



# FundX Investment Group, LLC

Item 1      COVER PAGE

## FORM ADV PART 2A\* Brochure

March 31, 2018

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\*This brochure provides information about the qualifications and business practices of FundX Investment Group, LLC. If you have any questions about the contents of this brochure, please contact Sean McKeon, Chief Compliance Officer at telephone (800) 323-1510. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority.

Additional information about FundX Investment Group is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

**Item 2 MATERIAL CHANGES FROM PRIOR FORM ADV PART 2A**

Since the last annual updating amendment to the Brochure of FundX Investment Group LLC (“FundX” or the “Firm”), the following is a summary of material changes:

- The annual investment management fee schedule in Item 5 - Advisory Fees - has been changed.
- The annual investment management fee for clients participating in the *FundX ETF Portfolios* Program has been changed. See Item 5 - FundX ETF Portfolios Program Fees.

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## **Item 4           ADVISORY BUSINESS**

### **ADVISORY SERVICES**

#### **Investment Advisor to Individual Clients**

FundX Investment Group, LLC (“FundX” or sometimes “the Firm” or “Advisor”), founded in 1969, is an independent, privately owned investment advisory firm providing investment advice to our clients. Our principal owner is Janet M. Brown.

We provide investment management services on a discretionary basis, including financial goal setting, risk assessment, strategic asset allocation and the selection and management of securities and investments. Our portfolio managers conduct consultations with each new client and based upon the information provided by the client, determine the client’s investment objectives, financial circumstances, investment experience, investment time horizon and risk tolerance level. We evaluate each new client’s existing investments and, where necessary, develop a plan to transition such existing investments into or out of the client’s portfolio as required by FundX’s investment strategy.

#### **Investment Advisor to Mutual Funds**

FundX serves as investment advisor to the open-end mutual fund series FundX Upgrader Funds (collectively the “Upgrader Funds”), which utilize our “Upgrading” strategy. For these advisory services to the funds, FundX receives investment management fees and administrative fees from the funds and/or reimbursement of operating expenses by the funds. It is possible that some of FundX’s individual clients’ assets are placed in investments in one or more of the Upgrader Funds if, in the determination of the portfolio manager, such an investment is suitable for the client. In these cases, as explained below under Fees and Compensation, the Firm’s management fee from individual clients invested in the funds is adjusted.

The investment objectives and risk levels of any of the Upgrader Funds may be different from the investment objectives and risk tolerance of our individual investment advisory clients and therefore individual clients’ holdings may not match or approximate those of any Upgrader fund. Because of possible trading restrictions, fund availability and other factors, security holdings and transactions made on behalf of our investment advisory clients may be inconsistent with holdings of the Upgrader Funds.

#### ***FundX ETF Portfolios Program***

The Firm provides portfolio management services known as *FundX ETF Portfolios* through Institutional Intelligent Portfolios™, an automated, online investment management platform sponsored by Schwab Performance Technologies, Inc. (the “Program” and “SPT,” respectively). Through the Program, FundX offers clients a range of investment strategies it constructs and manages, each consisting of a portfolio of exchange traded funds (“ETFs”) and a cash allocation. The client’s portfolio is held in a brokerage account opened by the client at SPT’s affiliate, Charles Schwab & Co., Inc.

(“Schwab”). The Program is described in the SPT disclosure Brochure (the “Program Disclosure Brochure”), which is delivered to clients by SPT during the online enrollment process. The Firm is the client’s investment advisor and primary point of contact with respect to the Program.

FundX has contracted with SPT to provide the Firm with the technology platform and related trading and account management services for the Program. This platform enables the Firm to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the “System”). The System includes an online questionnaire that helps FundX determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. FundX will recommend a portfolio via the System in response to the client’s answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but FundX makes the final decision and selects a portfolio. The System also includes an automated investment engine through which the Firm manages the client’s portfolio on an ongoing basis through automatic rebalancing and tax loss harvesting, if applicable.

The Firm cannot make individual trades in client accounts in the Program. Clients authorize FundX to suspend trading in their Program accounts if FundX believes it necessary due to market conditions or other reasons and to reactivate trading when the Firm decides it is appropriate to do so. Clients also authorize SPT to suspend trading in their accounts if SPT believes it necessary for reasons related to the System and to reactivate trading when SPT decides it is appropriate to do so.

