

**CARMANDALIAN FINANCIAL GROUP WRAP PROGRAM**

Sponsored by

**CARMANDALIAN FINANCIAL GROUP, LLC**

*a Registered Investment Adviser*

<http://www.cfgclientwealth.com/>

30200 Agoura Road, Suite 240  
Agoura Hills, CA 91301  
(805) 366-3484

This brochure provides information about the qualifications and business practices of Carmandalian Financial Group, LLC (hereinafter “Carmandalian Financial Group” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) [firm CRD#292458](#). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, Carmandalian Financial Group is required to discuss any material changes that have been made to the brochure since the last annual amendment. As a newly registered investment adviser, we have no material changes to report.

- Please note that the firm has no material changes to disclose since our firm's initial brochure.

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## **Item 4. Advisory Business**

The Carmandalian Financial Group Wrap Program (the “Program”) is an investment advisory program sponsored by Carmandalian Financial Group. Prior to Carmandalian Financial Group rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Carmandalian Financial Group setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Carmandalian Financial Group has been registered as an investment adviser since 2018 and is wholly owned by Steven Carmandalian. We currently have \$81,800,000 in discretionary assets under management 10,000,000 in non-discretionary assets under management for an AUM total of \$91,800,000.

While this brochure generally describes the business of Carmandalian Financial Group, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Carmandalian Financial Group’s behalf and is subject to the Firm’s supervision or control.

All material conflicts of interest under CCR Section 260.238 (k) are disclosed below regarding our firm, our representatives or our employees, which could be reasonably expected to impair the rendering of unbiased and objective advice. To comply with CCR Section 260.238(j), we disclose that lower fees for comparable services may be available from other sources.

### **Description of the Program**

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring most brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts. Clients must also open a new securities brokerage account and complete a new account agreement with Schwab Advisor Services™ (“Schwab”) or another broker-dealer that Carmandalian Financial Group approves under the Program (collectively “Financial Institutions”).

### **Financial Planning and Consulting Services**

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Carmandalian Financial Group’s approach starts with the evaluation and review of its clients’ financial concerns, risks and objectives. The Firm guides its clients through a Wealth Simulation process where potential investment strategies are stress-tested for their impact on client’s financial wellbeing. As such,

this process forms the basis for determining what investment strategy may be most appropriate for them. Results and progress are evaluated on an ongoing basis. Additional planning and consulting services include any or all of the following functions, depending in the particular client engagement:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Real Estate Planning
- Retirement Planning
- Risk Management
- Distribution Planning
- Tax Planning
- Manager Due Diligence

In performing these services, Carmandalian Financial Group is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Carmandalian Financial Group recommends that clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents, real estate brokers, or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage Carmandalian Financial Group or its Supervised Persons or affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Carmandalian Financial Group under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Carmandalian Financial Group's recommendations and/or services.

CCR Section 260.235.2 requires that we disclose to our financial planning clients that a conflict of interest exists between us and our clients. The client is under no obligation to act upon the investment adviser's recommendation. If the client elects to act on our recommendations, the client is under no obligation to effect the transaction through us.

### **Investment Management Services**

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Carmandalian Financial Group manages client investment portfolios on a discretionary or non-discretionary basis. Carmandalian Financial Group primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, options, trust deeds, structured products, annuities and independent investment managers ("Independent Managers") in accordance with their stated investment objectives.

In addition, where appropriate, Carmandalian Financial Group recommends that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity and/or pooled investment vehicles when consistent with the client's investment objectives and risk tolerance and at the client's sole discretion. Certain of these private placements may be limited to clients who are "qualified purchasers" under Section 2(a)(51) of the Investment Company Act.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios. Clients may engage Carmandalian Financial Group to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Carmandalian Financial Group directs or recommends

the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider. Additionally, in limited circumstances, Carmandalian Financial Group provides investment monitoring services for certain clients whose assets are maintained in a client's retail brokerage accounts. Such investment monitoring services are not part of the Firm's investment management services, and the Firm does not charge clients for such services.

Carmandalian Financial Group tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Carmandalian Financial Group consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Carmandalian Financial Group if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Carmandalian Financial Group determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### **Use of Independent Managers**

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As mentioned above, where appropriate, Carmandalian Financial Group selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets. The Independent Managers' fees are not included in the Program Fee, as described below.

