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# VAN HULZEN ASSET MANAGEMENT

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## **Form ADV Part 2A – Firm Brochure**

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Dated March 28, 2017

This Brochure provides information about the qualifications and business practices of Van Hulzen Asset Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 916-608-4284. 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.

Van Hulzen Asset Management, LLC a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Van Hulzen Asset Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

CRD: 116632

# Item 2: Material Changes

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Since the last annual Form ADV Part 2A filing, dated February 13, 2016, there have been no material changes.

# Item 3: Table of Contents

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# Item 4: Advisory Business

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## **Description of Advisory Firm**

Van Hulzen Asset Management, LLC's registration was granted by the U.S. Securities and Exchange Commission on March 14, 2003. Craig Dennis Van Hulzen (CRD Number 2468474) is President and CEO of VAM. Mr. Van Hulzen owns the majority of the equity in VAM. Bradley Robert Nicholson (CRD Number 4846561) is Senior Vice President of VAM and owns a minority interest in VAM. John Pearce (CRD Number 4503062) is Managing Director of VAM and owns a minority interest in VAM. Wedbush, Inc., owner of Wedbush Securities, Wedbush Asset Management and Wedbush Bank, owns a minority interest in VAM. VAM is not publicly owned or traded. As of December 31, 2016, VAM managed on a discretionary basis \$573,709,878 and \$14,083,774 on a non-discretionary basis. Client assets are managed on an individualized basis. Clients may impose restrictions on their accounts.

## **Types of Advisory Services**

Van Hulzen Asset Management, a California Limited Liability Corporation ("VAM"), provides investment advisory services to clients, including individuals, pension and profit sharing plans, trusts, estates, charitable organizations, private investment vehicles and corporations on a discretionary and non-discretionary basis.

## **Wealth Management Services**

The company offers a broad-based financial solution for clients who are seeking advice on their total financial situation. This is an advisory service that includes analysis and recommendations on the client's entire balance sheet including investment portfolios, real estate, private investments, debts, and other items. Wealth management also includes (as applicable) financial planning, estate planning, tax strategies, asset allocation services, asset management, reporting, position monitoring, cashiering, and support of a dedicated team.

## **Asset Management Services**

We have numerous investment strategies that include US Covered Call Strategy, US fixed income, US equity, global equity, tactical asset allocation, ETF and mutual funds, and balanced investment styles. Asset Management Services is for investors who hire VAM to solely manage an allocation of their overall portfolio and not for the broad-based wealth management solution.

Assets managed by Van Hulzen are predominantly made up of individual securities such as US equities, American Depositary Receipts, exchange-traded funds and bonds. On occasion, mutual funds may also be appropriate for diversification or asset class allocation. In these cases, there are two levels of fees involved, that is, one fee payable to VAM and a second fee

payable to the mutual fund. All mutual funds (including no-loads) have embedded fees (as represented by the funds' published "expense ratios") that the mutual fund company automatically extracts from the fund's return. The client does not receive an explicit invoice for the mutual fund's expenses, even though the client pays the mutual fund expenses through the fund's returns. In addition, the client's brokerage firm may charge the client a "transaction fee" on the purchase of some no-load mutual funds.

### **Consulting Services**

We offer research and consulting services on a contractual basis. The services offered include technical research analytics, financial modeling, business valuation and transactional analysis. VAM also provides advice regarding hedging of concentrated positions and manages accounts which seek to trade in volatility strategies, including the use of index and single stock options.

### **Asset Allocation Services**

We offer a strategic asset allocation program for clients seeking guidance on the allocation of capital between various asset classes, managers or commingled funds.

The Asset Allocation services include:

- Complete Evaluation of Client's Current Investments, including investments held at other custodians and variable annuities.
- Assisting Client in Quantifying and Prioritizing their investment and other financial goals
- Developing a Cohesive Investment Strategy for managing the client's portfolio
- Establishing and/or Consolidating the Client's Investment Accounts
- Manager, asset and security research and selection (as appropriate)
- Implementation of the agreed-upon allocation, including purchasing, selling existing and new securities to arrive at the recommended asset allocation
- Risk Analysis of personal balance sheet holdings (private, public, real estate, debt)
- On-Going Monitoring of the positions for continued suitability
- On-Going Adjustments and Rebalancing of the investment portfolio
- Quarterly Investment Performance Reports
- On-Going Meetings to Review Strategy and Progress toward client's goals
- Retirement Planning, Cash Flow Analysis and Planning, Stock Option Planning, College Planning
- Assistance with Tax, Estate, Insurance and Real Estate issues

All work is customized for each client relationship and fees are negotiated based on the services provided on a case by case basis. Clients or VAM may terminate the contracted services by providing written notice.

