

Disclosure Brochure

March 31, 2018

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This brochure provides information about the qualifications and business practices of Blue Sky Asset Management, LLC. (hereinafter "BSAM"). If you have any questions about the contents of this brochure, please contact us at (303)552-0945. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about BSAM is available on the SEC's website at www.adviserinfo.sec.gov.

BSAM is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

Since our last update of March 22, 2017 there have been no material changes.

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Item 4. Advisory Business

This Disclosure Brochure describes the business of BSAM. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of BSAM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on BSAM's behalf and is subject to BSAM's supervision or control.

BSAM has been in business since April of 2013. Aveo Capital Holdings, LLC and CSSA Analytics, Inc. are the principal owners of BSAM. As of December 31, 2017, BSAM has \$470,396,963 in discretionary regulatory assets under management across its ETF funds and co-discretionary managed accounts with a total of 806 accounts.

BSAM's clients include affiliated registered investment companies (the QuantX ETF Family) which launched in January of 2017. BSAM's ETFs are distributed by Northern Lights Distributors. BSAM also provides investment management services, for an affiliated investment adviser ("Adviser Client") and their investment advisory representatives ("IARs") on a co-discretionary basis. BSAM is affiliated and under common control with Aveo Capital Partners, LLC ("ACP" a SEC registered investment adviser). ACP is responsible for executing an investment advisory agreement with its individual clients for which it provides investment advisory services ("Advisory Client").

Prior to engaging BSAM to provide any of the foregoing investment advisory services, the Adviser Client is required to enter into one or more written agreements with us setting forth the terms and conditions under which we render our services (collectively the "*Agreement*"). ACP has discretionary authority to recommend BSAM to its Advisory Clients as a sub-advisor for investment and platform management services as set forth below. BSAM shares discretionary authority to arrange for the trading of securities in ACP client accounts.

Investment Management Services

Fund Clients

BSAM offers a range of investment solutions from fundamental and quantitative active management to indexing strategies designed to gain broad exposure to the world's capital markets. We provide investment management services in accordance with applicable investment guidelines and restrictions, including applicable restrictions on investing in certain securities, or types of securities or other financial instruments, that are developed in consultation with the Fund Clients, and in accordance with the mandate selected by the Fund Clients (e.g., fixed income, cash management, equity, alternative, index or multi-asset). Each pooled investment vehicle managed or otherwise advised by BSAM (e.g., U.S. registered investment companies, exchange traded funds ("ETFs")) is managed in accordance with its investment guidelines and restrictions and generally is not tailored to the individualized needs of any particular fund shareholder. An investment in such a vehicle does not, in and of itself, create an advisory relationship between the shareholder or investor and BSAM. We use both automated and/or manual processes to manage portfolios in accordance with their stated portfolio investment guidelines and restrictions.

Adviser Clients

BSAM recommends target allocations to a blend of the QuantX ETFs applying our proprietary Dynamic Asset Allocation investment methodology to assist Adviser Clients to construct and manage BSAM Dynamic Asset Allocation (“DAA”) strategy portfolios; namely, the BSAM DAA Conservative, BSAM DAA Moderate and BSAM DAA Growth portfolios (collectively the “BSAM DAA Portfolios”). BSAM makes such recommendations on a non-discretionary basis, and Adviser Clients may accept the allocations as recommended, or make adjustments to the BSAM ETF Portfolios by notifying BSAM to make adjustments in Advisory Client accounts, and may instruct BSAM to purchase or sell other securities held in such Advisory Client Accounts.

BSAM also manages a series of passive portfolios called the BSAM PC+ Conservative, BSAM PC+ Moderate and BSAM PC+ Growth portfolios (“BSAM PC+ Portfolios”). The BSAM PC+ Portfolios are managed as separately managed accounts for Advisory Clients using affiliated and unaffiliated ETFs. The PC+ Portfolios are designed as diversified, low-cost and low turnover strategies.

Adviser Clients can engage BSAM to manage all or a portion of their Advisory Clients’ assets in BSAM PC+ Portfolios on a co-discretionary basis. As with the BSAM DAA Portfolios, Adviser Clients may instruct BSAM to make adjustments to portfolio allocations to achieve their Advisory Clients’ target risk profile. BSAM provides its investment management services as a sub-advisor to ACP and does so through IARs of ACP.

