



# SUMMIT FINANCIAL, LLC

## **Investment Advisory Brochure** **March 29, 2019**

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This brochure provides information about the qualifications and business practices of Summit Financial, LLC. If you have any questions about the contents of this brochure, please contact us at (973) 285-3600. 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 Summit Financial, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Summit Financial, LLC is acting as SEC registered investment adviser under Section 203(g) of the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training.

## Item 2. Material Changes

Form ADV 2 is divided into two parts: *Part 2A (the "Disclosure Brochure")* and *Part 2B (the "IAR Brochure Supplement")*. The Disclosure Brochure provides information about a variety of topics relating to an Advisor's business practices and conflicts of interest. The Brochure Supplement provides information about the Advisory Persons of Summit Financial.

Summit Financial believes that communication and transparency are the foundation of its relationship with Clients and will continually strive to provide its Clients with complete and accurate information at all times. Summit Financial encourages all current and prospective Clients to read this Disclosure Brochure and discuss any questions you may have with us.

### Material Changes

The following material changes have been made to this Disclosure Brochure since the last filing and distribution to Clients:

- There have been changes to Summit's financial industry activities and affiliations. The Advisor may recommend Maxim, an affiliated fund, and Piton Investment Management, a discretionary asset manager, to its Clients. Please see Item 10 for additional details.
- The Advisor provides 3(21) and 3(38) retirement plan advisory services to its Clients. Please see Item – 4 and 5 for more information.

### Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs.

At any time, you may view the current Disclosure Brochure on-line at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 299322. You may also request a copy of this Disclosure Brochure at any time, by contacting us at (973) 285-3600

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#### Item 4. Advisory Business Description of the Advisory Firm

Summit Financial, LLC, a Delaware limited liability company ("SF", "Summit" or "Summit Financial") is a successor to Summit Equities, Inc.'s registration under Section 203(g) of the Investment Advisers Act of 1940 ("*Advisers Act*"). Established in 2018, Summit Financial, LLC has succeeded from the advisory businesses of Summit Equities, Inc. ("SE") which had been providing investment advisory and financial planning services since 1991. Summit Financial, LLC is wholly owned by Summit Financial Holdings, LLC ("SFH") which is owned 80.1% by Summit Financial Services, LLC ("SFS"). SFS is owned 25% by Stanley Gregor and 52.5% by SE (which has ceased to operate as an investment adviser but still exists as a corporate entity) and 22.5% by Summit Risk Management, Inc.

Summit Financial offers investment advisory services to individuals, high net worth individuals, corporations and/or business entities, pension and profit sharing plans, and charitable organizations (each referred to as a "Client").

As previously disclosed to its investment advisory Clients, SE recently transitioned its brokerage business, de-registered as a broker-dealer and withdrew its memberships in the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). As part of this transition, SE ended its introducing firm relationship with National Financial Services LLC ("NFS") and assisted Clients to move (or convert) their accounts to relationship with Fidelity Brokerage Services, LLC ("FBS"), which provides brokerage services in connection with the accounts in the programs discussed in SF's Wrap Fee Program Brochure. NFS, an affiliate of FBS, will continue to provide account custodial services in connection with such accounts. In connection with this conversion, most of the investment advisory programs for which Summit had served as the broker of record have become wrap programs which are addressed in its Wrap Fee Program Brochure.

Each advisory relationship at SF is managed by one or more Wealth Managers, acting in the capacity of an investment adviser representative ("IAR" or "Advisory Person"), who serves as the primary point of contact between SF and the Client. IARs collect financial profile information from Clients and recommend specific advisory services or programs to Clients. Some IARs choose to incorporate more of SF's resources in their provision of advisory services to their Clients than others do, such as consultations with the internal SF specialists.

Certain Advisory Persons are also associated with an unaffiliated broker-dealer, Purshe Kaplan Sterling Investments ("PKS").<sup>1</sup> PKS is registered with the SEC as a broker-dealer and is a member of FINRA and SIPC. IARs who are also associated with PKS can provide brokerage services in the capacity of a registered representative ("RR") of PKS. References in this brochure to "Wealth Managers" are intended to include those individuals who are both IARs of SF and RRs of PKS.

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<sup>1</sup> SE assisted the IARs who wished to continue to remain registered representatives of a broker-dealer to register with PKS. PKS is not affiliated with SE or its successors. If the Wealth Managers continue to offer brokerage products to Clients, it will not be through Summit or any of its affiliates but will be at PKS. However, PKS pays a referral fee to a broker dealer that is partially owned by SF's parent company (which operates as LS Services) for the brokerage business conducted by the Wealth Managers at PKS.

The IARs who provide (i) investment advisory services, including asset management and financial planning services, through SF, (ii) insurance through Summit Risk Management, LLC ("SRM"), and (iii) brokerage services through PKS, are independent contractors of each of these companies. Some IARs have other material business interests as well, as described in their Form ADV Part 2B Brochure Supplements ("IAR Brochure Supplement"). SRM is an affiliate of SF and Item 10 – Other Financial Industry Activities and Affiliations contains a discussion of this company. Some IARs operate under a "doing business as" name. For more information about an IAR, please refer to the particular IAR Brochure Supplement.