FundX charges clients a fee for its services as described below under Item 5.

#### **Disclosures Related To *NoLoad FundX***

FundX also is the publisher of *NoLoad FundX*, a monthly newsletter that provides commentary and rankings of no-load mutual funds and exchange traded funds (ETFs). Investment advisory clients of FundX may be invested in mutual funds recommended in the newsletter. However, FundX, in structuring individual client portfolios, may choose to use mutual funds or ETFs that may be perceived as inconsistent with the ranking or commentary concerning a particular fund in the newsletter.

#### **ASSETS UNDER MANAGEMENT AS OF DECEMBER 31, 2017**

Discretionary Assets - \$882,014,214  
Non-discretionary Assets - \$0

## **Item 5 FEES AND COMPENSATION**

### **ADVISORY FEES**

FundX charges an annual investment management fee based upon assets under management ("AUM") in a client's account. AUM includes all client assets over which FundX has investment discretion as described in Item 16, below. The management fee schedule:

1.00% on assets up to \$2,000,000

0.80% on assets from \$2,000,001 to \$5,000,000

0.70% on assets from \$5,000,001 to \$10,000,000

0.60% on assets from \$10,000,001 to \$20,000,000

0.50% on assets above \$20,000,000

Assets in the Account are included in the fee assessment unless specifically identified in writing for exclusion. The management fee is billed quarterly, in advance, and prorated for accounts established or terminated at times other than the start of the quarter.

The management fee is computed on the first day of each quarter of management by determining the market value of the assets in the client's portfolio using the following guidelines: (a) for marketable securities: the current market price provided by custodian; (b) for securities for which there exists no active market (such as real estate, gas and oil, or other illiquid securities), by using such information as FundX in good faith deems relevant to determine the value, or in the absence of such information, at cost; and (c) cash or equivalents, at dollar value.

Clients typically authorize FundX to deduct quarterly investment advisory fee directly from their custodial account. This authorization must be granted under the client's signed custodial account application. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated.

Clients may make additions to and withdrawals from the client's custodial account at any time. If assets are withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the billing period. Clients may withdraw account assets on notice to FundX, subject to the usual and customary securities settlement procedures.

## **FUNDX UPGRADER FUNDS FEES**

For investment management fee purposes, client holdings of shares of any of the Upgrader Funds are treated differently than shares of other securities. No management fee is charged to clients on that portion, if any, of their assets that are held in FundX-managed accounts invested in any of the Upgrader Funds. However, because FundX's management fee is charged in advance each quarter, managed assets that are migrated into the Upgrader Funds may have already paid a FundX management fee, which will not be refunded to the client.

## **GENERAL FEE DISCLOSURE**

We believe our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay area for comparable services. However, comparable services may be available from other sources for lower fees than those charged by FundX.

FundX's fees are exclusive of and in addition to applicable brokerage commissions, custodial charges and asset-specific fees such as those charged by mutual funds or ETFs for management and administration.

FundX does not provide clients advice as to the tax deductibility of its advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

## **CUSTODIAN AND BROKERAGE FEES**

Clients incur certain charges imposed by their custodians 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. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Advisor's investment management fee.

## **FUNDX ETF PORTFOLIOS PROGRAM FEES**

For client's participating in the *FundX ETF Portfolios* Program, FundX charges an annual investment management fee of .70% of AUM in a client's account in the Program. The management fee is billed quarterly, in arrears, based on the average daily account balance during the prior quarter. Fees are debited directly from the client's Program account. The minimum portfolio value of an account in the Program is \$5,000. Tax loss harvesting is offered only after a Program account reaches \$50,000.

Clients do not pay brokerage commissions or any other fees to Schwab as part of the Program. Schwab does receive other revenues in connection with the Program, as described in Schwab's Program Disclosure Brochure. FundX does not pay SPT fees for its services in the Program so long as the Firm maintains \$100 million in client assets in accounts at Schwab that are not enrolled in the Program. The Firm currently meets this condition. Services provided to client accounts enrolled in the Program include building and maintaining portfolios of index-based ETFs with a range of risk characteristics.