### **One-Time Investment Analysis and Planning Consultation**

A thorough assessment is performed on the client's financial goals, objectives, existing investments and risk tolerance in order to provide sound investment analysis and recommendations. A customized investment strategy and asset allocation plan will then be developed for the client to implement.

The advice and recommendations will include specific adjustments to be made to the current assets if appropriate, and recommendations on investments to be added. Portfolio recommendations are composed primarily of no-load mutual funds readily available through discount brokerages of the client's choice. If the client already owns a variable annuity, we will research and recommend the sub-account fund choices most appropriate for the client's goals and objectives. The client is responsible for maintaining their investment accounts and for the on-going implementation and maintenance required by the portfolio.

### **Financial Planning Services**

Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information and analysis will be considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service will receive a written or an electronic report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives.

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

- Personal: Family records, budgeting, personal liability, estate information and financial goals;
- Death & Disability: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis;
- Retirement: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals;
- Investments: Analysis of investment alternatives and their effect on a client's portfolio;
- Insurance: Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.

## Wrap Fee Programs

VAM offers investment supervisory services on a discretionary basis as a manager on wrap fee platforms at Wedbush (Sponsor Firm) as described on our ADV Part 1. Our management of client accounts on wrap programs is largely similar to how we manage client accounts directly invested with us, however particular investments may vary depending on availability of investment at the Sponsor Firm. In wrap fee programs, clients generally pay an asset-based fee to the Sponsor Firm and, out of that fee; the Sponsor Firm is responsible for paying an investment advisory fee to VAM.

# Item 5: Fees and Compensation

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How we are paid depends on the type of advisory service we are performing. VAM provides customized solutions and financial planning services to investors based on unique needs and objectives. Fees are billed in arrears on a quarterly basis. VAM, in its sole discretion may negotiate a different fee with the client, based on the nature of the services and the scope of the work needed.

Fees may be negotiable based on account size and the scope and complexity of the services needed by the client. A client may terminate their services by providing written notice. The client will be responsible for payment of services through the date written notification is received by VAM.

Please review the fee and compensation information below.

## Wealth Management Fee

Full service end-to-end solution for all financial advisory needs. See Item 4 for details on some of the services provided. Wealth management fees will be added to the custom asset management fee schedule as determined by the asset allocation objective.

Account Value	Annual Fee
On the first \$2,000,000	0.40%
Amounts over \$2,000,000	0.30%

## Asset Management Fee

### Equity Strategies

Account Value	Long-Only	Covered Calls
On the first \$2,000,000	1.00%	1.50%
On the next \$2,000,000	0.80%	1.30%
On the next \$1,000,000	0.60%	1.10%
Amounts over \$5,000,000	0.50%	1.00%

### Fixed Income Strategies

Account Value	Annual Fee
On the first \$2,000,000	0.80%
On the next \$2,000,000	0.70%
On the next \$1,000,000	0.60%
Amounts over \$5,000,000	0.50%

## Asset Allocation Program Fee

### Minimum Relationship: \$250,000

Account Value	Annual Fee
On the first \$500,000	0.95%
On the next \$500,000	0.90%
On the next \$500,000	0.85%
On the next \$2,500,000	0.80%
Amounts over \$4,000,000	0.60%

## Financial Planning Fee

Financial Planning is paid based off of an hourly rate of \$200.00 per hour with a five hour minimum. The minimum may be reduced for repeat clients. Fees are payable upon presentation of the specific advice and recommendations to the client.

## Consulting Services Fee

Consulting Services is paid based off of an hourly rate of \$200.00 per hour with a five hour minimum. The minimum may be reduced for repeat clients. Fees are payable upon presentation of the specific advice and recommendations to the client.

### Performance-Based Fee

In some instances, clients may pay an annual fee based on a percentage of realized and unrealized profits (“performance fee”). Our performance-based fees are based on a “**High Water Mark**”. This type of fee arrangement and the associated strategy is only available to *qualified clients* and may be negotiable in certain cases.