Each IAR is compensated by SF for providing investment advisory and related services. The amount of this compensation varies depending on which advisory service or program the Client selects and may be more than what the IAR would receive if the Client selected a different advisory service or program provided by SF. Accordingly, IARs have a financial incentive to recommend one advisory service or program over another to maximize their compensation.

This Form ADV Part 2A Disclosure Brochure describes the investment advisory services and programs offered by SF. Wrap fee programs offered by SF are described in detail in another brochure, SF's Wrap Fee Program Brochure, which contains the information required by Part 2A, Appendix 1 of Form ADV.

### ***Types of Advisory Services***

SF offers several different asset management programs for its advisory Clients as well as financial planning. From time to time, individual IARs offer custom consulting or other services. In such event, the details will be disclosed in the specific agreements with the Client.

For most of the assets in its asset management programs, SF provides continuous and regular supervisory or management services (as defined by the SEC) based on the Client's individual goals, objectives, time horizon, risk tolerance, liquidity needs, investment assets and income ("financial circumstances") utilizing the investment strategy selected by the Client. IARs obtain a financial profile for each Client to aid in the construction of a portfolio that matches the Client's specific situation. Many Clients maintain "household" accounts, in which multiple accounts for an individual or members of a family are managed jointly to maximize efficiencies. (The term "Client" includes such households, for purposes of this brochure.) For all of the different types of asset management programs, the IAR will assist Clients in assessing their goals, risk tolerance, income and tax situation and selecting an investment strategy and asset allocation that are appropriate for the Client's specific circumstances. However, SF and its IARs do not provide tax advice to Clients.

SF, through its IARs, is available to Clients on an ongoing basis to discuss Client financial circumstances, the selected portfolio and the securities therein or to process instructions from Clients concerning advisory assets.

SF or a third-party manager will exercise discretion in connection with certain advisory programs, as described below and in the Investment Management Agreements ("IMA"). In connection with non-discretionary services or programs, it is up to the Client to decide whether to accept or reject SF's recommendations. SF's securities recommendations seek to be consistent with a Client's financial circumstances and any reasonable guidelines or restrictions provided by a Client.

Unless otherwise instructed by the Client, all dividends and other distributions will be reinvested in Client accounts.

The investment strategies used by SF vary by Client, as warranted by the individual circumstances.

Clients are advised to notify SF promptly if there are changes in their financial situation, investment objectives or if they wish to impose any reasonable restrictions upon SF's investment management services. Clients can engage SF to manage all or a portion of their assets on a discretionary or non-discretionary basis, by selecting one or more advisory programs in connection with their IMAs with SF. As applicable, Clients are typically required to enter into additional written agreements with the Custodian for the accounts, third party investment managers, platform managers, insurance companies or other parties that are not affiliated with SF.

All investments have risk and there is no guarantee that utilizing the asset management or financial planning services of SF or its IARs will produce favorable results.

## **1. Summit Managed Portfolios**

Summit Managed Portfolios ("Managed Portfolios") are custom designed portfolios constructed by SF's Investment Management Committee ("IMC"), which includes the Chief Investment Officer ("CIO") and members of the Investment Management Department. The IMC meets regularly to oversee the Managed Portfolios. The IMC also conducts quarterly meetings with the Investment Committee, an advisory group of IARs, to discuss changes to the Managed Portfolios as well as other investment topics. SF, acting through the Chief Investment Officer, has discretionary authority over the assets managed under Managed Portfolios program. The IMC determines the asset allocation, the securities to be bought or sold, the amount of securities to be bought or sold and the timing of the purchases and sales of the securities. Given the long-term nature of many Managed Portfolios strategies, many Managed Portfolios accounts have little or no activity during a given period.

With the exception of the Tax-Deferred Strategies Portfolios ("TDS"), the Managed Portfolios are part of the wrap fee program.<sup>2</sup> The TDS program includes managed portfolios that target a specific asset class, market segment or investment strategy or offer various mixes of these components. Each portfolio has a strategic allocation designed to overweight market segments expected to outperform over the long term and to control exposures to investment risks. Portfolios with a range of investment objectives and potential levels of risk and return are available. These portfolios are only available on the Nationwide Monument Advisor tax-deferred variable annuity platform. The specific strategies offered as TDS are detailed in the Summit Managed Portfolio Brochure which is provided to Clients prior to investing in this advisory program.

## **2. Strategic Asset Allocation ("SAA")**

The SAA program enables IARs to custom design portfolios for Clients, taking into account each Client's circumstances. The IAR does not have discretion over the assets and must get approval from

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<sup>2</sup> For additional information about the Managed Portfolios that are part of SF's Managed Portfolios wrap fee program, please see SF's Wrap Fee Program Brochure.

