

**Item 1 – Cover Page**

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July 22, 2019

Form ADV, Part 2A; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and Sargent Investment Group, LLC (us, we, our).

This Brochure provides information about the qualifications and business practices of Sargent Investment Group, LLC. If you have any questions about the contents of this Brochure, please contact us at 202-580-6400 and/or [compliance@sargentinvestmentgroup.com](mailto:compliance@sargentinvestmentgroup.com). 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.

Sargent Investment Group, LLC is a federally 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 about which you determine to hire or retain an adviser.

Additional information about Sargent Investment Group, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Date Prepared: July 22, 2019

## **Item 2 – Material Changes**

1. There are no material changes to this ADV disclosure document since the annual amendment on May 8, 2019
2. Current updates were made to Item 5, Fees and Compensation – further describing our methods of billing, , and Item 14 Client Referrals and Other Compensation.

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## **Item 4 – Advisory Business**

**Sargent Investment Group, LLC** (“SIG or “Firm”) is a limited liability company organized in the state of Maryland. The firm was founded in April 2018 by Chris Sargent, Ricardo Rosenberg and Brian McGregor. The firm employs a consultative approach to investment management and financial planning.

### **Investment Advisory Services**

SIG provides investment and financial advisory services on a discretionary basis, based on the individual needs of their clients. Through personal exploratory conversations with clients, SIG gathers client’s information, including financial objectives, goals, time horizon and any other unique needs and defines a client’s risk profile (or client profile) in order to determine an appropriate asset allocation and security selection best suited to the client. SIG continues to monitor client goals and circumstances and manage and rebalance the client portfolio on an ongoing basis, as appropriate, taking into account the clients specific tax situation. SIG does not provide tax, accounting or legal advice, and encourages clients to consult with their tax, accounting and legal experts as appropriate.

SIG’s wealth management process starts with investment management but also consists of the coordination of a comprehensive range of integrated financial services to help one reach their financial goals.

Most client assets will be invested in readily marketable stocks, ADR’s, bonds, exchange-traded funds and notes, options and mutual funds. Where appropriate, investments may be in small capitalization stocks or private investments, which may be less liquid than investments in larger companies. SIG may also recommend, based on individual circumstances, that a client invest a portion of their assets by and among certain independent investment manager(s), the terms and conditions to be set forth in separate written agreement between the client, SIG and the independent manager. SIG would continue to render services to the client, relative to the independent manager, and would monitor performance in relation to the client investment objectives similar to any other investment.

Item 8 further describes our Methods of Analysis, Investment Strategies and Risks of Loss related to these investments.

SIG also provides advice to and services client accounts on a non-discretionary basis, with final approval of transactions directed by the client, as well as providing advice related to “outside or Self-directed” assets, where the client retains all control of the account.

Client assets related to discretionary and non-discretionary accounts managed by SIG will be retained by an independent custodian.

SIG may also provide investment advice or financial planning services to clients on a one time or yearly fixed fee basis or may provide other consulting services to clients on a fixed fee basis.

### **Sponsor and Manager of Wrap Program**

SIG sponsors and manages the Sargent Investment Group, LLC Wrap Program (the Program), a wrap fee program. For clients of this program, SIG will provide investment management services and arrange for separate brokerage transaction costs charged by TD Ameritrade to be included under a single annual advisory fee to the client. Clients in the Program do not pay brokerage commissions for execution of

transactions in addition to the advisory fee charged by SIG. Clients in the Program may bear other charges related to markups/markdowns, account or administrative fees that are not considered separate brokerage charges and are not part of the wrap fee. SIG will receive the entire Program fee in payment for the services provided in managing the client's account.

### **Assets Under Management**

As of December 31, 2018, SIG had \$ 276,377,000 of Discretionary assets under management, in 409 accounts and had \$ 476,068,000 of Non-Discretionary assets under management in 450 accounts.

## **Item 5 – Fees & Compensation**

### **Investment Management Service Fees and Billing Process**

For individual investment management services, the firm charges an aggregated fee, based on a percentage of total household assets under management (or in some instances, as defined below, a flat fee). SIG retains the right to amend the fees charged to individual clients based on their specific circumstances. The maximum SIG fee is 1.75% of assets under management. The minimum fee is \$ 500 per year per household.