**High Water Mark Calculation:** Performance fees are based on a new high watermark for each year that is charged. For example, a client may deposit \$1,000,000 and the profit commission is 20%. At the end of the first year the account balance is \$1,100,000. First year’s profit for the Adviser is \$20,000.00 (20% of \$100,000=\$20,000.00). \$1,000,000 is the high watermark. \$20,000 is debited from the clients account in favor of the Adviser. The next year the beginning balance becomes \$1,100,000 and this becomes the new high watermark. At the end of the second year the ending balance on the account is \$1,050,000 .No performance fee is debited from the account as the high watermark remains \$1,100,000. This example is assuming that the client made no new deposits which would increase the high watermark or any withdrawals which would lower the high watermark.

### Other Types of Fees and Expenses

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that we consider in selecting or recommending broker/dealers for client’s transactions and determining the reasonableness of their compensation (e.g., commissions).

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

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“Qualified Investors” as that term is defined by the federal securities laws shall have the ability to choose a performance-based fee structure rather than the asset-based fees typically charged. These performance-based fees are always driven by client desire.



For such qualified investors, VAM may charge a performance fee, typically 20% of the gains in client accounts, to the extent such profit exceeds any prior un-recouped losses. Although performance fee rates payable to VAM by future clients will be negotiated when such clients become clients, VAM generally expects those fees to be substantially the same as the rates set forth above. All incentive fees will be made in a manner that complies with Rule 205-3 of the Investment Advisers Act of 1940.

Clients should be aware that this arrangement may cause an inherent conflict of interest as it may give us more incentive to take greater risks or direct investments that are perceived to have higher return potential to the accounts that pay a performance fee versus the accounts that pay only a regular standard advisory fee. We attempt to mitigate this conflict by monitoring and enforcing trading guidelines. These guidelines are reviewed and monitored by the client as well as our Chief Compliance Officer.

We manage accounts for numerous clients that invest in the same or similar securities. Although the overwhelming majority of securities used in our investment strategy are highly liquid and readily available, certain securities may occasionally have capacity constraints. We attempt to allocate investment opportunities among clients in a fair and equitable manner. Performance is not a factor in our decision to allocate securities to a client's account.

## Item 7: Types of Clients

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Clients are individuals, pension plans, profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

VAM has asset minimums that vary based on program offering. There is a \$250,000 minimum for the Asset Allocation program, \$500,000 minimum for the custom portfolio solution and a \$2 million minimum in the private client services program. The assets may be made up of multiple accounts.

There is a five-hour minimum fee for hourly consultative services. The minimum fee may be reduced for repeat clients.

There is a \$1,000 minimum fee for a one-time investment analysis. The minimum fee may be reduced for repeat clients.

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

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Our primary methods of investment analysis are technical, fundamental and cyclical analysis.

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Technical Analysis** involves using chart patterns, momentum, volume, and relative strength in an effort to pick sectors that may outperform market indices. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may underperform other trading methods when fundamental factors dominate price moves within a given market.

Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

## **Investment Strategies**

**Van Hultzen Covered Call Strategy** seeks a total return with less volatility than equity markets in general. In pursuing its objective, the Strategy targets superior long term risk-adjusted returns versus long-only equities. It invests in large cap companies that the portfolio managers expects to produce strong return on investment, pay regular dividends, have below-average leverage, attractive valuations, and a consistent shareholder value-oriented track record. The Strategy predominantly invests in dividend-paying companies and uses call options in an attempt to create incremental income and reduce portfolio volatility. The Strategy seeks to make income a more significant component of the total investment return and targets long term risk-adjusted

returns versus long-only equities. The goal is a portfolio that generates a higher than average annual income with a target of 6-8% annual income.

**Van Hulzen Core Bond Strategy** seeks a total yield in line or greater than the overall US corporate bond market at lower than average volatility. We believe that using independent research and analysis to select bond issues is superior to relying on rating agencies. The strategy focuses on constructing customized bond portfolios of diversified issuers with strong and improving credit profiles.

### **Material Risks Involved**

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable, or find buyers at any price.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

### **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Options and other derivatives** carry many unique risks, including time-sensitivity, and can result in the complete loss of principal.