The Adviser Client is obligated to ensure that any BSAM PC+ Portfolio in which the Advisory Client invests, is consistent with such client’s investment goals and objectives. BSAM relies on IARs of its Adviser Clients to consult with Advisory Clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the Advisory Clients’ investment needs and to ensure that any Advisory Clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

Advisory Client accounts are charged investment management fees by BSAM separate from advisory fees charged by Adviser Clients.

Investment Trading and Administrative Support Services

In addition to providing access to BSAM Strategies, BSAM also provides trading and administrative services to Adviser Clients who manage adviser directed portfolios for their Advisory Clients. In such cases, BSAM and Adviser Clients, such as Aveo Capital, execute an agreement in which BSAM agrees to execute securities transactions and/or rebalancing orders for the Adviser Clients at their respective custodians for such adviser directed portfolios. Except for the specific instructions provided by the Adviser Client’s IAR to BSAM, the Adviser Clients and their respective IARs are responsible for all areas of portfolio design and management, including ensuring that such portfolios and/or securities trades are suitable for the Advisory Client, and are responsible for any trading errors that result from the Adviser Client and/or IAR communicating incorrect instructions to BSAM.

Item 5. Fees and Compensation

Investment Management Fee

ETF Clients

With respect to US Registered Funds (the QuantX ETF Family) each US ETF's prospectus sets forth the applicable fees and expenses charged by BSAM. Investors in our ETFs are encouraged to review each ETFs the Summary Prospectus received by the funds.

Adviser Clients/Managed Accounts

BSAM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed ("Management Fee"). BSAM's Management Fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses, which are incurred by the Advisory Clients. BSAM does not, however, receive any portion of these commissions, fees, and costs. The Management Fee is charged quarterly in advance based on the value of the Account Assets at the end of the previous quarter. The Management Fee for the initial quarter is calculated on a pro rata basis commencing on the day the Assets are initially designated to us for management under this Agreement. No portion of the Management Fee shall be based on capital gains or capital appreciation of the Assets except as provided herein and provided for under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and analogous state securities laws.

BSAM has a Subadvisory and Administrative Services Agreement with Adviser Clients like ACP to manage and/or provide trading administration serves to clients. The Management Fee for BSAM PC+ Portfolios strategies is typically 0.30%. BSAM does not pay interest on prepaid fees. If Assets are deposited to or withdrawn from an Account after the inception of a quarter, the BSAM Management Fees payable with respect to the Assets will be prorated based on the average daily balance of Account Assets during the quarter. Advisory Clients may withdraw Assets from the Account after providing us with notice. All withdrawals are subject to customary securities settlement procedures. For partial withdrawals within a billing period, we shall credit our unearned Management Fee to the Account based on the average daily balance of such Account Assets during the quarter.

For trading and administrative services to Adviser Clients who manage adviser directed portfolios for their Advisory Clients, BSAM generally charges (between 0.15% and 0.30%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

We recognize that ACP clients investing in BSAM ETFs represents a conflict of interest. To mitigate such conflicts, BSAM does not charge any additional Management Fee or administration fee to ACP clients invested in BSAM DAA Portfolios. BSAM's fees come solely from the internal fees charged by the respective QuantX ETFs in the portfolio and the administrative fees charged to accounts invested in the BSAM PC+ Strategies. To the extent a PC+ Portfolio has a position in a QuantX ETF, BSAM will waive any Management Fee or administration fee with respect to the value of the assets invested in the QuantX ETF. In addition,

to the extent an Advisory Client is invested in a blend of a BSAM DAA Portfolio and an BSAM PC+ Portfolio, BSAM will only charge fees for the pro rata allocation to the BSAM PC+ Portfolio.

Fees Charged by Adviser Clients

As stated above, BSAM generally acts as a sub-advisor to Adviser Clients and its Advisory Clients to provide access to the BSAM Strategies. Adviser Client IARs manage their Advisory Clients' assets, which may or may not include BSAM Strategies. Adviser Clients' investment advisory fees charged to Advisory Clients is exclusive of and in addition to any investment management fees and/or trading and administrative service fees for BSAM services related to adviser directed portfolios charged by BSAM. Adviser Clients are required to enter into investment advisory agreements with Advisory Clients disclosing the authorized use of and any conflicts of interest inherent in the use of BSAM as a subadvisor for Advisory Client accounts.

