



Warren Financial  
*Investing for a Greater Purpose*

7 Dowlin Forge Rd Exton, PA 19341  
Phone: 610-363-2000

## **Item 1. Wrap Fee Program Brochure**

**September 1, 2016**

This wrap fee program brochure provides information about the qualifications and business practices of Warren Financial. If you have any questions about the contents of this brochure, please contact us at 610-363-2000. The information in this brochure has not been approved or verified by the United States Security and Exchange Commission or by any state securities authority.

Additional information about Warren Financial also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Warren Financial is a Registered Investment Adviser. Registration in and of itself does not imply a certain level of skill or training.



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## Item 2. Material Changes

This wrap fee program is new to Warren Financial. Our only goal in providing this program to our clients is to provide a benefit to the client, specifically, to have Warren Financial cover all the trading fees for the customer instead of having the broker charge the customer for those trading fees. Prior to September 2016 clients paid their own per-trade-transaction fees for stocks, ETFs, and transaction fee based mutual funds. Now, Warren Financial will pay these fees for the clients.

Warren Financial does not outsource portfolio management which allows us to get to know our clients and for clients to get to know their financial consultants as well as their personal portfolio manager.



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#### Item 4: Services, Fees and Compensation

##### Warren Financial Private Custom Portfolios

Warren Financial's wrap fee investment advisory accounts are not the same as transaction-oriented brokerage accounts.

In a brokerage account, the relationship between the client and the financial consultant is centered on transactions. Therefore, a client pays a separate commission for each transaction that covers the cost of executing the transaction, and certain related services and incidental advice. For example, if a client desires that a financial consultant make recommendations in connection with a brokerage account, the financial consultant will document, usually at account opening, certain suitability characteristics based on questions contained in the firm's new account form. Based on that information, the financial consultant, from time to time, provides *incidental* recommendations or advice. Transaction commissions also compensate the firm for some non-transaction-related services such as delivery of account statements and required documents such as prospectuses and proxy mailings; and, if desired, custody services for securities owned by the client.

In an investment advisory account, on the other hand, the relationship between the client and the financial consultant is centered on advice. Therefore, in a wrap-fee based advisory account, a client pays a single fee based on the value of assets in the account, which compensates the firm for:

- more-comprehensive initial client assessment,
- ongoing investment advice, ongoing monitoring of the account,
- the cost of any transactions that may be effected,
- and for certain responsibilities and risks that Warren Financial assumes in connection with being a statutory fiduciary subject to a different regulatory scheme.

For example, to better align the firm's interests with those of the client, the investment advisory regulatory scheme prevents Warren Financial from engaging in some of the same types of transactions that it could if the account were a brokerage account, such as certain transactions where Warren Financial is a counterparty to the transaction without the client's consent (as opposed to acting solely as agent for the client).

With that background, services provided as part of the wrap fee for wrap fee based advisory accounts include:

- Access to a Warren Financial advisor for personal service and financial advice
- Review of suitability based on information provided in advisory agreement, new account form and client interview\*
- Portfolio management services\*
- Monthly account statements
- Performance reporting \*
- Fee billing\*
- Execution of transactions
- Custody and clearance of securities\*
- Delivery of required documents, such as mutual fund prospectuses and proxy mailings
- Administration of requests for reasonable restrictions on the management of accounts

*\* These services may or may not be provided in the Investment Management Consulting (with Execution) program depending on the services negotiated and agreed upon. See the Investment Management Consulting (with Execution) section that follows for further detail.*

##### *Services and Fees*

Additional services may be provided based on the advisory program selected. In addition, some of the services above will vary in situations where any assets that are held with the issuer or a custodian other than TD



Ameritrade, as described further below. Fees and additional services for each program, including additional information about the fees applicable to investment advisory accounts, are as follows:

**Warren Financial Private Custom Portfolios** is an advisory program where portfolio management services are provided to the client on a discretionary basis for a wrap fee based on the value of the account. As a discretionary account, the financial consultant is not required to contact the client prior to each transaction. The financial consultant and client will work together to develop an investment strategy. The financial consultant will monitor the account to ensure it remains consistent with the investment strategy and that the strategy remains appropriate.

The fee schedule is as follows:

	<u>Portfolio</u>	<u>Fixed Income Ladders</u>	<u>CD Ladders</u>
First \$1,000,000	2.00%	.60%	.25%
Amounts greater than \$1,000,000	0.60%	.60%	.25%

Warren Financial does not charge a fee to hold accounts for which Warren Financial is not acting as the client's financial advisor. For example, sometimes when a new client joins Warren Financial, the client might have *appreciated stock* in their portfolio which they may intend to keep for years or potentially forever. Such holdings may be sentimental, or may simply become in the best interests of the client and their family to be held due to an extremely low cost basis. Such holdings can be placed into an account held by Warren Financial but charged no fees.