**Real-Estate linked investments** may be especially illiquid and subject to specific geographic risk.

**Oil and Gas Interests** may lose value due to changes in commodity prices, costs associated with the transport of oil/gas, seasonal factors or technological advances that impact the demand for oil and gas.

**Options and other derivatives** carry many unique risks, including time-sensitivity, and can result in the complete loss of principal. While covered call writing does provide a partial hedge to the stock against which the call is written, the hedge is limited to the amount of cash flow received when writing the option. When selling covered calls, there is a risk the underlying position may be called away at a price lower than the current market price.

**Exchange Traded Funds** prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected.

## Item 9: Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Van Hulzen Asset Management, LLC or the integrity of our management. We have no information applicable to this Item.

## Item 10: Other Financial Industry Activities and Affiliations

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Firm is the adviser to the Iron Horse Fund, a mutual fund (hereinafter referred to as the “Fund”) registered under the Investment Company Act of 1940 at registration number 811-21720. Pursuant to an investment advisory agreement, dated March 23, 2011, the Fund pays Van Hulzen Asset Management on a monthly basis, an annual advisory fee equivalent to 0.75% of the Fund’s average daily net assets. Van Hulzen Asset Management has contractually agreed to reduce its fees and to reimburse expenses, at least until July 31, 2014, to ensure that total annual fund operating expenses after fee waiver and/or reimbursement (exclusive of any taxes, interest, brokerage commissions, expenses incurred in connection with any merger or reorganization, indirect expenses, expenses of other investment companies in which the Fund may invest, or extraordinary expenses such as litigation) will not exceed 1.95% and 1.70% of average daily net assets attributable to Class A and Class I shares, respectively. Fee waivers and expense reimbursements are subject to possible recoupment from the Fund in future years on a rolling three-year basis (within the three years after the fees have been waived or reimbursed) if such recoupment can be achieved within the foregoing expense limits. Fee waiver and reimbursement arrangements can decrease the Fund’s expenses and boost its performance. A discussion regarding the basis for the Board of Trustees’ approval of the advisory agreement is available in the Fund’s annual and semi-annual shareholder reports.

Clients of Van Hulzen Asset Management who invest in the Fund are paying two layers of fees to Van Hulzen Asset Management, that is, Van Hulzen Asset Management’s advisory fee plus the fee to the Fund, a portion of which is also paid to Van Hulzen Asset Management.

In investment funds where VAM serves as the investment adviser, VAM may make investments in those funds available to clients whose investment objectives and risk profile are consistent with those of the fund. VAM does receive advisory and other fees from the advisory services it provides to the mutual fund.

It is further disclosed that VAM has a material relationship with Wedbush, Inc., owner of Wedbush Securities, Wedbush Asset Management and Wedbush Bank. VAM provides consulting and advisory services to Wedbush Asset Management.

It is further disclosed that Van Hulzen Asset Management, LLC is 100% owner of MW Investment Strategy, a California Corporation registered as an investment adviser with the State of California. MW Investment Strategy employs VAM as a sub-adviser to its clients.

Sean Borchardt is licensed to sell life and health insurance and may engage in product sales with our clients, for which he will receive additional compensation. Any commissions received through life or health insurance sales do not offset advisory fees the client may pay for advisory services under VAM.

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

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VAM has adopted a written Code of Ethics in compliance with SEC rule 204A-1. The code sets forth standards of conduct and required compliance with federal securities laws. Our code also addresses personal trading and requires our personnel to report their personal securities holdings and transactions to the Chief Compliance Officer of VAM. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

From time to time, VAM may cause clients to buy a security in which it or an associated person has an ownership position, or VAM or an associated person may purchase a security of the same class as securities held in a client's account. It is VAM's policy not to permit associated persons (or certain of their relative) to trade in a manner that takes advantage of price movements caused by clients' transactions.

From time to time, trading by VAM and its associated persons (and certain of their relatives) in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If transaction orders for a client and VAM (and/or its associated persons and relatives) that are to be executed on the same day are not aggregated (see discussion under Item 12.A. and 13), then transaction orders for VAM and its associated persons will be the last orders filled.

VAM and its associated persons may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for clients.