Clients before entering any trades. SAA accounts primarily include assets for which regular and continuous supervision or management services are provided but from time to time, they hold specific investments for which the IAR provides only consultative and administrative services, including periodic monitoring, reporting and/or servicing.<sup>3</sup>

Although most SAA accounts are primarily allocated among mutual funds and ETFs, some IARs recommend that their Clients also hold individual positions in stocks, bonds, traded and non-traded REITs, hedge funds (including funds of funds), unit investment trusts ("UITs") or other securities. Mutual funds, UITs and ETFs often provide diversification but may be concentrated in a particular asset class or investment style. The risk in these investments is determined by the risk in underlying holdings (*e.g.*, a stock mutual fund's risk is determined by the risk of the stocks in the fund). Further, some of the selected securities may be less liquid than those utilized in the Managed Portfolios. The IARs are invited to consult with members of the IMC regarding particular securities or when constructing portfolios but they are not required to, and some choose to rely solely on their own due diligence regarding the securities recommended. Clients should speak to their IARs to understand how their IAR determines which securities to recommend. Given the long-term nature of many SAA strategies, many SAA accounts have little or no activity during a given period. If you have any questions, please speak with your IAR or contact [research@sfr1.com](mailto:research@sfr1.com).

Assets held in connection with the SAA program may be custodied at NFS or elsewhere as selected by the Client, and when custodied at NFS, FBS provides brokerage services and they are part of Summit's wrap fee programs. Additional information regarding SAAs that are custodied at NFS can be found in SF's Wrap Fee Program Brochure.

Within SEI Managed Account Solutions ("SEI MAS") and SEI Mutual Fund Portfolio ("SEI MF") accounts, an IAR can direct, on a non-discretionary basis, some or all of the Client's assets into non-SEI investments to customize the portfolio based on the Client's needs and circumstances ("Wealth Manager-Directed Non-Discretionary"). SF treats assets held as part of Wealth Manager-Directed Non-Discretionary (but not other assets held in connection with the SEI MAS and SEI MF accounts) as part of a SAA program. The Wealth Manager-Directed Non-Discretionary assets are primarily allocated among mutual funds and ETFs; however, they may also hold other types of investments, if recommended by the IAR. When IARs recommend these other investments in connection with Wealth Manager-Directed Non-Discretionary, Clients incur additional charges.

### **3. Flexible Managed Accounts ("FMA")**

The FMA program is similar to the SAA program except that the IAR has discretion to place trades without contacting the Client first. Further, the FMA program does not include any direct investments, such as non-traded REITs and hedge funds. The IAR reviews the Client's financial circumstances and exercises discretion to determine the securities to be bought or sold in the Client's account, the amount of securities to be bought or sold and the timing of the purchases and sales of the securities. The securities used in this program generally include mutual funds, ETFs, MLPs, UITs, equities and fixed income.

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<sup>3</sup> For certain assets, such as those invested in hedge funds and non-traded REITS, or those managed by third parties who have a direct relationship with the Client, Summit and the IAR provide ongoing advice and monitoring rather than what the SEC refers to as "continuous and regular supervisory services."

Mutual funds, UITs and ETFs often provide diversification but may be concentrated in a particular asset class or investment style. The risk in these investments is determined by the risk in underlying holdings (*e.g.*, a stock mutual fund's risk is determined by the risk of the stocks in the fund). The IARs are invited to consult with members of the IMC regarding particular securities or when constructing portfolios but they are not required to, and some choose to rely solely on their own due diligence regarding the securities recommended. Some IARs select securities that are less liquid than those utilized by the IMC in connection with the Managed Portfolios. Clients should speak to their IARs to understand how their IAR determines which securities to buy and sell.

Given the long-term nature of many FMA strategies, many FMA accounts have little or no activity during a given period. If you have any questions, please speak with your IAR or contact [research@sfr1.com](mailto:research@sfr1.com).

Assets held in connection with the FMA program may be custodied at NFS or elsewhere as selected by the Client, and when custodied at NFS, FBS provides brokerage services and they are part of Summit's wrap fee programs. Additional information regarding FMAs that are custodied at NFS can be found in SF's Wrap Fee Program Brochure.

Within SEI MAS and SEI MF accounts, an IAR can direct, on a discretionary basis, some or all of the Client's assets into non-SEI investments to customize the portfolio based on the Client's needs and circumstances ("Wealth Manager-Directed Discretionary"). SF treats assets held as part of Wealth Manager-Directed Discretionary (but not other assets held in connection with the SEI MAS and SEI MF accounts) as part of an FMA program. The Wealth Manager-Directed Discretionary assets are primarily allocated among mutual funds and ETFs; however, they may also hold other types of investments, if recommended by the IAR. When IARs recommend these other investments in connection with Wealth Manager-Directed Discretionary, Clients incur additional charges.

