced to the allocation model
- A client notifies us of a material change in their needs or situation
- A client meeting is scheduled

In addition, SFM sends printed reports to clients quarterly in April, July, October, and January for the quarter just finished. The selected custodian for your account(s) will also send out statements at least quarterly. If there is activity or a change in your account(s) during an interim month not at the end of the quarter, an additional statement may be sent by the custodian in addition to a quarterly statement.

SFM, together with Rowan reviews the fund portfolio on a regular (at least monthly) basis. Reviews consist of an analysis of the portfolio holdings, performance to date in light of its investment objective, portfolio risk exposure, and an evaluation of any appropriate changes to be implemented with respect to the portfolio.

Investors in the private fund receive the fund's annual audited financial statement. In addition, we generally provide written reports to investors that may include, among other things, unaudited values, performance date, information regarding the status of an investor's account, and certain tax reporting information on an interim basis. The organizational and offering documents for the fund describes the nature and frequency for which fund investors receive information from us.

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

At this time, SFM has no arrangements to compensate any entity or person, directly or indirectly, for client introductions or referrals.



## **Item 15 Custody**

SFM does not have physical custody over client assets in separately managed accounts. Such assets will be held by unaffiliated, third party custodians you have selected (generally Schwab, TD, or Benefit Trust (for Group IRA accounts)). We do, however, have the authority to directly debit advisory fees from your custodial account(s) at Schwab or TD based on your written authorization to do so. We urge you to carefully compare the reports we provide you with those you receive directly from your custodian, realizing that the official record of your activity is the custodial statement and not ours.

Rowan Street Advisors, LLC, our affiliate, is the Managing Member of our fund. As a Managing Member, we have the power and authority to access and distribute client funds and/or securities from the fund. This ability to access client funds deems us to have “custody” of your assets and requires us to comply with the specific custody rules as outlined in Rule 206(4)-2 of the Advisers Act of 1940, as amended.

To comply with these rules, we have implemented internal control procedures including the audit or examination of the fund by an independent certified public accounting firm that is a member of the Public Company Accounting Oversight board (“PCAOB”). Such examination will occur on an annual basis and fund audited financial statements will be delivered to all fund investors within 120 days of its fiscal year end. In addition, fund investors will receive statements from SFM/Rowan on a quarterly basis which will include, but not be limited to: details regarding the management fee (if applicable), how it was calculated and the asset value upon which the fee was calculated, as well as details regarding any incentive fees (calculated annually as applicable). Membership interests are held in book-entry form. See also Item 13 - Review of Accounts.

## **Item 16 Investment Discretion**

As indicated in Item 4 above, SFM provides investment management services for separately managed accounts on both a discretionary and non-discretionary basis. Our investment authority is documented in the written agreement we have with you and may be updated as you determine; however, we require that you provide all limitations or restrictions in writing.

As it relates to our fund, each member in the fund grants the Managing Member discretionary authority to manage the fund assets through the subscription documents completed and signed by each investor. SFM does not have discretionary authority to choose the private fund for a client. We have discretionary authority to invest and reinvest the assets of the private fund, subject to the control of the fund’s Managing Member, which is an affiliate of ours.

## **Item 17            Voting Client Securities**

SFM does not have any authority to and does not vote proxies on behalf of advisory clients. If you request, we will provide information or our professional insight into various matters related to your proxies. Certain third party money managers may request to retain the authority to vote proxies in accounts they manage for you, subject to their stated policies.

Corporate Actions: If requested, we will provide advice and input on corporate actions, especially in cases where there are options to receive cash payments or retain ownership.

## **Item 18            Financial Information**

SFM does not have any financial commitment(s) that are reasonably likely to impair our ability to meet contractual and fiduciary commitments to our clients. In addition, neither SFM nor its management persons have been the subject of a bankruptcy proceeding.