It is further noted that Firm is in and shall continue to be in total compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, Firm has adopted a firm-wide policy statement outlining insider trading compliance by Firm and its associated persons and other employees. This statement has been distributed to all associated persons and other employees of Firm and has been signed and dated by each such person. A copy of such firm-wide policy is left with such person and the original is maintained in a master file.

Further, Firm has adopted a written supervisory procedures statement highlighting the steps which shall be taken to implement the firm-wide policy. These materials are also distributed to all associated persons and other employees of Firm, are signed, dated, and filed with the insider trading compliance materials. There are provisions adopted for (1) restricting access to files, (2) providing continuing education, (3) restricting and/or monitoring trading on those securities of which Firm's employees may have non-public information, (4) requiring all of VAM's employees to conduct their trading through a specified broker or reporting all transactions promptly to Firm, and (5) monitoring the securities trading of the firm and its employees and associated persons.

## Item 12: Brokerage Practices

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### **Factors Used to Select Custodians and/or Broker/Dealers**

VAM will generally seek "best execution" in light of the circumstances involved in transactions. In evaluating a broker's or dealer's ability to provide "best execution," VAM may consider, among other factors; historical net prices (after commissions or other transaction-related compensation) will be a principal factor, but VAM may also consider, among other factors: the execution, clearance, error resolution and settlement capabilities of the broker or dealer generally and in connection with securities of the type to be bought or sold; the broker or dealer's willingness to commit capital; the broker or dealer's reliability and financial stability; the size of the transaction; and the market for the security. VAM will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction.

VAM performs investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by VAM, some of which accounts may have similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when VAM believes that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

Some clients may instruct VAM to use one or more particular brokers or dealers for some of the transactions in their accounts. Clients who may want to direct VAM to use a particular broker/dealer should understand that their direction may prevent VAM from aggregating orders with other clients or from effectively negotiating brokerage compensation on their behalf, and they may even prevent VAM from obtaining the most favorable net price and execution. Thus, in directing brokerage business, those clients may lose possible advantages that non-designating clients may have and they should consider whether the commission expenses, and execution, clearance, and settlement capabilities, they will obtain through their directions are adequately favorable in comparison to those that otherwise will be attained for clients to justify their direction of their brokerage business.

For some clients, particularly those clients who do not use a custodian, VAM may recommend a broker. There is no requirement that a client use such broker as VAM recommends. Such recommendations will take into account a number of factors, some of which are transaction fees, custodial fees charged by the broker for holding securities for the client, commission rates, interest charges on debit balances and interest credits on credit balances, quality of execution, recordkeeping and reporting capabilities, and standard broker research. In recommending a broker, VAM will attempt to minimize the total cost for all brokerage services paid by the client. However, it may be the case that the recommended broker charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker. It may also be the case that the total costs of all services provided by the recommended broker may be higher than can be obtained at another broker if VAM determines in good faith that such total costs are reasonable in relation to the value of brokerage and research services provided by such broker, viewed in terms of VAM's overall responsibilities to the client.

Van Hulzen Asset Management may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker/dealer, Member SIPC/NYSE, TD Ameritrade, Inc. (TDA), a registered broker/dealer, Member FINRA/SIPC/NFA or Wedbush Securities, Inc. a registered broker/dealer, Member SPIC/FINRA, collectively known as the "Recommended Custodians" to maintain custody of clients' assets and to effect trades of their accounts. Schwab Institutional and TD Ameritrade provide Van Hulzen Asset Management with access to their institutional trading and operations services, which are typically not available to Schwab or TDA retail investors. These services generally are available to independent investment advisors at no charge to them so long as a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab Institutional or TD Ameritrade. VAM receives some benefits from TD Ameritrade through its participation in the institutional advisor program offered by TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (Please see the disclosure under Item 14. below.)



The Recommended Custodians' services include research, brokerage, custody, access to mutual funds/managers and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. The Recommended Custodians also make available to Van Hulzen Asset Management other products and services that benefit Van Hulzen Asset Management but may not benefit its clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), provide research, pricing information and other market data, facilitate payment of Van Hulzen Asset Management fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Van Hulzen Asset Management's accounts, including accounts not maintained at the Recommended Custodians. They may also provide Van Hulzen Asset Management with other services intended to help Van Hulzen Asset Management manage and further develop its business enterprise. These services may include consulting, publication and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the Recommended Custodians may make available, arrange and/ or pay for these types of service to Van Hulzen Asset Management by independent third-parties. The Recommended Custodians may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Van Hulzen Asset Management. The availability of Van Hulzen Asset Management of the foregoing products and services is not contingent upon Van Hulzen Asset Management committing to the Recommended Custodians any specific amount of business (assets in custody or trading).