## **MUTUAL FUND FEES**

Mutual funds, including exchange traded funds (ETFs), incur management fees and operating expenses, which vary from fund to fund. In addition to the advisory fee



charged by FundX, clients indirectly pay for the expenses and advisory fees charged by the funds and ETFs in which their assets are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by FundX. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

## **BOND FEES**

Clients whose assets are invested in bonds purchased directly from an underwriter may pay a sales credit or sales concession to the underwriter on the trade (in lieu of a sales commission) ranging from 0% - 2% of the par value of the bond.

## **Item 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

FundX does not charge performance-based fees.

## **Item 7 TYPES OF CLIENTS**

Our clients include individuals, high net worth individuals and their trusts and estates, charitable foundations, pension and profit sharing plans, corporations and mutual funds.

The Firm generally requires new private advisory clients to initiate a relationship with a minimum account size of \$2,000,000, although multiple accounts for the same client may be aggregated to meet this minimum. This minimum may be waived in certain circumstances.

### ***FundX ETF Portfolios Program***

Clients eligible to enroll in the *FundX ETF Portfolios Program* include individuals, IRAs and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program.

## **Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

### **METHODS OF ANALYSIS**

FundX's research team employs charting, fundamental, technical and cyclical methodologies in its securities analyses. Our researchers rely both on qualitative and quantitative research techniques to choose the most promising investments for our clients. The Firm relies on leading industry research to inform our investment strategy and utilizes a variety of financial and economic sources to study various asset classes including third party academic research materials, financial newspapers and magazines,

corporate rating services, and corporate annual reports, press releases, prospectuses and regulatory filings.

## INVESTMENT STRATEGY

In consultation with each client, FundX structures a portfolio consistent with the client's stated financial goals, time frame and risk objectives. FundX generally invests client assets in no-load mutual funds and/or exchange traded funds ("ETFs") in accordance with our observation that this approach offers clients both diversification and modest expenses. The Firm employs its proprietary "Upgrading" strategy to keep clients invested in the top performing no-load funds. The Firm also utilizes advisor "load waived" funds and "I" share classes of mutual funds, which are typically not accessible to retail investors but are available to FundX as an institutional investor, on behalf of its clients.

Our Upgrading strategy limits investments to the top performing no-load funds and ETFs based on our long-established ranking system. The highest-ranking funds in any current market environment by definition have demonstrated success under current market conditions. FundX's upgrading strategy follows a logical system of investing with top fund managers *while they are performing well*, and then moving to subsequent top performers when the original managers are no longer performing at the top. This active rotation provides an effective way to participate successfully in a broad range of opportunities as they occur.

## INVESTMENT RISKS

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Here are some of the general risks associated with our investment strategy:

**General Market Risk:** This is the risk that the value of an investment will fluctuate based on the performance of the securities held. These fluctuations may cause a security to be worth less than its cost when originally purchased or less than it was worth at an earlier time.

**Management Risk:** the risk related to an investment advisor's ability to meet its investment objectives based upon the advisor's success or failure to implement investment strategies as planned.

**Foreign Securities and Emerging Market Risk:** the risk relating to political, social, and economic developments abroad and differences between U.S. and foreign regulatory requirements and market practices.

**Non-Diversification Risk:** the risk that portfolios invested only in a limited number of issuers or sectors may be considered non-diversified and subject to greater risk exposure from market factors affecting such issuers or sectors.

**Derivative Risk:** Derivative investments (such as futures or options) derive their value from the value of an underlying asset, currency or index. The value of derivatives may rise or fall more rapidly than other investments and it is possible to lose more than the initial amount invested.

**Leverage Risk:** borrowing money for leveraging will incur interest expense. FundX's strategy does not utilize "leverage," meaning that it does not recommend strategies that would necessitate a client to borrow cash against the value of their securities portfolio in order to fund additional FundX recommended purchases.

**Small Company Risk:** Securities of small companies involve greater volatility than investing in larger and more established companies.

**Concentration and Sector Risk:** Portfolios may hold a limited number of issuers; they may become more concentrated in one or more sectors at any given time, subjecting the holder to sector concentration risk.