#### **4. Third Party Managers ("TPM")**

In the TPM program, the IAR reviews the Client's financial circumstances and recommends an unaffiliated third party investment manager to manage the Client's assets. Some of the TPMs are sub-advisers under agreements with SF and others will have separate advisory agreements directly with the Client. Some of the third party managers operate on the NFS platform (such as Envestnet and AllianceBernstein); some operate on separate platforms (such as SEI MAS). For additional information about SF's Municipal Bond Program, a TPM program under which AllianceBernstein serves as sub-adviser and pursues a municipal bond strategy, please see SF's Wrap Fee Program Brochure.

In some cases, SF acts as a solicitor on behalf of the TPM. TPMs actively manage the assets on a continuous basis and have discretion to buy, sell and trade stocks, bonds, mutual funds and/or other securities in accordance with the program selected by the Client. Depending on the TPM, the IAR will provide either consultative or continuous and regular supervisory services to assets in TPM programs and may recommend periodic rebalancing among the TPM's offerings. Clients are advised to review the investment advisory brochure for any recommended TPM. In some cases, the IAR can create custom allocations on a TPM's platform. If you have questions about a particular TPM or program,



please ask your IAR or contact *research@sfr1.com*.

The primary TPMs currently recommended by SF are SEI, the Municipal Bond Program and AssetMark/Genworth. Other TPMs may be suggested by IARs based on their Clients' particular circumstances.

Some of the TPM programs constitute "wrap programs." For example, the SEI MAS program is a wrap program sponsored by SEI that utilizes third party managers and/or mutual fund models. The investment advisory brochure for the specific TPM will indicate if its program is a wrap program and contain important disclosures about the program. Clients are encouraged to read those brochures and follow up with the IAR if they have any questions.

## **5. SEI Mutual Fund Portfolios**

The SEI Mutual Fund Portfolios program (which is separate and distinct from the SEI MAS program) enables IARs to design portfolios for Clients, taking into account the Client's financial circumstances, and uses actively managed SEI mutual fund asset allocation portfolios to help meet Client investment objectives.

The IAR and Client decide whether to subject the accounts to automatic quarterly rebalancing so the allocation selected by the Client remains consistent over time. The IAR provides ongoing advice and monitoring and does not have discretion over the assets and must get approval from the Client before entering any trades (except for automatic rebalancing or Wealth Manager-Directed Discretionary, if selected). Given the long-term nature of most of the strategies, an SEI MF account may have little or no activity during a given period. Assets in the program are custodied at SEI, which is unaffiliated with Summit. As permitted by SEI, other assets may be held in the accounts, as well.

## **6. Outside Investment Monitoring**

In some cases, Clients ask their IARs to oversee assets managed by other advisers, assets at brokers, or alternative investments such as hedge funds. Often, these are assets held in retirement plans. In these cases, the IAR provides ongoing consultative services which take into account the Client's financial circumstances.

Services include periodic investment monitoring, reporting and/or servicing to the Client. In connection with this service, the IARs typically do not have the ability to direct the trades, which must occur through the broker of record.

## **7. Retirement Plan Advisory Services**

Summit Financial provides 3(21) retirement plan advisory services on behalf of the retirement plans (each a "Plan") and the company (the "Plan Sponsor"). The Advisor's retirement plan advisory services are designed to assist the Plan Sponsor in meeting its fiduciary obligations to the Plan. In addition, Plan Sponsors may engage Summit Financial to serve as a 3(38) Fiduciary to their plan and assume investment discretion over the Plan. In such instances, the Plan Sponsor shall authorize this discretion to select and implement the Plan investment options.

Summit Financial may provide the following retirement plan advisory services:

- Vendor Analysis
- Employee Enrollment and Education Tracking
- Investment Policy Statement ("IPS") Support
- Investment Management
- Performance Reports
- Ongoing Investment Recommendation and Assistance
- ERISA 404(c) Assistance
- Benchmarking Services

Summit Financial may provide investment advisory services on behalf of the Plan and Plan Sponsor, which may be in either a 3(21) or 3(38) context depending on whether or not the Advisor is also providing discretionary investment management over the Plan assets. For 3(38) services, the Advisor shall have the discretion to select the investments for the Plan and/or make investment decisions on behalf of Plan Participants.

## **8. Financial Planning**

Financial planning is designed to meet the Client's financial goals, needs and objectives. The scope of the financial plan varies depending on the Client and typically involves some combination of a review of the Client's current financial situation, including estate planning, insurance planning, education planning, retirement planning, business succession planning and portfolio analysis. SF does not typically advise on business value analysis, and/or business liquidations, or property and casualty insurance, but these components can be referred out to third parties. The financial planning team includes income tax and estate specialists, insurance specialists and/or members of the IMC. Although some members of the SF financial planning team are admitted attorneys and/or CPAs, they act in a non-representative capacity. Neither they, nor any Summit entity, provide tax, accounting or legal advice to Clients. Clients should make all decisions regarding the tax and legal implications of their investments and plans with their independent tax or legal advisors.