Both the description of services offered and the specific manner in which fees are charged by SIG are established in the client's written "investment advisory agreement". SIG will, under most circumstances, bill its annual investment management fees on a quarterly basis, in advance, based on the total value of your account on the last trading day of the previous quarter. If the investment advisory agreement is executed at any time other than the first day of a calendar quarter, SIG fees will apply on a pro rata basis for that quarter, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. SIG currently excludes cash and cash equivalent balances (including cash like mutual funds) from the assets under management balance used to calculate the client's advisory fee. Accruals are made in SIG systems on a regular basis for expected interest, dividends and other amounts due to client accounts, where cash has not yet been received. These accrual amounts are included in the assets under management balances used to calculate the client's advisory fee, and would not be excluded from billing.

SIG charges their fee rates on AUM in different manners and the specific method used will be defined for each client in their investment advisory agreement fee schedule page. Fee rates will either be applied 1) "linearly" - meaning the fee rate charged on assets under management will be one rate which will be the fee rate associated with the level of your assets under management at the measurement date used for billing, or 2) "tiered" where each tier or amount of your assets will be charged at the rate defined for each tier, and then the total dollar amount of the fee calculated for each tier will be added together to equal the total fee due to SIG.

Fees are typically deducted from the client's account. In rare circumstances, as agreed to by SIG, the client can elect to pay advisory fees directly to SIG via check or other means. At SIG's discretion, client's may be billed on material additions of assets to accounts (or new accounts) within a calendar quarter, after the initial fees have been deducted from the client's account for that quarter. No adjustments will be made to

fees paid for partial withdrawals or for appreciation or depreciation in a client account within a billing period.

Either the firm or its clients may terminate advisory agreements for any reason with written notice. Upon receipt of written notice of termination (or communication by the Brokerage firm or custodian that an account is transitioning assets), SIG will cease all advisory work on the client's account as of that date. If no specific termination date is requested by the client in any initial communication, then SIG will seek to agree a specific termination date with the client, and will continue to manage the assets until such agreement with the client is reached or the assets are transferred. Any quarterly or other fees paid in advance, will be reimbursed back to the client on a pro-rata basis, calculated from the termination date to the end of the billing quarter or cycle.

At SIG's discretion, they may combine the account values of family members to determine the applicable advisory fee. Combining account values will increase the calculated asset total, which may result in the client paying a reduced advisory fee based on the available breakpoints in their fee schedule.

### **Investment Management/Financial Planning/Consulting Service Fee**

SIG may provide investment management, financial planning or other consulting services for individuals, families and estates or companies, based upon a one-time flat fee, or a yearly flat fee, paid on a quarterly basis, as detailed in the client's investment management or consulting agreement. The firm's fixed fees are predicated on the complexity and scope of services to be performed.

**Important Note About Additional Fees:** In addition to advisory and underlying investment fees, client accounts may also be subject to various custodial or account administration fees. These fees vary with each custodian but are always fully disclosed to the client in advance. SIG investment advisory fees do not include custodian transaction costs, such as brokerage commissions, markups/markdowns, other transaction fees or taxes (including transfer taxes), custodial service fees (including wire transfer and electronic funds fees) and odd-lot differentials.

Clients may also incur certain charges imposed by third party investment and private fund managers. These charges would be agreed with the client in advance in writing. Mutual funds and exchange traded funds also charge internal management/expense fees, which are disclosed in a fund's prospectus. Private investments may bear internal management fees and other expenses, as well as additional performance based fees, which are disclosed in the funds offering and subscription documents. See more about private fund and alternative investment risks below in Item 8, Methods of Analysis, Investment Strategies and Risk of Loss. A client may be able to invest in any of these products directly, but would not receive the services of SIG, which are designed, among other things, to assist the client in determining which products are most appropriate for each client, and to provide ongoing monitoring and rebalancing of client accounts.

Such additional charges, fees and commissions are exclusive of and in addition to the SIG management fee.