**Interest Rate and Credit Risk:** The risk that interest rates may rise resulting in a decrease in the value of the securities held, or may fall resulting in an increase in the value of such securities.

**High Yield Risk:** The value of fixed-income securities held that are rated below investment grade are subject to additional risk factors such as increased possibility of default, illiquidity of the security and changes in value based upon public perception of the issuer.

**ETF Trading Risk:** The market price of an ETF's shares may trade at a discount to its net asset value (NAV), an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange on which the ETF's trade, all of which may impact the ability to sell the shares of the ETF.

**Portfolio Turnover Risk:** Portfolios may be subject to the risks of having a high portfolio turnover rate. High portfolio turnover may involve correspondingly greater expenses, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities.

**Short-term purchases:** On occasion we may determine to buy or sell securities in a client's account and hold them for less than a year. A potential risk associated with short-term trading that could affect investment performance is an increased tax obligation on the gains realized on a security's value.

**Upgrading Strategy Risk:** the Upgrading strategy seeks to invest in the top performing securities at any given time. While this approach has an extensive track record and has outperformed broad market indexes over the long term, it may not always do so. There may be periods during which the Upgrading strategy underperforms its benchmarks.

**Margin Trading -** FundX does not advocate leverage as a part of its investment strategy. In rare cases, and generally only for short term financing considerations, clients may elect to assume a margin balance in their investment account. Schwab requires a

percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by Schwab. Consequently, all margin decisions are left to the client.

**Option Trading** - Certain FundX clients engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

**Alternative Asset Classes** - Many alternative investments are illiquid, which means that the investments can be difficult to trade. Consequently, such holdings may limit a client's ability to dispose of such investments in a timely manner and at an advantageous price.

### ***FundX ETF Portfolios Program***

The Program Disclosure Brochure includes a discussion of various risks associated with the Program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Program Disclosure Brochure also discusses market/systemic risks, asset allocation/strategy/diversification risk, investment strategy risks, trading/liquidity risks, and large investment risks.

The System uses an online algorithmic based program to manage client accounts. The System generates recommended portfolios and accounts are invested and rebalanced by the algorithm. The algorithm might rebalance client accounts without regard to market conditions or on a more frequent basis than the client might expect.

The Firm's management of client accounts in the Program is far less active than that of our regular Upgrading strategy described above, and is comprised of building and maintaining portfolios of index-based ETFs with a range of risk characteristics.

In response to the client's answers to the online questionnaire, the System will generate an appropriate investment strategy and portfolio. This information is the sole basis for the Firm's advice and choice of strategy and portfolio for the client. The Firm will not consider other client information in its possession in connection with its choice of strategy and portfolio. The client must update information provided in the questionnaire by promptly notifying the Firm on the Program Website.

## **Item 9     DISCIPLINARY INFORMATION**

FundX has no legal or disciplinary events to disclose.

## **Item 10    OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

FundX is an independent, fee only investment advisor, unaffiliated with any securities dealers or issuers and unaffiliated with any banking institutions. Although our clients custody their investment accounts either at Charles Schwab & Co., Inc. (“Schwab”) or Fidelity Investments (“Fidelity”), the Firm has no legal affiliation with Schwab or Fidelity.

Although we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, neither the Firm nor its principals or employees are affiliated with any law or accountancy firm.

#### **Item 11        CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

FundX, its members, officers and employees and their immediate families (sometimes collectively “employees”) are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. FundX’s members, officers and employees are required to report all personal securities transactions on a regular basis. A copy of FundX’s employee trading policies and code of ethics is made available to clients and prospective clients upon request.

Employees may trade in the same securities traded for clients. However, it is the expressed policy of the Firm that no employee shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients. Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients.

If a security is purchased or sold for client accounts and employees on the same day, either employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that employees’ personal transactions might be executed at more favorable prices that were obtained or clients.

Employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. This can occur when securities that are not suitable for clients at the time of purchase (e.g., speculative stocks, micro-cap stocks, penny stocks), are

purchased by employees. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a stock sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

## **Item 12    BROKERAGE PRACTICES**

### **RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER**

FundX recommends that clients establish brokerage accounts with Schwab to maintain custody of their investment assets and to effect trades for their accounts. Schwab is an SEC registered broker-dealers regulated by the Financial Industry Regulatory Authority (“FINRA”) and a member of the Securities Investors Protection Corporation (“SIPC”). Schwab is independently owned and operated and not affiliated with FundX and does not supervise or otherwise monitor FundX’s investment management services to its clients.