Fees Charged by Financial Institutions

Advisory Clients may incur certain charges imposed by the Financial Institutions such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Such charges, fees and commissions are exclusive of and in addition to BSAM's fee.

Adviser Clients are responsible for disclosing to Advisory Clients all fees and expenses charged by Financial Institutions and may be required to enter into a separate agreement with any Financial Institutions authorizing BSAM to debit the Advisory Client's account for the amount of BSAM's fee and to directly remit that management fee to BSAM or the independent Managers. Any Financial Institutions recommended by BSAM have agreed to send a statement to the Advisory Client, at least quarterly, indicating all amounts disbursed from the account.

Any fees charged by independent managers used by BSAM, if any, are inclusive of BSAM's investment management fee and are not an additional fee to the clients. BSAM pays such independent managers out of its investment management fee after retaining agreed upon administrative and other expenses.

BSAM does not impose a minimum portfolio size or minimum annual fee.

Item 6. Performance-Based Fees and Side-by-Side Management

BSAM does not charge performance-based fees. BSAM Strategies are managed based on the risk return profile of the separate strategy, not based on Advisory Client investment objectives. Adviser Client IARs are responsible for properly allocating Advisory client assets among BSAM Strategies, Independent Managers, and or their own investment strategies or portfolios.

Item 7. Types of Clients

BSAM provides its DAA and PC+ Portfolio allocation recommendation and trading administration services to Adviser Clients who generally service individuals, pension and profit sharing plans, trusts, estates, charitable organizations, other investment advisers, corporations and business entities.

BSAM's clients also include registered investment companies in the QuantX ETF Family.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

BSAM's primary methods of analysis are fundamental and technical.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. In addition to other factors and information, BSAM may analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends, which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that will be able to accurately predict such a reoccurrence.

Investment Strategies

BSAM strives to develop proprietary strategies with a sustainable investment experience. Each BSAM DAA strategy is developed to focus squarely on risk mitigation, reduced drawdown, and consistent market participation. BSAM PC+ Portfolios are generally passive in nature based on a more traditional Modern Portfolio Theory approach. From time to time BSAM may recommend adjustments to the portfolio allocation weights depending on portfolio drift, market conditions or other such measures.

With respect to US Registered Funds (the QuantX ETF Family) each US ETF's prospectus sets forth the investment strategy, mandate and restrictions used to manage such ETF. QuantX ETF prospectuses and SAI forms can be found at www.quantxfunds.com. We recommend each prospective investor review such document prior to investing.

Risks of Loss

Mutual Funds and Exchange Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholder fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

ETF and Mutual Fund managers may also fail to adhere to portfolio risk management representations set forth in their respective prospectus. In times of extraordinary market volatility, such manager failures can lead to significant losses in such investments.

Liquidity Risk

Liquidity risk exists when investments are difficult to purchase or sell (e.g., the market becomes less liquid in response to market developments or lack of shareholders willing to sell a particular investment). This can reduce a portfolios' returns because the portfolio may be unable to transact at advantageous times and prices. Investments that are illiquid or trade at low volumes may be more difficult to value. Although the investments purchases and sold by the QuantX ETF funds are typically highly liquid, the BSAM QuantX ETFs themselves may become less liquid. This risk is mitigated by the ability of the QuantX ETF Funds to create and redeem shares in order to meet market liquidity requirements.

Leveraged and Inverse Funds

BSAM does not currently recommend investment in leveraged or inverse funds or short investments.

Management Through Similarly Managed Accounts

BSAM's management using the BSAM Strategies complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

Securities in BSAM Strategies are usually exchanged and/or transferred without regard to an Advisory Client's individual tax ramifications. Adviser Clients IARs are responsible for monitoring the tax ramifications of their Advisory Client accounts. Certain investment opportunities that become available to BSAM may be limited. BSAM allocates investment opportunities among its clients on a fair and equitable basis. Asset allocation strategies do not assure profit or diversification and do not protect against loss.

General Risk of Loss

The profitability of a significant portion of BSAM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that BSAM will be able to predict those price movements accurately. As interest rates rise or fall within the US or global economy, fixed income investments may experience higher volatility and downward price movements as interest rates rise. Securities in a portfolio can underperform in comparison to the general securities markets, a particular securities market, or other asset classes. Debt issuers and other counterparties of fixed income securities or instruments in some instances default on their obligation to pay interest, repay principal or make a margin payment. The credit quality of a security or instrument can deteriorate, which would impair a security's or instrument's liquidity and decrease its value.