Following delivery of the financial planning services, which may or may not include a written financial plan, the investment advisory relationship terminates for Clients who have engaged SF as investment adviser for the limited purpose of providing financial planning services. Clients are free to implement none, some or all of the recommendations and may do so through SF and its affiliates or through other providers of such services. Charges may be lower or higher if the plans are implemented away from SF and its affiliates. If additional services are selected by the Client, they will be covered under separate agreement(s).

Financial planning services will include various recommendations and planning strategies, depending on the nature of the financial planning services selected. These may include recommendations to allocate your assets among generic product or account types or they may include more specific recommendations. Implementation of financial planning recommendations is your responsibility. The actions necessary to implement a financial planning recommendation and the costs of doing so are not included in the financial planning fee.

As noted above, most IARs are also RRs of PKS, a broker-dealer that is not affiliated with SF and are also insurance agents of SRM. In the Wealth Manager's capacity as an RR and/or an insurance agent, he or she is authorized to provide securities brokerage services and/or sell insurance. In those capacities, and separate from the financial planning services, the Wealth Manager may help you implement one or more financial planning recommendations included with the financial planning services.

If you accept the Wealth Manager's offer to assist with implementation of the financial plan, the Wealth Manager may make additional recommendations to invest in specific products or accounts or to purchase additional investment advisory services, but any such recommendations will be limited to those products, accounts and services that the Wealth Manager is authorized to offer. You are under no obligation to engage the Wealth Manager to implement the financial plan, or to purchase any investment or insurance product or obtain an advisory service from the Wealth Manager to implement the recommendations made in your financial plan.

In circumstances where the Wealth Manager recommends specific investments and/or otherwise is involved in implementing the plan the opportunity for the Wealth Manager and SF, SRM or LS Services to receive additional compensation as a result of such recommendations creates a conflict between your interests and those of the Wealth Manager and Summit. In addition, if you separately purchase a product or service recommended by the Wealth Manager to implement a financial planning recommendation, you generally will be charged commissions or fees in connection with those transactions and services that are separate from and in addition to the fees charged by Summit for financial planning services. The obligations of SRM when it is acting as an insurance agency, as well as the obligations of PKS when it is acting as a broker-dealer, differ from SF's obligations to you when SF is acting as an investment adviser. Similarly, your Wealth Manager's obligations when acting as an insurance agent for you or providing securities brokerage services to you differ from his/her obligations to you when acting as an IAR.

Clients or SF may terminate an advisory program at any time by providing notice of such election to the other party. Refunds for financial plans are addressed in Item 5, below.

In addition to these core investment advisory services and platforms (*i.e.*, Managed Portfolios, SAA, FMA, TPMs, SEI MF, Outside Investment Monitoring accounts and Financial Planning), Clients and IARs may negotiate other types of services for a retainer, flat fee or otherwise. These arrangements will be documented separately with the Client, the IAR and SF.

All investments have risk and there is no guarantee that utilizing the financial planning, asset management and/or advisory consulting services of SF or its IARs will produce favorable results.

### ***Other Aspects of Asset Management***

In its provision of investment advice and asset management, SF utilizes various types of investments including but not limited to mutual funds, ETFs, MLPs, equities, UITs, fixed income, hedge funds, traded and non-traded REITs, and insurance products such as variable life insurance and variable annuities.

Summit offers the same suite of services to all of its Clients. However, each IAR determines, based on his or her own analysis, management style and preferences, in conjunction with each Client's specific profile and financial circumstances, which services and products to recommend and whether to recommend Summit's wrap fee programs or Summit's non-wrap advisory programs. Clients may impose reasonable restrictions on SF regarding investing in certain securities or types of securities in accordance with their values or beliefs (or based on their employer or regulatory restrictions). However, if the restrictions prevent Summit or the TPM from properly servicing the Client account, or if the restrictions would require SF to deviate from its standard platform of services, SF reserves the right to end the relationship.

SF's IMC and its IARs participate in wrap fee programs by providing portfolio management services. The asset management services of the IMC do not differ depending on whether it is managing a wrap fee account as opposed to another account (*e.g.*, an account participating in the TDS Managed Portfolio). IARs provide portfolio management services in connection with SEI MAS program accounts and some non-wrap accounts (*i.e.*, SAAs and FMAs that are not custodied at NFS and SEI MF programs). For their services in connection with any wrap fee programs, SF and the IARs receive a portion of the wrap fees paid by accounts participating in such programs.

As noted above, IARs act as portfolio managers in connection with the SAA and FMA programs that are not custodied at NFS. Certain conflicts arise in connection with these related persons acting as portfolio managers in these programs. In particular, the maximum advisory fee paid by Clients differs depending on the specific program or service they select, the Custodian where the assets are held, and often varies from Client to Client. Moreover, in connection with accounts in which Clients do not pay a program fee to SF (except AssetMark and Envestnet accounts), and, with certain limited exceptions, accounts in the SEI programs, SF retains a portion of the advisory fee before applying the IAR's grid to calculate the IAR's compensation. In connection with accounts that do pay a program fee to SF, the AssetMark accounts, Envestnet accounts, and, in certain limited cases, SEI accounts, SF retains no portion of the advisory fee before applying the IAR's grid to calculate the IAR's compensation and the IAR's compensation is based on the entire advisory fee. Clients should be aware that IARs, therefore, have an incentive to recommend the programs or services in which they charge a higher advisory fee, or the programs or services in which they keep more of the advisory fee. SF is aware of the conflicts of interest created by the variability in advisory fee compensation across programs and services and has adopted practices to supervise recommendations of programs and services.