Carmandalian Financial Group evaluates a variety of information about Independent Managers, which include, where appropriate, the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. Carmandalian Financial Group also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Carmandalian Financial Group continues to provide services relative to the non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. Carmandalian Financial Group seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

## **Fees for Participation in the Program**

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The Program is offered on a fee basis, meaning participants pay a single annualized fee based upon assets under management ("Program Fee").

This Program Fee generally varies between 20 and 250 basis points (0.20% – 2.50%) per annum and shall not exceed 3% of assets managed on an annual basis. The annual fee is prorated and charged monthly, in advance, based upon the market value of the assets being managed by Carmandalian Financial Group on the last day of the previous billing period. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a pro rata basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, concentrated stock positions, accommodation accounts, alternative investments, etc.) and for investment monitoring services, Carmandalian Financial Group may negotiate a fee rate that differs from the range set forth above. As part of this process, Clients understand the following:

- a) Clients must provide our firm with written authorization permitting direct payment of advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- b) Our firm sends quarterly statements to the client showing the fee amount, the value of the assets upon which the fee is based, and the specific manner in which the fee is calculated as well as disclosing that it is the client's responsibility to verify the accuracy of fee calculation, and that the custodian does not determine its accuracy; and
- c) The account custodian sends a statement to the client, at least quarterly, showing all account disbursements, including advisory fees.

## *Performance-Based Fees*

Carmandalian Financial Group may also offer discretionary investment management services to certain



qualified clients for a performance-based fee in accordance with relevant state statutes and rules. Under this arrangement, the Firm charges a fee based upon the performance of a client account in addition to an annual fee based upon assets under management.

The performance fee is equal to 20% of the quarterly net gains achieved in a client's account, subject to a perpetual high-water mark. The performance fee is charged quarterly in arrears, based upon the net portfolio gains achieved on a quarterly basis.

## **Financial Planning and Consulting Fees**

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In addition to the Program Fees described above, Carmandalian Financial Group may charge a fixed fee for providing financial planning and consulting services. These fees are negotiable, but generally range from \$1,500 to \$5,000, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, Carmandalian Financial Group may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement and Carmandalian Financial Group generally requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is generally due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of \$500 or more in prepaid fees in excess of six months in advance of services rendered.

## **Fee Comparison**

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As referenced above, a portion of the fees paid to Carmandalian Financial Group are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs. Because the Firm is responsible for the costs of trading activity, there is an incentive for the Firm to limit trading activities in client accounts in order to keep those costs lower.

## **Fee Discretion**

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Carmandalian Financial Group, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

## **Other Charges**

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In addition to the advisory fees paid to Carmandalian Financial Group, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges include mark-ups and mark-downs on fixed-income transactions, fees charged by Independent Managers, fees attributable to alternative assets, reporting charges, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund Program Fees and other fund expenses), fees and commission for assets not held with Schwab (such as 401(k) or 529 plan assets) or not part of the Firm's investment management services, fees for trades executed away from the custodian, fees charged by variable annuity providers, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees.

## **Direct Fee Debit**

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Clients generally provide Carmandalian Financial Group and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Carmandalian Financial Group. Alternatively, clients may elect to have Carmandalian Financial Group send a separate invoice for direct payment. As part of this process, Clients understand the following:

- a) Clients must provide our firm with written authorization permitting direct payment of advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- b) Our firm sends quarterly statements to the client showing the fee amount, the value of the assets upon which the fee is based, and the specific manner in which the fee is calculated as well as disclosing that it is the client's responsibility to verify the accuracy of fee calculation, and that the custodian does not determine its accuracy; and
- c) The account custodian sends a statement to the client, at least quarterly, showing all account disbursements, including advisory fees.

## **Use of Margin**

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For certain client engagements, Carmandalian Financial Group is authorized to use margin in the management of the client's investment portfolio. In these cases, the fee payable will be assessed net of margin such that the market value of the client's account and corresponding fee payable by the client to Carmandalian Financial Group will not be increased.

### **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to Carmandalian Financial Group's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Carmandalian Financial Group, subject to the usual and customary securities settlement procedures. However, Carmandalian Financial Group designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Clients are advised that when transferred securities are liquidated, they

may be subject to transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charge) and/or tax ramifications.

## **Commissions and Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with Carmandalian Financial Group (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement outside of the Program. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Carmandalian Financial Group.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons are generally entitled to a portion of the brokerage commissions paid to PKS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. Where appropriate, Carmandalian Financial Group also recommends no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with PKS.

A conflict of interest exists to the extent that Carmandalian Financial Group recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that Carmandalian Financial Group, in its sole discretion, deems appropriate, Carmandalian Financial Group provides its investment advisory services on a fee-offset basis. In this scenario, Carmandalian Financial Group offsets its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of PKS.

