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## ADV Part 2A Appendix 1: August 2018 WRAP FEE PROGRAM BROCHURE

This wrap fee program brochure (this “Brochure”) provides information about the qualifications and business practices of SGIM Inc. (“SGIM”). If you have any questions about the contents of this Brochure, please contact us (855) 951-1800 and/or [support@sgim.com](mailto:support@sgim.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

SGIM is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information with which you determine to hire or retain an adviser.

Additional information about SGIM also is available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). SGIM may be searched by name or using our CRD #291173.

## Item 2 – Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the last amendment to SGIM's Form ADV Part 2 brochure on March 16, 2018, we note the following material changes to this Brochure:

- The Brochure has been updated to a Wrap Fee Program Brochure to reflect that SGIM's service is considered to be a wrap fee program.
- The Brochure has been updated to reflect the change in fee structure.
- The Brochure has been updated to reflect the affiliation with SGIM Alpha LP.
- The brochure has been updated to reflect the changes in investment options.

Generally, SGIM will notify clients of material changes on an annual basis in SGIM's annual Brochure update. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

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## Item 4 – Services, Fees and Compensation

### **Firm Overview**

SGIM Inc. was incorporated in Delaware in October of 2017. The principal shareholders are Adam Forbes and Mitchell Wonboy.

### **Wrap Fee Program**

SGIM is a financial technology investment manager that utilizes an algorithmic portfolio allocation, construction and investment process, eliminating human biases and focusing entirely on empirical data. The end result ultimately makes the portfolio construction, allocation, risk and money management process more efficient.

The core mission of SGIM is to offer our clients a superior customer experience by simply putting our client's interest above our own.

SGIM only invests on behalf of their clients in public equities, bonds and fixed income exchange-traded funds.

The asset allocation process begins with prospective clients answering several questions in order to determine the appropriate mix of stocks and bonds that should exist within their investment portfolios. SGIM has developed a set of core criteria with which to discover the optimal blend of stocks and bonds by assigning a proprietary score to a set of influencing factors such as time horizon and cash flow needs. Next, SGIM recommends an asset allocation plan and once agreed to; we proceed in building and managing the client's portfolio.

SGIM does not take possession or maintain custody of client securities or funds. SGIM uses a centralized, automated portfolio management system to execute and maintain its client portfolios. Client portfolio trading is performed through a third-party custodian. SGIM clients' assets are housed at Apex Clearing Corporation, a FINRA registered broker-dealer ("Custodian" and "Apex") and member of the Securities Investor Protection Corporation ("SIPC"). SGIM requires clients to engage Apex as the broker-dealer/custodian. This requirement is based on the custodian's stability, reputation, ability to provide professional services, competitive commission rates, prices, and trading platform, compatibility with SGIM's website and other services which will help SGIM in providing investment management services to clients. However, because we act as the General Partner to the SGIM Alpha Fund, giving us and/or our supervised persons legal ownership of or access to client funds or securities of that limit partnership. Pursuant to the regulations, we must direct a qualified custodian to send the account statements required under SEC's custody rule, to each limited partner invested in the SGIM Alpha Fund. Interactive Brokers serves as the qualified custodian for the Fund and its underlying capital accounts and will provide such account statements.

SGIM generally has limited power of attorney to act on a fully discretionary basis on the client's

behalf. SGIM may choose the amount and type of securities to be bought and sold to fulfill investment objectives. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. Discretionary authority is executed by agreement through the investment advisory contract.

When such limited powers exist between SGIM and a client, SGIM may choose both the amount and type of securities to be bought and sold to satisfy account objectives.

### Fee Schedule

SGIM is compensated for advisory services by charging a quarterly fee; however, our fee may be waived. No other fees are charged to the client. SGIM pays for all trading costs and custodial fees regardless of the client's underlying performance.

It is our core belief that much of the underperformance that investors experience is due to unjustifiably high fees, poor portfolio positioning, and abysmal risk management. Most individual investors pay two separate management fees, one to the intermediary financial or investment advisor for portfolio construction and another to the underlying investment vehicles – such as a mutual fund or ETF for actually purchasing and managing the underlying securities within the portfolio. The fees paid to the mutual fund or ETF manager are subtracted directly at the fund or ETF level and not at the individual account level as a consequence of this practice many individual investors don't actually know how much they are paying for money management services and most importantly they are typically paying a duplicative fee – one to the intermediary and another to the investment vehicle.