### **Other Fees and Compensation**

In certain circumstances, a fee-based account may not be in the best interest of the client. There are also situations in which clients want specific products which only pay commission compensation and charging a management fee on top of the commission would create a conflict of interest for SIG. Investment product commission structures vary, and therefore every conceivable situation and remedy cannot be adequately addressed in this paragraph. Therefore, in those rare cases when we would offer commission-

based products, SIG would exclude those assets from the advisory fee calculation and subsequent billing for an appropriate period of time based on the amount of the commission.

## **Margin**

To the extent that margin is used in a Client account note that margin debit balances do not reduce the market value of billable assets under management. If margin is used to purchase additional securities, the total value of billable assets increases and your asset-based fee will also increase.

The increased asset-based fee that you pay may provide an incentive for your Advisor to recommend the use of margin. SIG intends to make all recommendations independent of such considerations and based solely on the obligation to consider your objectives and needs. Please note that using margin is not suitable for all investors; the use of margin increases leverage in your account and therefore, increase its risk. Please see the custodian general account agreement and disclosure statement document for more details on the risks of margin use.

Item 12 further describes the factors SIG considers in selecting broker-dealers for client transactions.

## **Item 6 – Performance-Based Fees & Side by Side Management**

The Firm does not charge performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client. SIG advisory fees are charged only as disclosed above in Item 5.

## **Item 7 – Types of Clients**

As described in Item 4, SIG offers investment advisory services described in this brochure to individuals, pension or profit-sharing plans, trusts, estates, non-profit organizations, corporations or other business entities. All advisory fees and household minimums are subject to change based on individual client circumstances.

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

### **Methods of Analysis & Investment Strategies**

SIG begins the investment process by defining a client's current situation and long-term investment goals. Considerations in determining the client's unique plan are:

- Goals and objectives
- Current and anticipated income needs
- Tax status
- Cost basis of current holdings
- Special needs
- Risk tolerance
- Investment time horizon
- Financial/estate plan

Once the client's individual situation and goals are determined, SIG will use this information to arrive at an appropriate risk target for their investments. SIG then designs a portfolio asset allocation that will best meet the client's needs and objectives and keep them within their risk tolerance range. A client's specific investment objectives will be defined and articulated in a range from conservative capital preservation to aggressive growth. It is also possible that an individual client may have varying investment objectives for different accounts. This will also be defined and documented in reviewing investment objectives with clients.

SIG's primary investment execution is through individual equity and fixed income securities, mutual funds and ETFs, which are combined into a customized, proprietary asset allocation for each client. SIG may also incorporate alternative and third-party manager's investments within the client's asset allocation.

Any mutual fund or other third-party manager included in a client portfolio is selected based on a quantitative and qualitative research process. This process reviews the risk and performance characteristics of a manager's process, resources, depth and experience of the management team, along with key qualitative elements of the manager. Elements of this review include:

- Performance relative to benchmarks
- Performance relative to peers
- Volatility characteristics
- Correlation statistics
- Risk-adjusted returns
- Total returns after expenses
- Depth of investment team
- Evaluation of investment process
- Analysis of infrastructure
- Manager's Investment Policies and any potential drift from those policies
- Financial strength of the management and/or parent company

A select group of managers are approved for use in client accounts and are monitored on an ongoing basis to ensure that they are meeting long-term expectations. Client portfolios will be customized to meet the needs of the individual clients.

In unique and limited situations, SIG may use options to hedge market risk or generate income for clients who qualify to use these strategies and have approved their use.

### **Risk of Loss**

All investments in securities involve a risk of loss of principal (invested amount) and any profits that have not been realized (the securities that were not sold to "lock in" the profit), that clients should be prepared to bear. Stock and bond markets fluctuate substantially over time and can also experience high levels of volatility in short time periods, due to tangible and intangible events. The risk for each particular client will vary in accordance with the client's goals and objectives, guidelines, restrictions and risk tolerance. In addition, all of our clients will encounter general market risks, including but not limited to:

- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds with lower rates will be less attractive, lowering the market value of the bond.