As disclosed above, VAM participates in TD Ameritrade's institutional customer program and VAM may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between VAM's participation in the program and the investment advice it gives to its Clients, although VAM receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving VAM participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to VAM by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by VAM's related

persons. Some of the products and services made available by TD Ameritrade through the program may benefit VAM but may not benefit its Client accounts. These products or services may assist VAM in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help VAM manage and further develop its business enterprise. The benefits received by VAM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, VAM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by VAM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the VAM's choice of TD Ameritrade for custody and brokerage services.

*Generally.* VAM may select a broker or dealer in recognition of the value of various services or products, beyond transaction execution, that a broker/dealer ("broker") provides where, considering all relevant factors, it believes the broker can provide best execution. The amount of compensation paid to such a broker may be higher than what another, equally capable broker might charge. Selecting a broker in recognition of services or products other than transaction execution is known as paying for those services or products with "soft dollars." Because many of those services could benefit VAM, and because the soft dollars used to acquire them will be assets of VAM's clients, VAM could be considered to have a conflict of interest in allocating client brokerage business, including an incentive to effect more transactions than it might otherwise do in order to obtain those benefits. The extent of that conflict depends in large part on the nature and uses of the services and products acquired with soft dollars. Where a particular service or product benefits other clients and/or VAM itself, VAM may allocate the cost among the various persons who receive benefits. The investment management agreements entered into by and between VAM and its clients generally authorize VAM to use client soft dollars for a wide range of purposes.

#### *Affiliated Broker/dealer*

VAM may purchase or sell securities for client accounts through the affiliated broker/dealer, Wedbush Securities, Inc. This affiliated brokerage relationship may raise potential conflicts of interest between VAM, Wedbush, and VAM's clients. For example, using an affiliated broker/dealer may provide an incentive to cause a larger number of transactions to be executed through Wedbush than would otherwise be the case and could be considered to cause transactions to be executed through Wedbush that might be more favorably executed through another broker/dealer. To guard against such conflicts, VAM has adopted policies and procedures to ensure that all client trades executed through Wedbush obtain best execution and are made in compliance with the applicable regulatory requirements.

## 1. Research and Other Soft-Dollar Benefits

VAM may use soft dollars to acquire a variety of “research” and “brokerage” services and products for which a client would not otherwise be required to pay. A federal statute, Section 28(e) of the Securities Exchange Act of 1934, recognizes the potential conflict of interest involved in this activity but protects investment managers such as VAM from claims that it involves a breach of fiduciary duty to advisory clients—even if the brokerage commissions paid are higher than the lowest available—if certain conditions and requirements are met. For these purposes, “research” means services or products used to provide lawful and appropriate assistance to VAM in making investment decisions for clients. Brokerage services and products are those used to effect securities transactions for clients or to assist in effecting those transactions. To be protected under Section 28(e), VAM must, among other things, determine that commissions paid are reasonable in light of the value of the brokerage and “research” services and products acquired. Section 28(e)’s “safe harbor” protects the use of client soft dollars even when the research and brokerage services and products acquired are used in making and implementing investment decisions and transactions for other clients. Notwithstanding this protection, VAM could be considered to have a conflict of interest when it uses soft dollars in this way because it might otherwise pay cash for those services and products and VAM may have an incentive to use broker/dealers who provide those products and services more than it otherwise would. The types of “research” VAM expects to acquire include under the Section 28(e) safe harbor include: reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial publications; portfolio evaluation services; financial database software and services; computerized news, pricing and order-entry services; analytical software; proxy analysis services and systems, quotation equipment and other computer hardware for use in running software used in investment decision making; and other products or services that may enhance investment decision making. Brokerage services and products (beyond typical execution services) include computer systems and facilities used for such things as communicating orders electronically to executing broker/dealers.

Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a “research” application, but is also useful to VAM for “non-research” purposes, VAM may allocate the cost of the product or service between its “research” and “Non-Research” uses and pay only the “research” portion with soft dollars. VAM’s interest in making such allocations may differ from clients’ interests in that VAM has an incentive to designate as great a portion of the cost as “research” as possible in order to permit payment with soft dollars.