IARs act as portfolio managers in connection with the SAA and FMA programs and have to conduct their own due diligence of securities and allocations they recommend and select under these programs, while they do not have to conduct the same degree securities-level due diligence in connection with the other programs. Because the SAA and FMA programs involve this additional effort by IARs, IARs may be disincentivized from recommending these programs to Clients. Conversely, the maximum advisory fee is higher for SAA accounts, which incentivizes IARs to recommend this program. Summit is aware of the conflicts of interest created by variability of the role the IAR plays in connection with the different programs and has adopted practices to supervise program recommendations.

If there is little or no trading activity in the account, a Client may pay more in advisory fees than commission charges if the assets were in a non-managed program.

## ***Assets Under Management***

As of December 31, 2018, Summit provided advisory services to Clients with respect to \$2,830,390,788 of their assets, approximately \$1,259,801,159 of which is on a discretionary basis. (Note that Summit does have limited discretion with respect to the remaining assets to sell securities if there is insufficient cash in an account to pay the fees.) This includes assets for which regular and continuous supervision and management are provided as well as assets for which other consultative services, including periodic monitoring, managing, supervising, reporting and/or servicing.

## **Item 5. Fees and Compensation**

### ***Investment Supervisory Services Fees***

When a Client engages SF to provide investment management services, SF charges an annual advisory fee, and in certain circumstances, an annual program fee. Clients in the SEI programs, the Envestnet program, or the AssetMark/Genworth program do not pay the program fee to SF, and only pay an advisory fee to SF. Both the advisory fee and the program fee are negotiable. For additional information regarding the negotiability of these fees, please contact your IAR or SF at [research@sfr1.com](mailto:research@sfr1.com).

### **Advisory Fee**

Wealth Managers set their own advisory fees and/or flat fees for their services, as long as the maximum advisory fees do not exceed those on the advisory fee schedule, below. Wealth Managers consider various factors in determining what advisory fee to charge, which may include the nature and size of the overall Client relationship with the Wealth Manager and/or the type of advisory products or services likely to be provided through the Wealth Manager. As discussed below, Clients with assets with TPMs or in Outside Investment Monitoring programs typically pay fees directly to other parties as well as to SF.

Since SF began providing these services, it has had other legacy advisory fee schedules in effect, which may be higher than those described below. As new advisory fee and program schedules are put into effect, they are made applicable only to new Clients, and fees to existing Clients are not affected. Therefore, some existing Clients pay different advisory fees than those shown below.

**ADVISORY PROGRAM**

**MAXIMUM ANNUAL  
ADVISORY FEE CHARGED  
BY SF**

**SUMMIT MANAGED PORTFOLIOS:**

TDS 1.00%

**STRATEGIC ASSET ALLOCATION:**

1.50%

**FLEXIBLE MANAGED ACCOUNTS:**

1.50%

**THIRD PARTY MANAGERS:**

SEI Platform Managers 1.50%

Envestnet Platform Managers 1.50%

AssetMark/Genworth 1.35%

Other 1.00%

**OUTSIDE INVESTMENT MONITORING  
ACCOUNTS:**

1.00%

**SEI MUTUAL FUND ACCOUNTS:**

1.50%

**RETIREMENT PLAN ADVISORY SERVICES:**

0.60%

SF's advisory fees for all programs are included in the written Investment Management Agreements between SF and the Client. As noted above, advisory fees are negotiable at the sole discretion of the Advisor. The Advisor may also charge an upfront "placement fee" for the initial allocation, which amount is not included in the annual maximum. If such fees are charged they will be noted on a written agreement with the Client.

For SEI MAS, Envestnet and some other TPMs additional fees are covered in agreements directly between the Client and the TPM.

For information regarding the fees charged in connection with SF's wrap fee programs, please see SF's Wrap Fee Program Brochure.

**Summit Program Fee**

As noted above, persons who participate in Managed Portfolios (including TDS), the SAA program, the FMA program, Outside Investment Monitoring programs, or any of the programs described in SF's Wrap Fee Program Brochure also pay an annual program fee, which is as follows for all of such programs:

Asset Level	Annual Program Fee
First \$3,000,000	0.15%
\$3,000,001 - \$5,000,000	0.125%
\$5,000,001+	0.10%

Clients in the SEI programs, the Envestnet program, or the AssetMark/Genworth program do not pay the program fee to SF, and only pay an advisory fee to SF although they pay other fees to the platforms and third party managers.

Although part of the SAA or FMA program, assets in Wealth Manager-Directed Non-Discretionary or Wealth Manager-Directed Discretionary programs are not subject to Summit's program fee.