Our evaluation of Schwab considered a number of factors, some of which are transaction fees, custodial fees charged for holding securities, commission rates, the availability of fees or credits on certain types of investments, interest charges on debit balances and interest credits on credit balances, quality of execution and record keeping and reporting capabilities. The services provided by Schwab include monthly account statements to clients.

Schwab provides FundX with access to institutional trading and custody services, which typically are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a minimum percentage of the advisor’s client assets is maintained in accounts at Schwab, but are not otherwise contingent upon FundX committing to any specific amount of business (in the form of either assets in custody or trading). Schwab’s services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab makes available to FundX other products and services that benefit FundX but may not benefit its clients. Some of these other products and services assist FundX in managing and administering clients’ accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other

market data; facilitate payment of FundX's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of FundX's accounts, including accounts not maintained at Schwab. Schwab also makes available to FundX other services intended to help FundX manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to FundX by independent third parties. It may discount or waive fees they otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to FundX. Schwab may provide other benefits such as educational events or business entertainment to FundX personnel.

Thus, FundX's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to FundX of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab to FundX's clients, which may create a potential conflict of interest.

#### ***FundX ETF Portfolios Program***

In addition to the Firm's portfolio management and other services, the Program includes the brokerage services of Schwab. While clients are required to use Schwab as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with Schwab by entering into an account agreement directly with Schwab. The Firm does not open the account for the client. If the client does not wish to place his or her assets with Schwab, then we cannot manage the client's account through the Program. As described in the Program Disclosure Brochure, SPT may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Program.

With respect to the Program, as described above under Item 4 Advisory Business, we do not pay SPT fees for its services in connection with the Program so long as we maintain \$100 Million in client assets in accounts at Schwab that are not enrolled in the Program. In light of our arrangements with Schwab, we may have an incentive to recommend that our clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients.

## **DIRECTED BROKERAGE**

In a limited number of cases, clients may direct FundX to place all orders for securities transactions with a specific broker-dealer (directed brokerage). In these cases, FundX is not obligated to, and will generally not solicit competitive bids for each transaction or seek the lowest commission rates for the client. As such, the client may pay higher commission costs, higher security prices and transaction costs than it otherwise would have had it not directed FundX to trade through a specific broker. In addition, the client may be unable to obtain the most favorable price on transactions executed by FundX as a result of FundX's inability to aggregate/bunch the trades from this account with other client trades.

Furthermore, the client may not be able to participate in the allocation of a security of limited availability (such as an IPO) for various reasons, including if those new issue shares are provided by another broker or dealer. As a result of the special instruction, FundX may not execute client securities transactions with brokers that have been directed by clients until non-directed brokerage orders are completed. Accordingly, clients directing brokerage may not generate returns equal to clients that do not direct brokerage.

Due to these circumstances, there may be a disparity in commission rates charged to a client who directs FundX to use a particular broker and performance and other differences from other similarly managed accounts. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution.

## **BEST EXECUTION**

FundX is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather, federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, FundX's primary objective is to obtain the best execution. Expected price, brokerage commissions and other transaction costs are principal factors, but broker selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealer's willingness to commit capital, the broker-dealer's reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, FundX may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. FundX may select broker-dealers whose fees may be greater than those charged



for similar investments if FundX determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

FundX reviews transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom FundX executes transactions on behalf of clients.

#### **SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS**

FundX may receive from an executing broker or allow a broker to pay for certain research or brokerage services, known as “soft dollar” brokerage services and research. Currently, the Firm receives research from Schwab, Fidelity and Dash Financial Technologies through soft dollar arrangements.

“Soft dollars” refers to the use of brokerage commissions on client trades to pay for the soft dollar research or brokerage services received. Many of these services benefit FundX’s advisory business as a whole, rather than any Firm client in particular. But because the soft dollars used to acquire such services are commissions paid by its clients for securities transactions, FundX could be considered to have a conflict of interest in allocating client brokerage business to broker-dealers that offer soft dollar research and brokerage services as a potential incentive to effect more transactions than the Firm might otherwise in order to obtain those benefits.