- **Market Risk:** The price of a security or investment instrument may drop in reaction to outside events. This type of risk is caused by external factors independent of a security's or company's particular circumstance.
- **Inflation Risk:** The eroding of purchasing power of a dollar. When inflation exists, a dollar today will not buy as much as a dollar in the future.
- **Currency (Exchange Rate) Risk:** Foreign investments are subject to the fluctuations in the value of the dollar against the currency of the investment's home country.
- **Business Risk:** Risks associated with a particular industry or company within an industry. For example, some industries experience wider fluctuations in demand and therefore price for their products and can therefore have a higher risk of losses compared to companies with a more predictable demand for their product. An individual company may have certain internal issues which cause its stock to fluctuate beyond other businesses in the same industry.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, the more people interested in a security, the more liquid it will be. Investments that are more standardized (ie, Treasury Bills) may be more liquid than more structured products. Securities of small capitalized companies may be less liquid than large capitalized companies.
- **Economic Risk:** The likelihood that conditions in the overall economy may affect an investment or a company's prospects
- **Political Risk:** The risk an investment's returns could suffer as a result of political changes or instability in a country.

Investments will not always be profitable and could lose money over long and/or short periods of time. There are no assurances that our investment strategies will succeed, and we cannot give any guarantee that it will achieve the investment objectives established by a client or that any client will receive a return on its investment. Due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not described above.

Investments made in mutual funds, closed-end funds, ETFs and individual equities will be subject to market, liquidity, currency, economic, political and business risks.

Investments in small (including "micro-cap") and mid-capitalization stocks (or mutual fund or ETF products that include those stocks) are often more volatile and less liquid than investments in larger companies due to the potential lower frequency and volume of trading.

Penny stocks can be any stock that trades at less than \$ 5 a share, that is not listed on a national securities exchange or does not meet other trading venue, liquidity, asset, market capitalization, revenue or reporting requirements. Their shares may be highly illiquid, speculative and subject to more volatile price swings. **Penny stocks are NOT suitable for all investors.** Penny stocks are more suitable for investors with a high tolerance for risk.

Securities of small, mid-cap and penny stock companies may be more difficult to sell quickly. In addition, these companies may lack the management experience, financial resources and product diversification of

larger companies, making them more susceptible to market pressures and business failure, which may result in a loss of principal amounts invested.

Fixed income securities are subject to various risks, including: principal fluctuation, interest rate risk, inflation risk and default risk.

Options trading may involve the use of margin (borrowing) and can involve a high degree of risk, leading to the possibility of losing the entire principal (premium) amount invested, sometimes more. Options on securities may also be subject to greater fluctuations in value than an investment in the underlying security.

American Depositary Receipts ("ADR's") are typically issued by a US bank or trust company and represent ownership of shares in underlying foreign securities. ADR's, as well as the direct investment in foreign securities, will be subject to all the same risks as any US investment but will also be subject to currency risks. If the value of the company's home currency increases or falls relative to the US dollar, the ADR or share value will also be impacted.

Alternative investments, including real estate investments, hedge funds and private equity investments, involve a high degree of risk and can be illiquid due to restrictions on redemptions and transfers within a secondary market. They are generally offered through private placement which are available only to those investors that meet certain requirements. They can be highly leveraged, speculative and volatile, and an investor could lose all or a substantial amount of an investment. Alternative investments may lack transparency as to share price, valuation and portfolio holdings and may charge investors significant performance fees, as well as ongoing management fees and other expenses. Complex tax structures often result in delayed tax reporting. Cash flows from an investment may not match the timing of required investor tax payments for any gains or income related to the investment. Trading may occur outside the United States which may pose greater risks than trading on U.S. exchanges and in U.S. markets. Historical results may not be indicative of future returns.

The price of all investments can and will fluctuate, and any individual security may lose all its value.

## **Item 9 – Disciplinary Information**

SIG does not have any legal, financial or other "disciplinary" item to report. SIG is obligated to disclose any disciplinary event that would be material to a client when evaluating them to initiate a Client / Adviser relationship, or to continue a Client / Adviser relationship. This statement applies to every employee at SIG, as well as the firm itself.