The annual program fee is assessed at the household level, meaning that the relevant fee percentage from the table above is applied to the aggregate value of the assets subject to the annual program fee for an individual or members of a family.

#### Additional Fees for TDS Managed Portfolios

Clients invested in the TDS Managed Portfolios are also charged a monthly platform fee of \$20/month. Nationwide Mutual Insurance Company also imposes a "Low Cost Fund Platform Fee" up to 0.35% annually on the contract value invested in certain underlying investments. Please see Nationwide Mutual Insurance Company's prospectus and Statement of Additional Information for the variable annuity used in connection with the TDS Managed Portfolios for more information. These documents can be provided by the Client's IAR.

#### Additional Fees for FMA and SAA Assets not Custodied at NFS

For details regarding any additional fees, including, but not limited to, trading commissions and service fees, charged by the broker-dealer executing trades in these SAA and FMA programs, Clients should reference the broker-dealer's fee schedule, which Clients can obtain from their IAR or the broker-dealer.

#### Additional Envestnet Fees

In addition to the advisory fee noted above, for Envestnet, Clients are charged a "Custody Fee" designed to cover the cost of brokerage in the Client's account, as well as a "Sponsor Fee." Additional information can be found in the Envestnet Direct Program Fees schedule provided to Clients.

#### ***Payment of Advisory Fees and Program Fees***

SF's advisory fees and program fees for the TDS Managed Portfolios are deducted from a bill-to account and/or invoiced to the Client. They are assessed quarterly in advance based on quarter-end values.

For SAAs and FMAs that are not custodied at NFS, SF typically calculates and deducts the advisory fees and program fees directly from the Client's custodial account quarterly in advance based on the

average daily value of the assets under management during the immediately preceding quarter.

For SEI programs, program and management fees are calculated daily and payable in arrears net of any income, withholding or other taxes. Historically, SF's fee has been calculated and paid quarterly based on the quarter-end balance of the account. In early 2019, SF changed its billing to monthly, in arrears, based on the month end balance of the account.

For Envestnet programs, Clients should review their Statement of Investment Selection for information regarding billing terms.

For Outside Investment Monitoring Accounts, advisory fees and program fees can be charged however determined by the Client. Some outside investment advisers deduct SF's advisory fees and program fees; other Clients designate a bill-to account.

For Retirement Plan Advisory services, advisory fees are charged pursuant to the terms of the agreement. Fees may be negotiable depending on the size and complexity of the Plan.

SF does not require or solicit Clients to prepay fees of more than \$1,200, six months or more in advance. For information regarding how to obtain a refund of a pre-paid fee if the IMA is terminated before the end of the billing period, and how any refund will be determined, please refer to your IMA or speak to your IAR.

For the primary TPMs used by SF, the Client pays separate fees to those managers and to SF (although both fees may be deducted from the assets managed by the TPM and held at the qualified Custodian). This fee will appear on the statement issued by the Custodian as a management fee. In some cases for TPMs, and for SAAs and FMAs that are not custodied at NFS, the Client may direct SF to deduct advisory fees and, if applicable, program fees, from a separate account at NFS. Clients are advised to review the investment advisory brochures and applications/contracts/agreements with the TPMs and/or sponsors of the investments for complete information on how fees are charged by such parties because their processes for charging fees may change from time to time. Moreover, since IARs can negotiate their own fee arrangements, some Clients pay flat rates for services rather than asset based charges, which are deducted differently. If you have questions about a particular account or Custodian, please contact your IAR or us at [compliance@sfr1.com](mailto:compliance@sfr1.com).

### ***Fees for Financial Planning Services***

SF's financial planning fees are negotiable and are generally determined based on the nature and extent of the services being provided, the complexity of the Client's circumstances, as well as the other aspects of the Client's current and historical relationship with the Wealth Manager. All fees are agreed upon prior to entering into an Agreement with any Client. Fees are payable by check in advance and may change depending on whether or not new complexities present themselves. SF does not require or solicit Clients to prepay fees of more than \$1,200, six months or more in advance. Any changes made to a financial planning fee will be discussed with Clients in advance, and a new agreement will be signed to reflect the changes. The fees for financial planning have generally ranged from \$2,000 to \$25,000, depending upon the complexity of the Client situation. The fees charged to a Client for preparation of financial planning services are paid to SF and a portion of the fees is paid to the Wealth Manager. If a Wealth Manager discusses matters relating to planning with a Client's tax or legal



consultants per the Client's request, the Client may be charged a separate fee by those consultants. There is no minimum dollar value of assets or other conditions required of a Client to receive these services. In the event the Client is not satisfied, the Client may request a fee refund and any unearned portion will be refunded.

To the extent that a Client engaged SE to provide financial planning services, but those services were not completed prior to SF's succession to SE's advisory business, and the Client does not wish to receive the remaining services from SF, the Client will be refunded any pre-paid financial planning fees according to the terms of the Client's IMA.