*Other Services and Products.* Where a client has consented, soft dollars may also be used to acquire services and products that provide benefits to VAM and that may not qualify as

“research” and/or to pay expenses otherwise payable by VAM. These may include hardware and software used in administrative activities. VAM may use some clients’ soft dollars to pay such expenses and not others’. Using soft dollars for such purposes would not be protected by Section 28(e) and VAM would have a conflict of interest in doing so, as it would have an incentive to use broker/dealers who provide or pay for products and services for which VAM would otherwise have to pay cash. Further, if soft dollars are limited, VAM may have an incentive to cause those expenses to be paid with soft dollars while the clients pay their own expenses (such as custody and recordkeeping) with cash, rather than through “direct brokerage”, as discussed below.

*Review.* VAM monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers it uses, to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those brokers and dealers in light of all the factors described above.

## **2. Brokerage for Client Referrals**

In selecting a broker, VAM may consider a broker’s referrals of investors to partnerships sponsored by VAM or advisory clients to VAM, the potential for future referrals, and/or a broker/dealer’s willingness to pay third-party finders for such referrals. The conflict of interest involved in using soft dollars to pay for these types of services and products and to defray these types of expenses is also not protected by the Section 28(e) “safe harbor.”

*Procedures.* Brokers from which VAM obtains soft dollar services or products generally establish “credits” based on past brokerage business, which may be used to pay or reimburse VAM for specified expenses. In some cases a broker may suggest a level of future business that would fully compensate the broker for services or products it provides. The actual transactional business with a broker may be less than the suggested level but can—and often will—exceed that level, and “credits” established may exceed the amounts used to acquire services and products. This may be in part because investment activities generate aggregate commissions in excess of the aggregate suggested by brokers providing services and products. And it may be in part because those brokers may also provide superior execution and may therefore be most appropriate for particular transactions. VAM may also ask a broker who is executing a transaction to “step out” of a portion of the transaction in favor of a broker who has provided or is willing to provide products or services for soft dollars. That is, the executing broker will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar broker. This assists VAM in acquiring products and services with soft dollars while continuing to obtain best execution.

These procedures are generally consistent with the requirements of Section 28(e) when the products or services acquired constitute “research.” However, Section 28(e)’s “safe harbor” is

not available where transactions are effected on a principal basis, as most transactions with market makers in over-the-counter securities are, with a markup or markdown paid to the broker/dealer.

### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

We do recommend a specific custodian for clients to use, however, clients may custody their assets at a custodian of their choice. Clients may also direct us to use a specific broker/dealer to execute transactions. By allowing clients to choose a specific custodian, we may be unable to achieve most favorable execution of client transaction and that this may cost clients money over using a lower-cost custodian.

### **Aggregating (Block) Trading for Multiple Client Accounts**

Generally, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as “block trading”). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding particular circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

## **Item 13: Review of Accounts**

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### **For Consultation Clients**

Investment advice furnished via hourly consultations or a one-time investment analysis is performed at the specific request of the client.

The level of review is directed by the client but typically includes ensuring that asset allocations and specific securities are within their targeted ranges based on an assessment of the client’s risk tolerance and goals, and advising the client on how to rebalance the portfolio by recommending adjustments to the investments.

### **For On-Going Investment Supervisory Clients**

For accounts that receive on-going investment supervisory services, complete account reviews are performed on a regular basis; the individual holdings are monitored daily. Other triggering factors include: specific requests made by clients; marked increases or decreases in an asset

category which would lead to an asset allocation imbalance; notification by the client of a change in the client's goals, objectives or risk tolerances; and the replacement of a specific investment from an internally researched and approved security list.

The level of review includes ensuring that asset category allocations and specific securities are within their targeted ranges based on an in-depth assessment of the client's risk tolerance and goals, and rebalancing the portfolio by making adjustments in the investments on a discretionary basis. The service also includes reviews performed directly with the client as often as the client requests.

For Van Hulzen Asset Management, one of five professionals will perform reviews on the accounts. The reviewers are:

**Brad Nicholson**

Title: Senior Vice President

Function: Financial Planning

**Craig D. Van Hulzen**

Title: President

Function: Asset allocation, risk assessment and covered call option writing.