Another flaw in this money management approach is that mutual fund and ETF holdings are somewhat opaque. It is not transparent what the underlying holdings are in most individual investors accounts because the typical disclosure on an account statement is the name of the mutual fund or ETF vehicle, not the underlying securities. We believe that a direct consequence of this lack of transparency is that many investors unwittingly have duplicate positions throughout their portfolio, owning similar securities in multiple investment vehicles. A direct consequence of this is poor security concentration management and increased risk due to lack of diversification, which can lead to significant underperformance in both the short and long term.

At SGIM one of our core values is transparency. Therefore, each of our clients will know exactly how much they are paying for portfolio management as well as portfolio construction. We eliminate the middleman and charge only one fee for both services. Also, SGIM only purchases individual securities within our client's equity portfolios, thus significantly increasing investor awareness of their holdings as well as significantly improving security concentration risk management.

SGIM directly debits its management fee from client accounts if the performance criteria are met and a fee is earned. SGIM has policies and procedures in place to ensure fees are calculated correctly and in accordance with clients agreed upon rates. On the first business day after the end of SGIM's fiscal month, SGIM determines whether a management fee was earned by SGIM in each of its client's accounts.

The following tables and fee examples are indicative of the fee expectations in the given scenarios.

Account Size	Annual Management Fee
\$1 million or less	0.70%
\$1 million to \$5 million	0.65%
\$5 million to \$10 million	0.60%
\$10 million and above	0.50%

Wrap fee programs may cost clients more or less than purchasing such services separately. A wrap fee program allows clients to pay a specified fee for investment advisory services and the execution of transactions. Fees are combined with the costs for executing transactions in clients' account(s). This may result in a higher advisory fee. SGIM does not charge clients higher advisory fees based on their trading activity, but clients should be aware that SGIM may have an incentive to limit its trading activities in clients' account(s) because SGIM is charged for executed trades. By participating in a wrap fee program, clients may end up paying more or less than through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to the client by the executing broker.

#### Item 5 – Account Requirements and Types of Clients

SGIM's goal is to have a client base made up almost entirely of high-net-worth individuals. We are also launching an alternate investment model comprised of less broad-based strategies and benchmarks which will initially focus on family offices, foundations and endowments.

#### Item 6 – Portfolio Manager Selection and Evaluation

SGIM, through its automated interactive web-based platform, is the sponsor and sole portfolio manager for the services described in this brochure. SGIM's owners oversee and are responsible for the services and advice offered by SGIM through its website.

#### **Advisory Business**

SGIM's sole advisory service is the wrap fee program as described in Item 4.

#### **Client Tailoring**

As stated above, the SGIM asset allocation process begins with prospective clients answering

several questions in order to determine the appropriate mix of stocks and bonds that should exist within their investment portfolios. SGIM clients are given the following three portfolio options in order to determine the appropriate benchmark to be applied to their account: 1. United States only portfolio, 2. Global portfolio, and 3. A Socially Responsible portfolio. When the market indicators trigger our bear market strategy, the underlying investments may not adhere to the three portfolio options. This is to better protect capital during market downturns.

When creating client portfolios, SGIM recommends one of four allocation structures: 1. 100% equity, 2. 70% equity/30% bonds, 3. 30% equity/70% bonds. If a client is unhappy with the SGIM recommendation, he or she has the option to override the SGIM recommendation and choose which of the three structures best suits his or her needs. By not picking the recommended allocation the investor may select a strategy that may or may not be suitable to their investment needs.

### **Performance-Based Fees and Side-By-Side Management**

As disclosed in Item 4 under “Fee Schedule,” SGIM accepts performance-based fees in that SGIM only charges fees equal to a set percentage of assets under management to clients..

In general, client accounts are managed, and fees charged, in a similar fashion in that all client accounts are managed using SGIM’s proprietary technology; however, differences within SGIM’s three portfolios may lead to the use of different investment practices for client accounts. As a result, the portfolio management decisions relating to these accounts and the performance resulting from such decisions may differ from account to account. SGIM has implemented policies and procedures to address trade allocation and aggregation decisions to seek fair and equitable treatment of all clients over time.

SGIM does manage a pooled investment vehicle (SGIM Alpha, LP.) outside of the Wrap Fee program that does charge a performance fee. SGIM has procedures in place to properly supervise any trading issues between the Wrap Fee program and the pooled investment vehicle.