Although FundX receives soft dollar brokerage services and research, it is the Firm’s policy is to limit its use of soft dollar arrangements to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. To be protected under Section 28(e), FundX 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. Only *bona fide* research and brokerage products and services that provide assistance to FundX in the performance of its investment decision-making responsibilities are permitted.

Soft dollar research and services may include, among others, computer software or subscription services, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees, computer software, consultations, performance measurement data, on-line pricing, proxy-voting services, news wire charges, and quotation services. FundX may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms or direct a brokerage firm that executes transactions to share some of its commissions with a brokerage firm that provides soft dollar benefits to FundX.

With respect to certain computer software or subscription services used for both research and non-research purposes, FundX may allocate the costs of such products between their research and non-research uses, and use soft dollars to pay only for the portion allocated to research uses.

FundX may pay a broker a brokerage commission in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships that broker provides. In such a case, however, FundX determines in good faith that such commission is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, viewed in terms of either the specific transaction or FundX's overall responsibilities to the portfolios over which it exercises investment authority. An account may, however, pay higher brokerage commissions than are otherwise available or may pay more brokerage commissions based on account trading activity. In addition, the research and other benefits resulting from a brokerage relationship benefit all accounts managed by FundX or FundX's operations as a whole, including clients who direct FundX to use a broker that does not provide soft-dollar benefits. FundX's relationships with brokerage firms that provide soft dollar services may create conflicts of interest, both in allocating brokerage business between firms that provide soft dollar services and firms that do not, and in allocating the costs of mixed-use products between their research and non-research uses. These conflicts of interest may be influential to the extent that FundX uses soft dollars to pay expenses it otherwise would be required to pay itself.

FundX may, on occasion, be the recipient of unsolicited discounts on software and other services. The discounts are generally offered to all firms who fit a common profile and FundX is not offered such discounts because of a particular event or request. Such discounts are accepted with the intent to benefit all clients and the value of these discounts is not considered in the process of selecting securities to purchase for client accounts.

FundX routinely considers the amount and nature of the research products and services provided by brokers as well as the extent to which such products and services are relied upon, and will attempt to allocate a portion of its brokerage business on the basis of that consideration. In addition, broker-dealers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocations, but may be expected to exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. In no instance will a broker-dealer be precluded from receiving business simply because it has not been identified as providing research products and services, although FundX may not be willing to pay the same commission to such broker as FundX would have paid had the broker provided research products and services.

## **TRADE ERROR ACCOUNT POLICIES**

It is the policy of FundX that its personnel carefully implement investment management decisions. If a trade error occurs, it is Firm policy that the error be corrected as soon as possible and in a manner that the client is not disadvantaged and bears no financial loss. If correcting the trade results in a financial loss, and if the error was caused by FundX, FundX will be responsible for that loss, and the firm will book the charges against its own operating expenses. Correcting a trade error may require multiple transactions. "Netting" of gains and losses resulting from correcting multiple transactions is a common practice. According to its own internal policies, the executing broker may or may not retain any gain when the trade is reversed. Alternatively, any resulting gain may be carried forward by the executing broker and used to offset possible losses incurred in the future. This may be done either through the establishment of an error account at the broker, or through the broker's internal accounting system. In addition, any investment gains realized through corrections may be appropriated by FundX and donated to a charity or charities of its choice.

## **AGGREGATION OF CLIENT TRADES**

In the case of exchange traded funds (ETFs), trades to buy or sell shares may be executed in multiple lots over the course of a trading day. In order that all accounts receive the same average price per share, trades are aggregated and shares or proceeds are allocated across client accounts.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client by the client's custodian according to the client's custodial agreement. It is our policy that trades are not allocated in any manner that favors one group of clients over another over time. Client transactions may be aggregated according to custodial relationship in consideration of "trade away" charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different executing brokers may be priced differently.

While FundX believes combining transaction orders in this way should, over time, be advantageous to all participants, in particular cases the average price could be less advantageous to a particular client than if such client had been the only client effecting the transaction or had completed its transaction before the other participants.