## **Compensation for Recommending the Program**

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Carmandalian Financial Group has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation. A person recommending the Program will not earn more compensation than he or she would otherwise receive if a client elected another investment management program.

**Item 5. Account Requirements and Types of Clients**

Carmandalian Financial Group offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

Carmandalian Financial Group does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship. Certain Independent Managers may, however, impose more restrictive account requirements and billing practices from the Firm. In these instances, Carmandalian Financial Group may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

**Item 6. Portfolio Manager Selection and Evaluation**

Other than a rare allocation to an Independent Manager, Carmandalian Financial Group acts as the sponsor and sole portfolio manager under the Program. A conflict arises in that other investment advisory firms may charge the same or lower fees than our firm for similar services. Our IARs are subject to individual licensing requirements as imposed by state securities boards. Our firm is required to confirm or update each IAR's Form U4 on an annual basis. IAR supervision is conducted by our Chief Compliance Officer or management personnel.

Our firm only offers wrap fee accounts to our clients, which are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

Our firm does not usually allow Wrap Asset Management and Wrap Comprehensive Portfolio Management clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. Exceptions will be made on a case-by-case basis.

**Side-By-Side Management**

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As stated in Item 4, Carmandalian Financial Group provides advisory services to qualified clients for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets). Although Carmandalian Financial Group believes that this fee arrangement best aligns the interests of the Firm and its clients, it may raise conflicts of interest. The performance fee creates an incentive for the Firm to make or recommend investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Carmandalian Financial Group charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, a conflict of interest exists as such an arrangement creates an incentive for the Firm to favor accounts paying a performance-based fee. Carmandalian Financial Group has procedures in

place to ensure that any decisions are made are in the best interest of clients regardless of the applicable fee structure.

"Qualified Client" pursuant to CCR 260.234 as defined in paragraph (d) of Rule 205-3 (17 CFR 275.205-3(d)) under the Investment Advisers Act of 1940 (Section 80b-1 et seq.):

*(i) A natural person who or a company that immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;*

*(ii) A natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:*

*(A) Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,100,000, at the time the contract is entered into; or*

*(B) Is a qualified purchaser as defined in section 2(a)(51)(AA) of the Investment Company Act of 1940 (15U.S.C. 80a-2(51)(A)) at the time the contract is entered into; or*

*(iii) A natural person who immediately prior to entering into the contract is:*

*(A) An executive officer, director, trustee, general partner or person serving in similar capacity, of the investment adviser; or*

*(B) An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.*

In addition to the advisory fee charged in Item 5 of this brochure, our firm charges up to 20% of the net profits (i.e., profits after our management fee has been deducted) achieved for the previous quarter's account management. The performance fee is payable only if the net profits in the client account(s) exceed the performance calculation of the previous year (a "high water mark"). At our discretion, our firm may waive all or any portion of the performance fee or may agree with a client to other changes to the performance fee by written agreement only.

In charging performance fees to some client accounts, our firm faces a conflict of interest as our firm can potentially receive greater fees from client accounts having a performance-based compensation structure than from accounts only charged an advisory fee. As a result, there exists an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. Our firm has taken important steps to ensure that our performance based accounts are not favored over our client's non-performance fee based accounts.

Performance based and non-performance based accounts are periodically reviewed and compared. In the event that our firm finds performance based accounts are being unduly (i.e., consistently) favored over non-performance based accounts, our firm would take action to address the situation on a case-by-case basis. This could include allowing non-performance based accounts to trade before performance based accounts to the extent practicable, or if the problem persists, not allowing new performance based accounts, waiving our performance based fees or cancelling our performance based fee arrangements altogether and in some cases, termination of firm personnel.

Our firm also makes use of block trades and allocations made based on client's risk tolerance, investment objectives and restrictions. Our firm will periodically review block trade allocations to detect whether profitable trades are being disproportionately allocated to performance based accounts, while unprofitable trades are being disproportionately allocated to pure-fee based accounts with no performance fee. If a problem is detected in the allocation of block trades, our firm will take measures as previously described above.

## **Methods of Analysis**

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Carmandalian Financial Group utilizes a combination of fundamental and technical methods of analysis.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For Carmandalian Financial Group, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the



Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon 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 Carmandalian Financial Group will be able to accurately predict such a reoccurrence.