## **Item 10 – Other Financial Industry Activities and Affiliates**

SIG does not have any undisclosed relationship or arrangement that is material to their advisory business or to clients. Please refer to the SIG Investment Adviser Brochure Supplements to see details of each individual advisors.

SIG may receive incentives from 3<sup>rd</sup> party investment managers, whose products are used for SIG client investments. Incentives may include entry to investment conferences, or other educational events, as well as reimbursement of reasonable travel and lodging costs to attend a conference. This may raise a potential conflict of interest and incentive for SIG to invest in these products for clients. SIG believes that the attendance at educational, conference or other events hosted by investment providers is not a conflict as attendance allows for more in-depth due diligence on portfolio managers and the products they provide, and to better understand investment choices available for clients. All investment decisions made for clients take into account the individual needs of each client and follow the guidelines of our Code of Ethics Policy. Conferences and events attended by employees are monitored.

### **Solicitation Arrangements**

SIG does not currently participate in any solicitation arrangements.

## **Item 11 – Code of Ethics**

In accordance with the Advisers Act, Rule 204A-1, SIG has adopted a Code of Ethics. This Code of Ethics outlines all employees who are deemed to be “access persons” and mandates their compliance with applicable regulations and federal laws. Additionally, these employees must engage in high ethical standards at all times, disclose all information and conflicts and place the client's interest above their own. The Code of Ethics includes, but is not limited to, provisions relating to the confidentiality of client information, a prohibition on insider trading, disclosure of outside activities, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons at the firm must acknowledge the terms of the Code of Ethics annually, or as amended.

A copy of this Code of Ethics will be provided to any client or prospective client upon request. If SIG or its representatives offer any investment with which they have a conflict of interest, it must be disclosed in advance.

In certain instances, IAR's trading in their own accounts or for related persons may create either actual or perceived conflicts of interest. As such, SIG has established the following restrictions:

- A director, officer or IAR shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with SIG or the custodian, unless the information is also generally available to the investing public on reasonable inquiry. No person shall prefer his or her own interest to that of the advisory clients.
- SIG and its employees generally may not participate in private placements without pre-clearance from the Firm's Chief Compliance Officer.
- SIG respects the right of clients to specify investment objectives, guidelines, and conditions or restrictions on the overall management of their accounts.
- Any individual not in observance of the above may be subject to termination.

### **No Proprietary Investments**

At present, SIG does not offer any investments in which our members, our representatives or any person related to us, have a partnership or act as a general partner of the investment company or fund. Furthermore, SIG does not offer any investments in which our members, our representatives or any person related to us act as an investment advisor for the investment company.

### **Personal Trading – Participation in Client Transactions**

Subject to satisfying the Code of Ethics policy and applicable laws, officers, directors and employees of SIG may trade for their own accounts in securities or private funds/ alternative investments which are recommended to, and/or purchased for our clients at or around the same time we place trades for clients. There is a possibility that employees might benefit from market activity traded for a client in a security that is also held by an employee.

There may be differences in transactions made in employee accounts versus transactions made for clients due to variations in personal goals, investment horizons, risk tolerance and liquidity needs. A SIG employee may be buying around the time a client is selling, or visa versa, for any number of personal reasons such as managing concentrations or a need to raise capital, having nothing to do with the Firm's fundamental thesis on the investment. Employees may also invest in a security before it is necessarily appropriate for the Firm to recommend it to clients.

All access persons are required to report all personal securities transactions in order to prevent "Front-Running" and to always place the clients' interests first. SIG seeks to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the client's favor. Records will be maintained for all securities or products bought or sold by SIG and SIG access persons. The CCO or qualified representative of SIG, reviews these records on a quarterly basis.

As described more in Item 12 below, Trade Aggregation, SIG may trade or rebalance a security(s) across all accounts, which may include employee accounts also invested in those securities. Prices obtained for aggregated trades would be allocated to each account on an average price basis, according to our trading policies. Employee trading is continually monitored to reasonably prevent conflicts of interest between SIG and its clients.