*Additional Services:*

- Investing, reinvesting, selling or retaining assets at the financial consultant's sole discretion, based on client suitability profile
- Ongoing monitoring and security selection by the financial consultant
- Development of customized asset allocation
- Rebalancing of the securities as needed to conform to the investment allocations and/or for deposits/withdrawals
- Advice by the financial consultant on the client's proposed unsolicited transactions

**Investment Management Consulting (with Execution)**

The Investment Management Consulting (with Execution) Program is a service whereby Warren Financial may, based on a negotiated scope of services, consult with clients with respect to any or all of the services below, either on an ad hoc or ongoing basis. Warren Financial will not actually manage client assets as part of the Investment Management Consulting Wrap Program. As a wrap program, the cost of execution of transactions will be included in the advisory fee.

The advisory fee for this service will be a negotiated fixed or asset based amount based on negotiated services to be provided.

*Additional Services may include:*

- Investment Policy Statement (IPS) Preparation
- Investment Policy Statement (IPS) Review
- Investment Policy Statement Monitoring
- Search and evaluation of investment alternatives
- Ongoing monitoring and due diligence by WARREN FINANCIAL of investment manager(s)



- Ongoing performance monitoring
- Past performance review
- Fee Billing
- Execution of transactions
- Custody of assets
- Performance Monitoring Reports
- Participate in Periodic Meetings

### **Additional Information**

**Legal and Tax Advice:** Warren Financial consultants do not provide legal or tax advice. It is recommended that clients discuss their personal situation with a tax or legal advisor. Warren Financial attempts to establish relationships with legal and tax advisors that we feel can provide valuable services to our clients, but Warren Financial takes no responsibility for any advice given by any other provider, whether we recommended that provider or not.

The fees stated above for each program are negotiable. See "Compensation" below for information regarding compensation to portfolio managers/financial consultants.

Warren Financial Private Custom Portfolios are not available through any other broker or service provider or sub-advisor.

Because the wrap fee and other incidental fees that a client pays for maintaining an investment advisory account may cost more (or less) than the transaction based commissions that would be paid for simply engaging in transactions in a brokerage account, a client should keep in mind the totality of what he or she is paying for, and his or her desire for those services.

Asset-based advisory fees are designed to better align a financial consultant's interests with those of his or her client. Thus, if the market value of the advisory account's assets increases, so will the financial consultant's asset based compensation. Conversely, if the market value of the advisory account's assets decreases, so will the financial consultant's asset-based compensation.

In addition, asset-based fees also can reduce or eliminate the financial incentive that a financial consultant's might have in a commission-based brokerage account to recommend transactions solely or primarily for the purpose of generating commissions for the financial consultant's own benefit. Instead, the wrap fee is a way for a client who wishes to receive the benefits of ongoing portfolio monitoring and advice to compensate his or her financial consultant who may believe that less frequent, or even no, trading is appropriate for an extended period of time.

But there are situations where a client must recognize that a brokerage account might be economically advantageous, as long as the client is willing to forego the ongoing benefits of an advisory relationship. For example, if a client is solely interested in obtaining low-cost transactions, and anticipates engaging in comparatively fewer transactions; or anticipates engaging primarily in unsolicited (i.e., self-initiated) transactions; or anticipates holding positions in assets that a client might not wish to sell for an extended period of time (such as positions that are maintained primarily for sentimental value; assets that have limited liquidity; or substantial positions in cash, money market funds or bank deposit products that are not expected to be invested for an extended time) then it may be in the client's financial interest to maintain those assets in a brokerage account instead, and forego the ongoing advice and monitoring that is available in an advisory account. Clients should assess for themselves the value of services obtained in a wrap fee advisory account versus the more limited relationship and services provided with a brokerage account.



The wrap fee does not include separate external fees that may be charged by a product sponsor or trustee, such as would be the case if the assets of a donor advised fund are managed within an advisory account, or if an advisory account is owned by a trust with a corporate trustee or other party who may receive separate compensation from account assets. Such additional external fees would typically be charged separately by the donor advised fund or the trustee and paid from the account assets.

Additionally, the wrap fee does not include, and the account will be charged separately for, fees for ancillary services such as, without limitation, fees relating to: specific types of product or asset transfers, processing, maintenance or safekeeping; checking or debit card services; and account termination or transfer.