## **Investment Strategies**

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Investment Management is implemented as part of the client's overall plan and as a result of the Wealth Simulation process that clients go through, where their life plan is stress-tested for different investment outcomes.

The Wealth Simulation process provides clients with risk/return parameters for their investment plan. Carmandalian Financial Group uses an active portfolio management approach with a variety of asset types and investment solutions to build portfolios with the objective of staying within those risk/return guidelines. The ultimate goal is to help clients reach their financial goals.

### *Discretionary Portfolios*

Carmandalian Financial Group sees active investment management as its core business. The Firm believes that it can enhance returns and/or reduce the risk of client's portfolios by actively deciding where and when to invest their monies.

Carmandalian Financial Group offers four core types of portfolios that are managed on a discretionary basis. These portfolios are building blocks for client's overall allocations and clients typically may be invested in one or more of these portfolios at any given time:

1. **Tax Exempt Fixed Income Portfolio** – This portfolio consists of individual municipal bonds, complemented with tax-exempt bond mutual funds. The primary objective is generating tax-exempt income. The secondary objective is capital preservation.
2. **Total Return Portfolio**– This portfolio consists primarily of fixed income mutual funds chosen from the entire universe of global bond funds. Holdings may include other income producing

mutual funds and ETFs. The primary objective is capital preservation. The secondary objective is income.

3. **ETF Equity with Tactical Overlay Portfolio** – A globally diversified equity portfolio consisting of Exchange Traded Funds. Tactical changes are made periodically for changes in the global market environment. The primary objective is growth in line with global equity markets.
4. **Market Timing/Momentum Portfolios** – These are actively managed, high turnover portfolios with an emphasis on short term trading. These portfolios aim to do well in different market environments by opportunistically buying and selling ETFs and stocks. The portfolios may hold large positions of cash periodically to allow for focused short term trading. The primary objective is speculative growth, regardless of market cycle.

Our firm considers the entire universe of ETFs available, and as such may sometimes utilize non-transaction fee (NTF) ETFs. This presents a conflict of interest in that the above described strategies are available on a Wrap Fee basis where our firm is responsible for the transaction charges. In order to mitigate this conflict of interest, we shall adhere to our fiduciary duty, and only select such funds based on their appropriateness to the client's objectives, without consideration of the transaction costs.

These are the Firm's core portfolios. Carmandalian Financial Group will utilize other portfolios where the Firm sees opportunities and based upon specific client needs.

## *Alternative Solutions*

Carmandalian Financial Group offers several investment solutions that do not lend themselves for discretionary portfolio management but which may be attractive to clients because they have unique risk/return profiles and/or built in guarantees. A few examples of these alternative solutions include:

1. Variable Annuities
2. Structured Products
3. Trust Deeds

## **Risk of Loss**

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### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Carmandalian Financial Group's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that Carmandalian Financial Group will be able to predict those price movements accurately or capitalize on any such assumptions.

## *Mutual Funds and 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 shareholders 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 actual 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 potentially 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 20,000 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.

## *Use of Independent Managers*

As stated above, Carmandalian Financial Group may select certain Independent Managers to manage a portion of its clients' assets. In these situations, Carmandalian Financial Group continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Carmandalian Financial Group generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

## *Options*

Options allow investors to buy or sell a security at a contracted "strike" price at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (i.e., limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject

to default by the option writer which may be unwilling or unable to perform its contractual obligations.

#### *Use of Margin*

While the use of margin borrowing can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally effected using capital borrowed from a Financial Institution, which is secured by a client's holdings. Under certain circumstances, a lending Financial Institution may demand an increase in the underlying collateral. If the client is unable to provide the additional collateral, the Financial Institution may liquidate account assets to satisfy the client's outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client's borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client's portfolio.

#### *Private Placement Securities*

For certain clients that are eligible and for whom such an investment is appropriate, Carmandalian Financial Group recommends investments in private placement securities, which may include debt, equity and/or pooled investment vehicles when consistent with the client's investment objectives and risk tolerance. Such private placement securities may be illiquid, and clients may not be able to withdraw their investments for a significant period of time. Additionally, such private placement securities are not registered under the Securities Act of 1933, and therefore, such securities may be subject to less regulation. With respect to privately placed collective investment vehicles, such investment vehicles are generally not registered under the Investment Company Act, and therefore, such funds are subject to less regulation. There are numerous other risks in investing in these securities. Clients should consult the private placement memorandum and/or other offering documents explaining such risks prior to investing.