## **Item 12 – Brokerage Practices**

SIG recommends the brokerage and custodial services of TD Ameritrade Institutional and participates in the TD Ameritrade Institutional program (the "Program") (see Item 14 below). TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent (and unaffiliated) SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. SIG receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

SIG believes that TD Ameritrade provides quality execution services at competitive prices. Price is not the sole factor we consider in evaluating best execution. Considerations also include the quality of the brokerage services provided by TD Ameritrade, including the financial health of the institution, the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to SIG and their clients.

For the purposes of disclosure, SIG maintains a secured Letter of Credit with TD Bank, in support of its office lease agreement. TD Bank and TD Ameritrade, Inc. are separate entities, affiliated through TD Bank Group. We believe that this is not a conflict of interest as there is no contractual arrangement between the two entities. The TD Bank business does not impact the advisory business of TD Ameritrade, Inc and the Additional Services program that SIG participates in, described in Item 14 below.

### **Client Directed Brokerage**

If the client requests that trades be executed through another broker-dealer, other than the one that has custody of their assets, the client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by that broker-dealer. SIG will assume no responsibility for obtaining the “best execution” of a client’s trade. In some instances, clients may require that assets are held in custody at another qualified custodian even though trades are executed via TD Ameritrade, in which case applicable terms and conditions and best execution will apply. Not all Advisers will require transaction executions to be directed in this manner.

### **Trading and Trade Aggregation**

Even within the same investment strategy, client accounts are managed independently to meet individual client needs and restrictions. At times, an investment advisor may place similar trades in numerous accounts within a single day that are not aggregated. Investment advisors may also place trades in one or more accounts that are directly opposite of trades placed for other accounts. This may occur, for example, when different advisors are rebalancing the same security, or when one account needs to raise cash while a new account is funding.

SIG may (but is not obligated to) combine or “batch” such orders in an effort to obtain best execution or to allocate equitably among its clients’ differences in prices and any transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account included in that particular trade. If an aggregated order is not completely filled, SIG will allocate the total securities that executed pro rata among the accounts participating in the order that day.

## **Item 13 – Review of Accounts**

Client accounts and portfolios will be reviewed by SIG on a regular basis. Clients will be provided with written reports containing relevant account information at least annually, and accounts will be rebalanced as required. Reviews are conducted by Investment Advisor Representatives (IARs) of the firm. SIG may also provide clients with household summaries, statistical performance reports or other summary data of their managed accounts when deemed necessary or at the request of the client. SIG relies on outside service providers to calculate this information and it is not independently verified. The information used in these reports is gathered from data provided by the custodian, but clients should always rely on their official custodian statement (details below) as the official records of their account. Account or household information reports are not meant to impart legal, tax or accounting advice.

Samples of accounts will periodically be reviewed by the CCO, and/or designee for suitability. Review of the accounts will be evidenced and will be maintained by the CCO.

Clients will receive monthly statements from the custodian detailing all transactions made on their behalf. This statement will include all deposits, withdrawals, as well as entries showing the associated management fees and expenses charged/debited from the client's accounts. These reports will show the current market values and transactions during the past month or quarter as well as interest, dividends and capital gains for the reporting period. These custodian statements are your official account records.

## **Item 14 – Client Referrals and Other Compensation**

### **Referral Arrangements**

SIG does not currently receive any compensation for client referrals. At any time in the future SIG may enter into a referral arrangement and elect to compensate certain third parties for such referrals. Clients whose accounts are the subject of such referral fees will receive full disclosure of the terms of the referral arrangement. In no case would any referral payment reduce the value of an investment, reduce the assets in a client account, or violate the terms of the SIG Code of Ethics.