Clients may elect to hold eligible securities that they do not wish to sell, or that are not readily liquid, in an advisory account in order to receive comprehensive portfolio-based advice. Because a fee is typically charged on the market value of all assets held in an advisory account, including cash, money market funds and bank deposit products, clients should take this into consideration.

Clients should keep in mind that holding substantial positions in assets such as cash, money market funds and bank deposit products that are not intended to have substantial price fluctuations, or that offer only limited return potential, might well be part of a financial consultant's portfolio based investment strategy as a technique to cushion the effect of a downward market or to have assets available while waiting for investment opportunities in times of volatile or uncertain markets or governmental economic behavior.

Also portfolio managers providing services to the Advisory Portfolios programs may pay transaction charges including commissions, mark-ups, mark-downs, or spreads which may increase the underlying expenses associated with client transactions, and thus affect the performance of the account.

Portfolio managers have the option of executing transactions away from TD Ameritrade if they believe it is in the client's best interests to do so. In such cases, the costs associated with execution of the transactions will be included within the net price paid or received by the customer for the securities that are purchased or sold. Warren Financial does not intend to engage in any trade away transactions. Since these create extra costs they will be avoided unless there is a cost benefit to the customer.

The annual fee for advisory wrap accounts, with the exception of Investment Management Consulting (with execution) accounts, is charged quarterly in advance (at the rate of one-fourth of the annual fee detailed in above). The fee is calculated based upon the market value of all assets under management in the account, including all balances in cash, money market funds, and bank deposit programs, at the close of business on the last business day of the previous quarter. The fee will be deducted from the client's advisory account(s) with the permission from the client. At the time the fee is deducted from the account, Warren Financial will send a separate notification to the client reflecting the amount of the fee. The client should verify the fee using information the client receives from the party that holds the asset and, if there are questions, present them to his or her financial consultant.

Clients who join the program mid-quarter will be assessed a prorated fee for the quarter in which they joined. New accounts will be billed from the date the account is opened through the end of the current quarter. The initial fee will be charged at the account opening, paying fees in advance thru the end of the quarter. In the event the account is terminated mid-quarter, Warren Financial will refund the prorated portion of the client's prepaid fees upon termination of the client advisory agreement upon request of the client; however, if an advisory wrap account is terminated within the first 12 months, Warren Financial reserves the right to refund the client's prepaid fees less any reasonable expenses associated with opening, positioning, maintaining and terminating the account.

## **Compensation**



Warren Financial does not outsource the management of portfolios to outside firms, therefore, no portion of the wrap fees paid by the client go to outside portfolio management companies.

Each portfolio is managed by an internal designated portfolio manager who is an employee of Warren Financial. Each portfolio manager is responsible for creating and maintaining each client's portfolio according to the information in this document.

Warren Financial may assign a local advisor to work with clients in other geographical locations than our Exton (Philadelphia area) home office. Those advisors are employees of Warren Financial and would be responsible for meeting with the clients on a regular basis, providing financial planning and advice, and being the primary interface of Warren Financial to the client. However, we do not hide our internal portfolio managers away from clients, instead, we encourage clients to get to know their portfolio manager and freely ask questions. Because the advisors and portfolio managers are all employees of Warren Financial, they have a close relationship and find it easy to work together and share information so that the client's portfolio can be truly customized to the client.

#### **Item 5: Account Requirements and Types of Clients**

##### **Account Requirements**

Warren Financial does not put any hard and fast minimum required size on potential client portfolios.

##### **Types of Clients**

Warren Financial provides advice to a wide variety of clients including but not limited to:

- Individuals
- Pension and profit sharing plans
- Trusts, estates and charitable organizations
- Corporations and other business entities
- Public entities and other governmental organizations
- Educational institutions
- Investment clubs
- Foundations and other charitable or fraternal organizations

#### **Item 6: Portfolio Manager Selection and Evaluation**

Warren Financial's primary advisory service is investment programs that bundle or "wrap" services (investment advice, reporting, trade execution, custody, etc.) together and charges a single fee based on the value of assets under management. All of these programs are outlined in the prior "Services, Fees and Compensation" section.

As Chief Investment Officer, Randy Warren oversees and is responsible for the advisory programs offered at Warren Financial, and acts as the lead portfolio manager for some client portfolios. As CIO, Mr. Warren is responsible for determining which advisory programs are appropriate for Warren Financial to offer and recommend to its clients. As CIO, Mr. Warren is chairman of the Warren Financial Investment Committee. Mr. Warren's bio is elsewhere in this ADV Part 2.

The Warren Financial Investment Committee is composed of portfolio managers with significant investment experience who discuss individual stocks, bonds, ETFs and other investments with a goal toward selecting the best possible investments for our client's portfolios. "Best possible" simply means that we are vetting potential





investment selections and trying to determine which investments might provide the client with the greatest possible return on their investment dollars.