#### **Voting of Client Securities**

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Carmandalian Financial Group generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

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

In this Item, Carmandalian Financial Group is required to describe the type and frequency of the information it communicates to the Independent Managers, if any, managing its clients' investment portfolios. In situations where the Firm will be utilizing Independent Managers, clients will grant Carmandalian Financial Group the authority to discuss certain non-public information with the Independent Managers engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including, without limitation: names,

phone numbers, addresses, social security numbers, tax identification numbers and account numbers. Carmandalian Financial Group may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the Independent Managers' investment decisions remain aligned with its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

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

In this Item, Carmandalian Financial Group is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with Carmandalian Financial Group. Clients can generally contact the Independent Managers managing their portfolios through Carmandalian Financial Group by providing the Firm with written request and identification of the questions or issues to be discussed with the Independent Managers. After receiving the client's written request, Carmandalian Financial Group, at its sole discretion, may contact the Independent Managers for the client or arrange for the Independent Managers and the client to communicate directly.

## **Item 9. Additional Information**

### **Disciplinary Information**

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Carmandalian Financial Group has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

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This item requires investment advisers to disclose certain financial industry activities and affiliations.

#### *Registered Representative of a Broker/Dealer*

Certain of the Firm's Supervised Persons are registered representatives of PKS and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

#### *Licensed Insurance Agent*

Certain of the Firm's Supervised Persons are licensed insurance agents and may offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that Carmandalian Financial Group recommends the purchase of insurance products where its Supervised Persons may be entitled to insurance commissions or other additional compensation. The Firm has

procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

### **Code of Ethics**

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Carmandalian Financial Group has adopted a code of ethics in compliance with relevant state statutes and rules ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. Carmandalian Financial Group's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Carmandalian Financial Group's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

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 open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds.

Additionally, please note that in no case will the adviser or any related person recommend to clients buys or sells on investments in which the adviser or related persons have a material financial interest.

Clients and prospective clients may contact Carmandalian Financial Group to request a copy of its Code of Ethics.

## **Account Reviews**

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Carmandalian Financial Group monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm's Principal and CCO Steven Carmandalian. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Carmandalian Financial Group and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

## **Account Statements and General Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from Carmandalian Financial Group and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Carmandalian Financial Group or an outside service provider.

## **Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals.

## **Custody**

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The SEC issued a no- action letter ("Letter") with respect to the Rule 206(4)- 2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian, Schwab:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.

- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

### **Receipt of Economic Benefit and Brokerage Practices**

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Carmandalian Financial Group requires that clients utilize the custody, brokerage and clearing services of Schwab for investment management accounts in the Program.

Factors which Carmandalian Financial Group considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist Carmandalian Financial Group in its investment decision-making process. The receipt of investment research products and/or services poses a conflict of interest because Carmandalian Financial Group does not have to produce or pay for the products or services.

Carmandalian Financial Group receives without cost from Schwab computer software and related systems support, which allow Carmandalian Financial Group to better monitor client accounts maintained at Schwab. Carmandalian Financial Group receives the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit Carmandalian Financial Group, but not its clients directly. In fulfilling its duties to its clients, Carmandalian Financial Group endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Carmandalian Financial Group's receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits create an incentive for the Firm to choose one broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, Carmandalian Financial Group may receive the following benefits from Schwab:

- Credits to be used toward qualifying third-party service providers used in connection with the initial set up of the Firm's research, technology and software platforms;
- Access to third party providers at favorable pricing;



- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

These benefits may include national, regional or CFG specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of CFG by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities..... facilitate payment of CFG's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to CFG by independent third parties.

## **Trade Aggregation**

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Transactions for each client generally will be effected independently, unless Carmandalian Financial Group decides to purchase or sell the same securities for several clients at approximately the same time. Carmandalian Financial Group may (but is not obligated to) combine or "batch" such orders to obtain best execution or to allocate equitably among the Firm's clients differences in prices that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Carmandalian Financial Group's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Carmandalian Financial Group's Supervised Persons may invest, the Firm does so in accordance with relevant state statutes and rules and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Carmandalian Financial Group does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares will be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when such account has limitations in its investment guidelines which prohibit it from purchasing other

securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares will be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations will be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimus allocation in one or more accounts, the Firm will exclude the account(s) from the allocation; the transactions will be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares will be allocated to one or more accounts on a random basis.

### **Financial Information**

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Carmandalian Financial Group is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$500 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

### **Item 10. Requirements for State-Registered Advisers**

Neither our firm or its management persons have a relationship or arrangement with any issuer of securities.