**Chris Schreur**

Title: Senior Vice President

Function: Trading, asset allocation, policy adherence

**John Pearce**

Title: Managing Director

Function: Risk assessment, equity allocations and covered call option writing

**Stefan ten Brink**

Title: Managing Director

Function: Risk assessment, equity allocations and covered call option writing.

Clients are responsible to keep Van Hulzen Asset Management informed as to any personal changes in their financial condition. VAM cannot make any material changes to a client's portfolio if it is not informed of a client's particular developments. Clients are reminded to inform VAM of any changes to their financial condition at least quarterly.

Clients that receive investment advice on an hourly consultative basis or one-time investment analysis basis do not receive regular reports on their accounts.

For clients that receive investment supervisory services on a discretionary basis, regular reports and information updates will be delivered on a quarterly basis and at the end of each calendar year. In addition, clients receive monthly statements from the account custodian that list all account positions, market values and all activity in the account for the month. The custodian sends transaction confirmations to clients for any and all trades that occur in the client's account(s).

## Item 14: Client Referrals and Other Compensation

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As discussed in Item 12 above, we receive economic benefits from the Recommended Custodians with whom we custody client assets. This practice raises potential conflicts of interest. The Recommended Custodians will most likely give the greatest benefit to investment advisers that encourage their clients to custody their assets with the Recommended Custodians and whose client accounts are profitable to that Recommend Custodian. Consequently, in order to continue receiving economic benefits from these custodians, we may have an incentive to recommend to clients that the assets we manage be held in custody and to place transactions for client accounts with them. Our participation in these arrangements does not diminish our duty to seek best execution of trades for client accounts. Additionally, we will periodically review and determine if the preferred custodian remains appropriate for the client.

We may also employ solicitors to whom it will pay cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice will be disclosed in writing to the client and VAM will comply with the other requirements of Rule 206(4)-3, under the Investment Advisers Act of 1940, as amended.

VAM may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, VAM may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client

accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with VAM and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise VAM and has no responsibility for VAM's management of client portfolios or VAM's other advice or services. VAM pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to VAM ("Solicitation Fee").

VAM will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by VAM from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired VAM on the recommendation of such referred client. VAM will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form. VAM's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, VAM may have an incentive to recommend to clients that the assets under management by VAM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, VAM has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. VAM's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

VAM considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation and the quality of services provided. In selecting TD Ameritrade Institutional as the broker and custodian for certain of its current and future client accounts, VAM takes into consideration its arrangement with TD Ameritrade as to obtaining price discounts for TD Ameritrade's automatic portfolio rebalancing service for advisors known as "iRebal".

VAM receives price discounts for TD Ameritrade's automatic portfolio rebalancing service for advisors known as "iRebal". The standard annual license fee applicable to VAM is \$26,000.00.



That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the TD Ameritrade Institutional platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the platform will bring fee reductions of up to \$26,000.00 per year for each of as many as three years or more.

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute “plan assets” of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs). If VAM does not maintain the relevant level of taxable assets on the TDA platform, VAM may be required to make a payment to TDA calculated on the basis of the shortfall.

Although VAM believes that the products and services offered by TD Ameritrade are competitive in the market place for similar services offered by other broker-dealers or custodians, the arrangement with TD Ameritrade as to the iRebal service may affect VAM’s independent judgment in selecting or maintaining TD Ameritrade as the broker or custodian for client accounts.

## Item 15: Custody

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Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements or reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. For clients who have their advisory fee directly debited from their account, on a quarterly basis they will receive an itemized invoice for their advisory fee that includes the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

## Item 16: Investment Discretion

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For those client accounts where we provide ongoing money management or investment advice with ongoing supervision, we maintain limited power of authority over client accounts with respect to securities to be bought and sold and the amount of securities to be bought and sold. Investment discretion is explained to clients in detail when an advisory relationship has commenced. At the start of the advisory relationship, the client will execute a Limited Power of

Attorney which will grant our firm discretion over the account. Additionally, the discretionary relationship will be outlined in the advisory contract and signed by the client.

## Item 17: Voting Client Securities

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We do not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

## Item 18: Financial Information

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Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding. We currently do not require prepayment of more than \$1,200 in fees.