Investing in securities involves the risk of loss, including loss of principal. Clients should be prepared to bear such loss. BSAM portfolios are actively managed using our proprietary statistical and mathematical algorithms ("Signals"). These algorithms are useful in selecting portfolio investments with a higher probability of producing returns or avoiding large drawdowns. Our portfolio strategies may not work in all market conditions and are susceptible to short-term market swings and volatility, which may cause the portfolio to underperform.

Item 9. Disciplinary Information

BSAM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. We do not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

BSAM is affiliated and under common control with Aveo Capital Partners, LLC ("ACP"). ACP is an investment adviser to individuals, families, and retirement plans. See Item 4 above for a detailed discussion of ACP's "Adviser Client" relationship with BSAM and any conflicts of interest related to such as well as ACP's Brochure. Keys Tinney is a registered representative of Stephen A. Kohn & Associates, Ltd. ("Kohn"). His relationship with Kohn is supervisory only with respect to his role as managing member of Aveo Capital and he receives no commission for the sale of any investment products. Stephen Erwin is

BSAM's CCO and outside general counsel. He provides such services to BSAM through his compliance consulting firm Highlander Compliance Consulting, LLC and Highlander Law Firm, LLC.

As noted above, BSAM's clients also include affiliated registered investment companies like the QuantX ETF Family which launched in January of 2017. BSAM's ETFs are distributed by Northern Lights Distributors. QuantX ETF prospectuses and SAI forms can be found at www.quantxfunds.com. Our ETFs may invest in affiliated underlying funds (the "Affiliated Funds"), unaffiliated underlying funds, or a combination of both. This represents a conflict of interest because we will receive more revenue to the extent an Affiliated Fund is included in a BSAM ETF's portfolio. In addition, the we may have an incentive to allocate the ETF's assets to those Affiliated Funds for which the net advisory fees payable to the BSAM are higher than the fees payable by other Affiliated Funds. We mitigate this conflict by applying fee waivers (typically 50%) with respect to Affiliated Fund investments, and we only use Affiliated Funds when we determine they are a better alternative to an unaffiliated fund. See each ETF's prospectus for fee waiver information.

BSAM has an expense and/or revenue sharing agreement with its affiliate Aveo Capital Partners, LLC ("ACP") and some advisors/IARs of ACP. The revenue sharing agreement allows ACP and BSAM to share overhead and other expenses since the firms share office space, compliance and some employees. In addition, certain IARs may receive additional compensation as a reduction of their compensation/expense override with ACP calculated as a percentage of assets invested in BSAM Portfolios. This conflict of interest is mitigated by the Adviser Clients monitoring the total investment advisory and investment management fees charged to Advisory Clients to ensure such total fees are reasonable. These agreements do not result in any additional cost to the Advisory Client.

Item 11. Code of Ethics

BSAM and persons associated with it ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with BSAM's policies and procedures.

BSAM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by or any of its associated persons. The *Code of Ethics* also requires that certain of BSAM's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in BSAM's *Code of Ethics*, none of BSAM's *Access Persons* may affect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of BSAM's clients.

When BSAM is purchasing or considering for purchase any security on behalf of a BSAM Portfolio, no *Access Person* may affect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when BSAM is selling or considering the sale of any security on behalf of a BSAM Portfolio, no *Access Person* may affect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

We may consider the following qualitative and quantitative factors in selecting broker- dealers and determining best execution:

Execution Capability and Available Liquidity. Execution capability is defined as the broker- dealer's general trading skills and ability to accommodate our trading requests. Trading evaluates:

- The broker-dealer's ability to work an order with an internal market maker or through floor broker-dealers;
- Order flow through the broker-dealer (the ability to find the natural other side of a trade and trade larger blocks of stock);
- Communication flows; and
- Trading expertise.

Timing and Size of Particular Orders. Broker-dealers are chosen based on their ability to handle different sizes and types of orders in a timely manner.

Commission Rates. Commission rates are required to be competitive among like broker-dealers with which we do business. However, achieving the lowest commission rate is not considered an overriding factor.

Responsiveness. We look to ensure that the broker-dealer is attentive to all orders given. We generally define responsiveness as not only the ability to enter trades quickly, but also the timeliness of return phone calls regarding the progress of the order.