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

#### **Asset Allocation Assessment**

Effective investment solutions start with the development of an appropriate asset allocation strategy based on an analysis of financial goals, which ultimately determines the proper mix of stock, bonds, cash and other securities to hold. SGIM has developed a set of core criteria with which to discover the optimal blend by assigning a proprietary score to a set of influencing factors such as time horizon, cash flow needs, investment restrictions and portfolio-related tax considerations. Based on the answers provided by the client at the client onboarding stage, SGIM

recommends an asset allocation plan. Once this plan is agreed to, SGIM builds and manages the portfolio. Material changes to any of the factors specified in the initial planning conditions could warrant a different allocation recommendation.

### Security Selection

SGIM is built on the foundational idea that it is possible to outperform broad market indexes through employing an algorithmically-based investment approach in the security selection process for our equity portfolios. We recognize that this is an opposing view from many professionals in the investment management community. Nonetheless, we accomplish this through the analysis of both fundamental and technical data points, incorporating copious amounts of figures, statistics, and information. We then significantly reduce the universe of data to a set of core conditions, which we ultimately use to develop our security selection.

The fixed income allocations in SGIM's portfolios are typically passive and managed through a broadly diversified ETF. SGIM views fixed income as a volatility dampener, and therefore we focus on generating outperformance through an active equity allocation. Trades are placed at 2:00 PM (EST) if the client account warrants a trade and has available liquidity.

### Investment Strategies

SGIM uses investment benchmarks as a framework for constructing client portfolios, as well as calculating monthly fees and monitoring portfolio performance by comparing rates of return over time. SGIM can adjust its investment strategy for each client as appropriate depending on market conditions. In general, SGIM's clients are high-net-worth individuals that are invested in equity, fixed income or a combination of both based on their individual financial goals and objections, restrictions or investment limitations. If SGIM's model forecasts a prolonged downturn in equity markets, it may adopt a defensive strategy for client's equity accounts by investing substantially in fixed income exchange-traded funds and/or money market instruments. This defensive positioning is built into our algorithm and will naturally take place during different market cycles to potentially reduce volatility and with the goal of capturing less market downside participation.

### Risk Management

SGIM believes that owning individual securities is critical to manage risk and adequately construct a portfolio efficiently. This methodology is different from that of the vast majority of investment advisors building portfolios using the multitude of managers approach in which the advisor doesn't actually directly manage any assets they merely hire a third party such as a mutual fund or use an investment vehicle such as an ETF and collect a fee for standing in between the end investor and manager. Consequently, the individual investors that work with an advisor using this approach end up paying two charges, one to the investment advisor constructing the portfolio and another to the actual manager picking the underlying holdings. Additionally, in our experience, another significant consequence of this approach exists that is often overlooked and less visible. Portfolios constructed using a multitude of managers often have thousands of



underlying positions controlled by managers who do not communicate with one another, leading to significant individual security overlap and industry over-concentration. Ultimately, the investor is left with a risk management catastrophe that is virtually impossible to efficiently manage and in our experience, leads to deep underperformance. SGIM eliminates this impediment by purchasing individual securities and combining risk management with portfolio construction.

### Algorithm Risks

SGIM utilizes proprietary algorithms to generate portfolio performance on a daily basis. Its algorithms do not consider any inputs other than what is generated by the author of the algorithm. No third parties are involved in the construction or maintenance of the algorithm and the algorithm is not made available to all clients or any third party. Algorithms are, however, subject to human error. While SGIM strives to avoid this error, it is impossible to eliminate it entirely.

### Risk of Loss

Investing in capital markets involves risk of loss that each client should be prepared to bear. Investing in foreign stock markets involves additional risks including currency risk as well as differences in accounting methods. There can be no guarantee that a portfolio will meet its investment objectives or that it will not suffer losses.

### Voting Client Securities

SGIM will vote by proxy or otherwise on all matters for which a shareholder vote is solicited by, or concerning, issuers of securities beneficially held in client's accounts in such a manner as SGIM deems appropriate. SGIM does reserve the right to abstain from voting. SGIM clients delegate to SGIM the authority to receive and vote all proxies and related materials for any security held in SGIM accounts. SGIM will do so in a way that is reasonably expected to ensure that proxy matters are conducted in the best interest of clients.