Because each client portfolio is managed separately, FundX may continue to hold a security in one client account while selling it for another client account. This occurs when client investment guidelines or risk tolerance mandate a sale for a particular client. In some cases, consistent with client objectives and risk, the Firm may purchase a security for one client while selling it for another. Also, client trades may be executed at different times and at different prices consistent with specific client objectives, risk tolerance and cash flows.

## **ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS**

Very rarely, the Firm may be presented with an investment opportunity for its clients of a security that is of limited availability. Because the Firm manages more than one client account, there may be a conflict of interest related to the allocation of such investment opportunities among all accounts managed by the Firm. The Firm attempts to resolve all such conflicts in a manner that is generally fair to all of clients over time. The Firm may give advice and take action with respect to any of its clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is the Firm's policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. The Firm is not obligated to acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio managers, based upon the client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

## **Item 13 REVIEW OF ACCOUNTS**

Client accounts are assigned for management among the Firm's portfolio managers and investment advisors. Portfolio managers meet at least monthly to review markets, interest rates, the economy and mutual fund rankings to decide which investments should be bought, sold or held. In managing client portfolios, portfolio managers handle all client contacts, portfolio reviews and trade reviews. Portfolios are reviewed monthly and as needed in response to changes in market conditions. The number of accounts assigned to a particular portfolio manager varies, based upon the nature of the client account and administrative obligations.

We send a separate report to each client at least quarterly, showing the current asset allocation of the account and a summary of assets held in the account. These reports are generated, collated and reviewed by members of the Firm's client services team. Clients are advised to regularly compare the assets and holdings listed on their FundX account report with those listed on their custodian's monthly account statements.

Portfolio managers and investment advisors are available by email, telephone and for in-person meetings at a mutually agreed time and location.

### ***FundX ETF Portfolios Program***

The Firm reviews client portfolios at inception and then monitors those portfolios as part of an ongoing process. Portfolios are periodically rebalanced by the System to maintain the asset allocation targets. If the Firm is notified of a material change to the client's investment objective or risk profile on the Program Website, reviews are conducted by the Firm to determine necessary action, if any, based on the new information. All clients in the Program must

keep the Firm informed of any material changes on an ongoing basis, at least annually.

The Program website provides clients with access to their account information on a continuing basis. As described in Item 15 - Custody, below, Clients will receive account statements from Schwab.

#### **Item 14 CLIENT REFERRALS AND OTHER COMPENSATION**

FundX is a party to, and may enter into additional third party marketing arrangements whereby it pays referral fees to persons or entities that refer clients to the Firm. The marketing arrangements are consistent with Rule 206(4)-3 of the Investment Advisers Act as amended. Under no circumstances are solicited clients disadvantaged by the payment of such fees. Clients of the Firm whose accounts involve third party marketing arrangements are advised of the arrangement at the time they enter their advisory relationship with FundX and do not pay higher fees as a result of the arrangement.

Neither the Firm nor its employees are paid referral fees by any third party for referring clients to their businesses. FundX employees are not paid “sales awards” or other prizes for referring clients to the Firm.

#### **SCHWAB ADVISOR NETWORK**

FundX receives client referrals from Schwab through its participation in Schwab Advisor Network® (“the Service”). The Service is designed to help investors find an independent investment advisor. Schwab does not supervise FundX and has no responsibility for FundX’s management of clients’ portfolios or FundX’s other advice or services. FundX pays Schwab fees to receive client referrals through the Service. FundX’s participation in the Service may raise potential conflicts of interest described below.

FundX pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by FundX is a percentage of the fees the client owes to FundX or a percentage of the value of the assets in the client’s account, subject to a minimum Participation Fee. FundX pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to FundX quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by FundX and not by the client.

FundX does not charge clients referred through the Service fees or costs greater than the fees or costs FundX charges clients with similar portfolios who were not referred through the Service.

FundX generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client’s account is not maintained by, or assets in the account are transferred from Schwab.

This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees FundX generally would pay in a single year. Thus, FundX will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees are based on assets in accounts of FundX's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, FundX will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts, execute transactions at Schwab and allow Schwab to debit FundX's fees directly from the accounts.