Net Capital Position. At least annually, and prior to trading with a new broker, we will review each broker's net capital position from items such as financial and regulatory filings.

Other factors that we may consider include:

- Trading experience;
- Reputation, integrity and fairness in resolving disputes;
- A good settlement/back-office area that is prompt in identifying and solving trading and billing issues;
- Reliability in executing trades and keeping accurate and complete records Disclosure of current market conditions; and
- Availability of alternative trading systems.

For managed account portfolios managed for Adviser Clients, we can manage our portfolio recommendations through any of the major independent custodians including TD Ameritrade, Schwab Institutional, or Fidelity, etc. It is the responsibility of the Adviser Client to evaluate the custodian for Advisory Client in order to obtain “best execution.”

Item 13. Review of Accounts

BSAM continuously monitors its funds and portfolio strategies to ensure that such are managed consistently within the tolerances of each strategies investment mandate. Adviser Clients and their IARs are responsible for reviewing advisory client accounts at least annually for adherence to such Advsiory Clients' invetment objectives.

Item 14. Client Referrals and Other Compensation

BSAM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, BSAM is required to disclose any direct or indirect compensation that it provides for client referrals. BSAM has described such relationships and arrangements below.

BSAM may, from time to time, engage third parties to solicit QuantX ETF Fund sales. Any third-party solicitor will be currently registered with FINRA as a broker-dealer and BSAM will pay commission to such solicitor under a written agreement.

Item 15. Custody

BSAM's Agreement and/or the separate agreement with any *Financial Institution* may authorize BSAM through such *Financial Institution* to debit the Advisory Client's account for the amount of BSAM's fee and to directly remit that management fee to in accordance with applicable custody rules.

Adviser Clients are responsible for ensuring that *Financial Institutions* have agreed to send a statement to the Advisory Client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to BSAM.

Item 16. Investment Discretion

BSAM may be given the authority to exercise discretion on behalf of Advisory Clients in order to manage and rebalance the BSAM Strategies within Advisory Client accounts. BSAM is considered to exercise investment discretion over an Advisory Client's account if it can affect transactions for the client without first having to seek the client's or adviser Client's consent. Adviser Clients are required to give BSAM authority through a power-of-attorney included in the agreement between the Adviser Client and the Advisory Client.

BSAM takes discretion over the following activities:

- The securities to be purchased or sold within the BSAM Strategies;
- The amount of securities to be purchased or sold within the BSAM Strategies;
- When transactions are made within the BSAM Strategies; and

Item 17. Voting Client Securities and Monitoring Class Actions

Fund Clients

BSAM serves as investment adviser to registered investment companies established as exchange traded funds (“ETFs”) under the Northern Lights Fund Trust IV (“ETF Client”). The ETF Client may make investments in other investment companies that are not affiliated (“Underlying Funds”). The ETF Client is required by the 1940 Act to handle proxies received from Underlying Funds in a certain manner. Subject to participation agreements with certain Underlying ETF issuers that have received exemptive orders from the SEC allowing investing funds to exceed the limits set forth in Section 12(d)(1)(A) and (B) of the 1940 Act, BSAM will mirror vote proxies when required to do so by participation agreements and SEC orders. Specifically, when the ETF clients, BSAM, any person controlling, controlled by, or under common control with BSAM, and any 3(c)(1) or 3(c)(7) fund managed by BSAM (the “Advisory Group”) hold, in the aggregate, 25% or more of the shares of the Underlying Fund, such shares will be voted in the same proportion as the vote of all other holders of shares of the Fund. After properly voted, the proxy materials are placed in a file maintained by the Chief Compliance Officer for future reference.

If an ETF Client invests in Underlying Funds that do not have an exemptive order allowing investing funds to exceed the limits set forth in Section 12(d)(1)(A) and (B) of the 1940 Act, BSAM will mirror vote proxies received from the Underlying Fund in order to rely of Section 12(d)(1)(F).

Adviser Clients

BSAM will not generally accept the responsibility for voting client securities (proxies) or monitoring class action notices on behalf of its Adviser Clients or their Advisory Clients, nor will BSAM process paperwork to allow such to participate in class action settlements, such are the responsibility of the Adviser Clients or their Advisory Clients.

Item 18. Financial Information

BSAM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, BSAM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. BSAM has no disclosures pursuant to this Item.