Portfolio managers are selected by Mr. Warren based on their educational and work experience in the investment field.

Troy Logan is a Managing Director with Warren Financial and a portfolio manager who also serves on the Warren Financial Investment Committee. Troy's bio is elsewhere in this ADV Part 2.

Scott Shellhamer is a Managing Director with Warren Financial and a portfolio manager who also serves on the Warren Financial Investment Committee. Scott's bio is elsewhere in this ADV Part 2.

As President and CIO, Mr. Warren is responsible for adding additional portfolio managers to the Investment Committee. Additional portfolio managers will be selected based on:

- 1) Experience managing portfolios in the past
- 2) Performance of past portfolios
- 3) Background checks conducted by Warren Financial
- 4) Educational achievements

For all wrap advisory programs, the Warren Financial clients select the financial consultant with whom they wish to work. The financial consultant will assess the client's prior investment experience, financial goals, time horizon, risk tolerance, and investment objectives in order to determine the appropriate program for the client.

#### **Client Requested Reasonable Restrictions**

Clients may request reasonable restrictions on the management of their discretionary accounts. Such restrictions may include imposition of limitations or preferences concerning transactions in certain securities, frequency of rebalancing, tax-loss selling, frequency of distributions and similar matters.

With respect to security-specific restrictions, such restrictions are individually negotiated between the client and financial consultant. With respect to restrictions involving transactions in individual equity securities, clients may request security-specific restrictions on those equities or restrictions based on the following categories: Alcohol, Cosmetic, Defense/Military/ Weapons, Entertainment, Foreign Securities, Gambling, Finance, Trucking, Meat Products, Nuclear Power, Oil Stocks, Textiles, Drugs, Tobacco, Public Utilities, Paper/Forest Products, and Healthcare/Medical Industries.

Although a Warren Financial portfolio manager can control individual securities, Warren Financial cannot restrict the individual securities held within mutual funds or ETFs. If such investment restrictions are implemented, the client may experience a different investment return than expected. It should be noted, any standardized reports of model performance will not reflect the performance of the model with restrictions applied. (Quarterly performance reports of the client's account will accurately reflect the client's actual account performance with restrictions).

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

A variety of methods of analysis and investment strategies are utilized by affiliated and non-affiliated portfolio managers in the Warren Financial advisory programs. Warren Financial's advisory programs employ several methods of analysis, including but not limited to charting, fundamental analysis of a company's financials and technical analysis of market activity. Within each method of analysis, portfolio managers may employ a variety of time horizon outlooks, including long-term strategic, intermediate cyclical or short-term tactical.



Regardless of the method of analysis and investment strategy, the investment advisory programs involve investing in securities which contain a risk of loss of principal that the client should be prepared to bear. All securities are subject to risk, and there is no assurance that any investment program or strategy will be successful.

In addition to the risks associated with investing in securities, no method of analysis will always yield positive results. For example, while fundamental analysis might indicate that a particular company is "fairly valued," market sentiment may nevertheless result in unexpected investment performance. Similarly, while technical analysis or charting might suggest that a particular company presents a good buying opportunity, its financial performance might cause investors to view the security differently. Depending on the portfolio manager, adherents to each method of analysis may look only to the information relevant to his or her method of analysis, to the exclusion of other information.

Investment strategies that employ diversified models may involve investing in multiple market sectors or asset classes. This diversified approach to investing has the potential to take advantage of the fact that different sectors or asset classes often perform in different ways at different times. This characteristic may yield either positive or negative results, depending on particular market conditions, or the overall breadth of the market's impact on multiple asset classes or sectors.

In addition, some particular investment styles focus on particular market sectors or classes of securities and carry additional risks. Even models that are more broadly diversified in their exposure to particular market sectors or asset classes are exposed to the underlying risks associated with those sectors or classes. For example, investors should be aware of the following:

- Equity strategies, including investing in individual companies, equity mutual funds or ETFs, involve investments in common stocks and are subject to the volatility and individual risks associated with those stocks;
- Real estate investment trusts or funds are subject to risks of the specific commercial or housing market in which the assets are invested, as well as interest rate risk;
- Small Cap and Emerging Market securities tend to be more volatile relative to the overall market;
- Bonds may "guarantee" return of principal if held to maturity, but any guarantee remains subject to the creditworthiness of the guarantor and, prior to maturity, the bond remains subject to interest rate, inflation and credit risks;
- Bond funds of all types are subject to the various risks of the underlying fixed income instruments in the fund, and there is no fixed maturity date;
- High Yield bonds expose the investor to investments in lower credit quality securities and hence risk of default and higher volatility;
- Tax-Exempt bonds may or may not provide returns higher than the after-tax returns of taxable bonds, so investors should consider their tax bracket and state of residence;
- International/Global/Foreign securities expose the investor to currency risk and political, social and economic risks of the countries in which the securities are domiciled, in addition to the equity or debt nature of the securities involved.
- Options strategies introduce additional elements of complexity regarding timing of market decisions and liquidity of positions. Investors considering programs that involve the use of options should carefully review and understand the Options Disclosure Document ("Characteristics and Risks of Standardized Options") prepared by the Chicago Board Options Exchange (CBOE).
- The alternative investment asset class broadly includes vehicles such as derivatives, hedge funds, currencies, managed futures, commodities, private equity, multi-strategy funds, and strategies that seek to take advantage of interest rate movements, currency carry, merger arbitrage, convertible arbitrage, short-sales, use of leverage, and other techniques. Alternative investment vehicles and strategies may be used by certain investment company portfolio managers (including open- and closed-end funds, ETFs, and



UITs). Those vehicles and strategies vary widely and can directly or indirectly subject investors to a variety of risks including, but not limited to, market risk, interest rate risk, credit and counterparty risk, liquidity risk, and foreign-currency exchange-rate risk among others, depending on the investment.

- Exchange Traded Funds and Notes (ETF/Ns) are typically designed to track the performance (and sometimes the inverse) of a benchmark index or commodity, sometimes with leverage. ETF/Ns are subject to tracking error risk (meaning performance that varies in amount and possibly direction from the target benchmark index or commodity) and liquidity risk, in addition to the risks associated with the benchmarked products.

It is not possible to enumerate all possible risks associated with each of the asset classes and market sectors listed above. Clients should feel free to ask their financial consultant to discuss any of these in more detail.

Some models are based on use of mutual funds and/or Exchange Traded Funds (ETFs). These financial instruments are securities that are sold by prospectus. While particular funds may be selected by the portfolio manager, investors should read the prospectus, and summary prospectus if available, carefully to fully understand the various risks, investment objectives, charges/expenses and other information about the fund company associated with the investment.

Participants in Warren Financial's wrap-fee advisory programs do not pay additional charges based on the frequency of trading in their account. However, it should be understood that higher-frequency trading strategies may increase the likelihood that tax consequences may be short-term in nature, and result in a higher tax cost, and hence, lower net performance.

#### **Item 7: Client Information Provided to Portfolio Managers**

Warren Financial's portfolio managers have access to all client information obtained by Warren Financial with respect to the particular client accounts they manage.

Information that is provided to portfolio managers is kept up to date in approximately, "real time".

#### **Item 8: Client Contact with Portfolio Managers**

The primary point of contact for clients with respect to all Warren Financial portfolio programs is the client's financial consultant, including programs where the financial consultant acts as portfolio manager. There are no restrictions on a client's access to his or her financial consultant.

Portfolio manager access is an advantage of choosing Warren Financial over other advisory firms that might outsource portfolio management and construction to non-affiliated portfolio managers. Non-affiliated portfolio managers typically service clients of multiple firms, and direct client access to those portfolio managers is, therefore, not routine.

#### **Item 9: Additional Information**

As is the case with all of Warren Financial's service providers, Warren Financial pays its clearing firm, TD Ameritrade for the various services they provide, including but not limited to execution, clearing, custody, and other services based on a negotiated fee schedule.

Some of the fees charged by TD Ameritrade will be paid for by Warren Financial instead of passed on to the client, including but not limited to stock transaction fees, mutual fund transaction fees, and ETF transaction fees. This creates a conflict in the sense that it encourages Warren Financial not to trade the client's account. However, we



feel that given the per trade fees are typically only \$7.99 per transaction, the incentive not to trade is far outweighed by our responsibility to put the client's best interests first. Warren Financial will attempt to limit this conflict by paying the per trade fees at the corporate level instead of inside the wrap fee program. Alternatively, fees paid within the wrap fee program could reduce the overall performance of the program.

Warren Financial or its portfolio managers will select mutual fund (product) share classes for use in advisory programs based on a variety of factors, including the availability of a particular share class on the Custodian's platform, the amount of internal expenses that are charged, minimum purchase requirements that may be imposed by the product sponsor, whether the product sponsor permits the product to be used in advisory accounts or to be sold at Net Asset Value, and other considerations. Although Warren Financial will attempt to always use the lowest cost share class for a given product, Warren Financial may not always use a product's lowest cost share class within an advisory program.