For accounts of FundX's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from FundX's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, FundX may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. FundX nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for FundX's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### ***FundX ETF Portfolios Program***

In connection with the Program, we receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under Item 12 - Brokerage Practices. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

In connection with the Program, neither Schwab nor any third party is paid to refer clients to the Firm.

## **Item 15 CUSTODY**

FundX does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker dealer, bank or trust company. We request that clients make all deposits

directly to their custodian accounts so that FundX will avoid taking even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary. The Firm is given the authority to receive payment of its management fees directly from the account, but it is not authorized to make any other withdrawals or to transfer money out of the account to a third party unless authorized in writing by the client.

FundX relies on Standing Letters of Authorization (SLOAs) to make certain disbursements on behalf of clients. FundX avoids the requirement to obtain an annual surprise asset verification by requiring each such client to provide written instructions to the custodian regarding specific transactions that the client authorizes the custodian to disburse upon request of FundX and provides FundX with written instructions that explicitly describe the specific transactions that the client authorizes FundX to disburse. Further, the custodian must verify these instructions when executing each transaction and confirm these instructions at least annually with FundX. FundX has no ability change any routing information regarding such disbursements and the client can terminate such relationship at any time.

#### **Disclosures Related to Custodians**

Fidelity and the Schwab Advisor Services Division of Schwab act as custodians and executing broker-dealers for FundX clients. Schwab and Fidelity are independently owned and operated and not affiliated with FundX and do not supervise or otherwise monitor FundX's investment management services to its clients.

For FundX's client accounts maintained in their custody, Schwab and Fidelity generally do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through them or that settle into client accounts that are held with them. In most cases, trade executions for client accounts custodied at Schwab will be made by Schwab and those held at Fidelity will be made by Fidelity, to avoid "trade away" charges otherwise imposed by them for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of FundX's best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab and Fidelity may charge slightly different fees for their services as custodian and broker-dealer. Clients are advised to discuss and review applicable charges with FundX. Schwab and Fidelity send account statements directly to the client (or to an independent third party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client's account, including the payment to FundX of its management fees.

### ***FundX ETF Portfolios Program***

Schwab maintains actual custody of clients' assets for accounts enrolled in the Program.

Clients receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address the client provides to Schwab. Clients should carefully review those statements promptly when received.

The Firm is deemed to have custody of a client's assets if the client authorizes us to instruct Schwab to deduct our advisory fees directly from the client's account. This is also the case for accounts in the Program.

### **Item 16 INVESTMENT DISCRETION**

Clients appoint FundX as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts at Schwab or Fidelity. Subject to the Firm's investment strategy and the client's investment objectives, our portfolio managers are given full discretion to determine:

- Types of investments;
- Which securities to buy;
- Which securities to sell;
- The timing of any buys or sells;
- The amount of securities to buy or sell; and
- The broker-dealer to be used in the transaction.

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected, with the objective of attaining the most favorable price and market execution for each transaction.

Except in the case of directed brokerage instructions, client securities transactions generally are executed through the custodian of their account to avoid "trade away" fees for trades that are executed at other broker-dealers. In some cases, a particular security may be not be available through the client's custodian or available only under execution parameters or at an overall cost that makes the use of an alternative executing broker more advantageous for that transaction. In such cases, the portfolio managers have the discretion to select the broker to execute the trade.



### ***FundX ETF Portfolios Program***

Based upon information provided by the client in the questionnaire, the Firm will have investment discretion regarding the client's investment strategy and portfolio.

### **Item 17 VOTING CLIENT SECURITIES**

If the client appoints FundX to receive and act upon proxy voting decisions, FundX will exercise that authority, in a manner consistent with the best interest of the client. FundX has adopted policies and procedures describing the manner in which it will vote such proxies.

### ***FundX ETF Portfolios Program***

As described in the Program Disclosure Brochure, clients enrolled in the Program designate SPT to vote proxies for the ETFs held in their accounts. The Firm has directed SPT to process proxy votes and corporate actions through and in accordance with the policies and recommendations of a third party proxy voting service provider retained by SPT for this purpose. Additional information about this arrangement is available in the Program Disclosure Brochure.

### **Item 18 FINANCIAL INFORMATION**

Not applicable.