### Item 7 – Client Information Provided to Portfolio Manager

SGIM, through its automated interactive web-based platform, is the sole portfolio manager. As such, SGIM does not share client information with any other portfolio manager. In establishing an account through SGIM's website, clients provide identifying information including age, email address, physical address, etc. as well as information related to risk tolerance and time horizon.

### Item 8 – Client Contact with Portfolio Managers

SGIM's advisory service is provided through an automated interactive web-based platform. For technical questions and service issues, clients may contact SGIM's customer support via email at [info@sgim.com](mailto:info@sgim.com) at 855-951-1800. SGIM's advice is solely offered through its website. SGIM's personnel do not offer investment advice via email or telephone.

### Item 9 – Additional Information

**Disciplinary Information**

SGIM is required to disclose all material facts regarding any legal or disciplinary events that would materially impact a client's evaluation of SGIM or the integrity of SGIM's management. No such events have occurred at SGIM.

**Other Financial Industry Affiliations and Affiliations**

Neither SGIM nor any of its management personnel is registered or has an application pending to register, as a broker-dealer or broker-dealer representative, futures commission merchant, commodity pool operator, commodity trading adviser, or associated person of the foregoing. SGIM does not anticipate any such affiliations in the future. Adam Forbes is affiliated with Forbes Capital Management, LLC, which is no longer active.

Adam Forbes is the Chief Investment Officer of SGIM. In October 2015, Mr. Forbes established a pooled investment vehicle named Lume ALPHA, LP, a Delaware limited partnership ("Lume ALPHA"). In January 2018, Lume ALPHA was absorbed by SGIM and subsequently named SGIM ALPHA, LP. SGIM ALPHA currently has few investors, of which Mr. Forbes is one, but may add other investors in the future.

**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

SGIM has a written Code of Ethics that covers the following areas: confidentiality, insider trading, gifts and entertainment, personal trading policies, prohibited activities, compliance procedures, reporting violations, training, among other things. Failure to abide by the Code of Ethics could result in disgorgement of profits or gains and/or disciplinary action, including censure, suspension, or dismissal, against the individual by SGIM. The Code of Ethics is available upon request to any client or prospective client.

SGIM maintains a culture of ethics and integrity with the highest possible emphasis on clear and transparent communication and takes pride in its fiduciary duty to put its client's interest above its own under all circumstances. SGIM does not recommend the purchase or sale of any security in which SGIM or its affiliates have any material financial interest. SGIM may, however, from time to time, buy or sell securities for itself that it also recommends to clients. Such transactions may create a conflict of interest. SGIM will always disclose any transactions that could be construed as a conflict of interest and will always conduct any such transaction only after the client's transaction has been effected.

In an attempt to mitigate the anticipated conflicts of interest, SGIM requires that its employees act in accordance with all applicable federal and state regulation governing investment advisory practices, which includes, among other things, the policies and procedures regarding conflicts of interest and personal trading procedures.

**Review of Accounts**

Account information, including quantities and values of securities held, the amount of cash and

cash equivalents and account transaction activity for each client is maintained on SGIM's computer system as well as with our client's custodian. This information is reconciled electronically against statements or electronic files from our custodial agent on a daily basis. All of this information can be accessed by our clients through logging onto SGIM.com under the client portal without restriction.

Additional account reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

Clients will receive written monthly accounting reports showing asset value by security, unit cost, total cost, cash balances, and current per share values, portfolio benchmark quarterly return, benchmark inception return, client's quarterly return and client's benchmark return. Additionally, SGIM intends to show additional return data aligned with the longevity of the accounts.

### **Client Referrals and Other Compensation**

SGIM does not receive any economic benefit for referrals from any source.

In the course of its business, SGIM may enter into written third-party agreements with members of the financial services community (the "Solicitors") pursuant to which such Solicitors will solicit Clients on behalf of SGIM. Any fees paid to a Solicitor shall be a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act, and any corresponding state securities law requirements. If a Solicitor introduces a Client to SGIM, that Solicitor will disclose the nature of the Solicitor relationship with SGIM at the time of the solicitation. In addition, the Solicitor will provide each prospective Client with a copy of this Disclosure Brochure, and a copy of a written disclosure statement from the Solicitor to the Client, disclosing the terms and conditions of the arrangement between the Solicitor and SGIM, including the compensation the Solicitor will receive from SGIM. This compensation shall in no way affect the fee schedule applicable to Clients outlined in Item 5 of this Brochure.

### **Financial Information**

SGIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.