As disclosed under Item 12 above, SIG participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between SIG's participation in the TD Ameritrade Institutional program and the investment advice given to clients, although SIG may receive certain benefits through their participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount):

- Access to client account data, duplicate statements and confirmations and other technology to support client servicing
- Trade execution technology and support, including block trading
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Research related products and tools, research, market pricing and other market data services
- Facilitation of adviser fees collected directly from client accounts
- Assistance with back-office functions, recordkeeping, client reporting, etc.
- Consulting services
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to SIG by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by SIG's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit SIG but may not benefit its client accounts. These products or services may assist SIG in managing and administering client accounts (including accounts not maintained at TD Ameritrade) and may also help SIG manage and develop its business enterprise. The benefits that SIG or its personnel receives through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, SIG endeavors at all times to put the interests of its clients first.

SIG also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment Advisors participating in the program. Specifically, the Additional Services include Morningstar, Money Guide Pro, Riskalyze, Orion and WealthBox CRM. TD Ameritrade provides the Additional Services to SIG in its sole discretion and at its own expense, and SIG does not pay any fees to TD Ameritrade for the Additional Services. SIG and TD

Ameritrade have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services.

SIG’s receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to SIG, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, SIG’s Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with SIG, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, SIG may have an incentive to recommend to its Clients that the assets under management by SIG be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. SIG’s receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts. Clients should be aware, however, that the receipt of economic benefits by SIG or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the SIG’s choice of TD Ameritrade for custody and brokerage services.

## **Item 15 - Custody**

Client Accounts are held at the custodian with which the client signed their brokerage account agreement. The relationship between that custodian and SIG is more fully described in Section 12, and the custodian will debit the client’s accounts for fees as defined in the investment advisory and custodial agreements signed by the client.

The client will receive account statements directly from the custodian at least quarterly, but most likely monthly. The statement will be sent to the email or postal mailing address provided by the client to the custodian. SIG urges clients to carefully review such statements and compare official custodial records to any reports or account statements received from SIG that reflects balances, transactions and fee amounts deducted. SIG statements or reports may vary from custodial statements based on accounting procedures, calculation methods or reporting dates, or valuation methodologies of certain securities.

While the custodian company chosen is considered the qualified custodian of your assets, SIG may be deemed to have “custody” for limited situations such as those listed below:

- With client authorization, the firm deducts fees directly from the client account.
- The firm accepts standing instructions for delivery of funds from client accounts to a 3<sup>rd</sup> party’s account at another financial institution designated by the client on the custodian “move money” or other similar standing letter of instruction (SLOA) form signed by the client. SIG will only initiate a transfer of funds to the designated receiving party as directed by the client and will not permit standing instructions that would transmit funds to an account related to SIG or its employees. If such an arrangement is structured so that SIG does not have discretion as to the amount, payee or timing of transfers under a SLOA and SIG and the custodian meet other certain conditions, the SEC staff has indicated that they would not recommend enforcement action against an advisor and an annual surprise exam would not be necessary.
- The firm reserves the right to serve as Trustee or Executor for its clients as needed and deemed not to be a conflict of interest for the firm and its client.

## **Item 16 – Investment Discretion**

SIG manages money on a discretionary and non-discretionary basis. In most circumstances, clients grant SIG complete discretion. Clients who open discretionary accounts are required to execute an Investment

Advisory Agreement which, among other things, grants SIG's advisor representatives authority to manage client assets on a discretionary basis, meaning SIG has the authority to select the identity and amount of securities to be bought or sold in the clients' account without obtaining specific client consent. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objective for the particular client account.

For non-discretionary accounts, SIG will contact the client prior to executing any transaction.

If SIG makes an overall change to a portfolio holding across its client base, SIG will block a trade for all discretionary client accounts and execute that first, prior to executing non-discretionary client trades that require client approval. SIG will rotate the order in which it contacts non-discretionary clients when making an overall portfolio change so that no client is disfavored over another client.

## **Item 17 – Voting Securities**

All clients of SIG will retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Proxies are mailed to each client directly by the respective custodian.

From time to time, securities held in the accounts of clients may be the subject of class action lawsuits. SIG offers no legal services, and therefore has no ability or obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit.

Where SIG receives written or electronic notice of a class action lawsuit, settlement or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms and other materials to the client. Electronic mail is acceptable where appropriate when the client has authorized contact in this manner.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide clients and prospective clients with certain financial information or disclosures about their firm's financial condition. SIG 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.