### ***Other types of fees and expenses***

Clients are responsible for the payment of all third party fees, if applicable, including but not limited to Custodian fees, brokerage fees, platform fees, wire fees, inactivity fees, foreign transaction fees, margin interest, liquidation fees, ACAT fees, regulatory fees, which are separate and distinct from the fees and expenses charged by SF and do not offset the advisory fees charged. Please see Item 12 – Brokerage Practices of this brochure regarding broker/Custodian.

The Custodians for the SAAs, FMAs, TPMs and sponsors for other investments (such as hedge funds, REITs, variable annuities, *etc.*) impose other charges. As noted throughout, Clients are encouraged to review all documentation provided by those TPMs and sponsors for full and current details regarding their practices. When SEI is used as the Custodian for the SAA or FMA Wealth Manager-Directed accounts within the two SEI programs, Clients will incur transaction charges

Each case will vary so please contact [compliance@sfr1.com](mailto:compliance@sfr1.com) or your IAR if you have any questions.

Additionally, all pooled investment vehicles, including mutual funds, ETFs REITs, hedge funds, MLPs, and UITs, as well as variable annuities and variable life insurance, have their own internal operating fees and expenses that Clients must pay. These fees and expenses are disclosed in each security's offering documents and vary considerably. These fees and expenses often include operating expenses, management fees, redemption fees, 12b-1 fees, distributor fees, offering fees, administrative fees, concessions and other fees and expenses and increase the expense ratio of the investment. These fees are in addition to the fees charged by SF.

If Clients transfer in B or C share classes of mutual funds, and if such shares are liquidated after being transferred to SF, those shares will incur contingent deferred sales charges (CDSC) from the mutual fund company if they are within the CDSC holding period. Many direct investments are alternative investments, which often incur higher costs than many traditional securities such as equities, mutual funds and ETFs. Some, such as hedge funds and private equity funds, also charge incentive or performance fees. Variable annuities and variable life insurance also charge mortality and expense charges, administrative charges, sub-account investment management fees and other applicable fees associated with sub-account options. SF encourages all Clients to closely review the offering documents for all such investments with their IARs and to consider the aggregate costs.

Clients should contact their IAR or [research@sfr1.com](mailto:research@sfr1.com) with any questions about particular products.

### ***Outside Compensation for the Sale of Securities to Clients***

SF endeavors to use the lowest cost mutual fund share class available to the Client. Many mutual fund companies have offered newer, lower-cost share classes in recent years that are available to fee-paying advisory Clients. SF periodically reviews its holdings in order to convert higher cost shares to lower cost shares, if available, and endeavors to offer Clients the lowest eligible share class. Even so, SF cannot ensure that all Clients will hold the lowest cost shares at any given time. Further, some TPMs are more careful about utilizing the lowest cost share class than others.

As part of financial planning, a Wealth Manager may recommend changes to a Client's insurance coverage. If Clients request their Wealth Manager assist them in implementing the recommendations in financial planning, the Wealth Managers, in their capacity as insurance agents, may suggest insurance products, which will generate commissions to them. Most of SF's Wealth Managers have the ability to place insurance as brokers through many insurance companies, including American International Group, Guardian, Lincoln National, MetLife, New York Life, Penn Mutual, Principal, Prudential and William Penn and/or as agents or brokers of Mass Mutual. The Wealth Managers often access these insurance products through SRM, which operates as a Mass Mutual General Agency, or through unaffiliated agencies, including ASH Brokerage and Stonegate Brokerage, among others. Even though the insurance products are typically not included in an advisory program, Clients are advised that some of these insurance carriers pay allowances and benefits to some of the agents and brokers (which include trips, training support, educational conferences among other benefits), which vary considerably from year to year. Mass Mutual regularly supplements these benefits by paying SRM and the Wealth Managers (who are insurance agents) additional allowances and benefits (including subsidies on health insurance and retirement contributions). All of these allowances and benefits are customary in the industry and are in addition to the commissions generated on insurance sales and are based on the volume of business they conduct on an annual basis. These payments are significant to the revenue of the SF affiliates and to the Wealth Managers. Although this arrangement creates a conflict of interest and incentivizes Wealth Managers to recommend that Clients use Mass Mutual or other insurance carriers which provide higher compensation, IARs who sell insurance recommend insurance carriers based on what they believe is appropriate for the Client. SF's Director of Insurance also monitors insurance recommendations to mitigate these conflicts.

If there is little or no trading activity in an account, a Client will pay more in advisory fees than commission charges if the account were a brokerage account.

### **Item 6. Performance-Based Fees and Side-By-Side Management**

Not applicable. Neither SF nor any of its supervised persons accept performance-based fees.

### **Item 7. Types of Clients**

SF primarily provides investment advice and/or management supervisory services to the following types of Clients:

- Individuals and personal trusts
- High Net Worth Individuals

- Corporations and/or Business Entities
- Pension & Profit Sharing Plans
- Charitable Organizations

### ***Minimum Account Size***

The minimum account size for TDS Managed Portfolios is \$100,000, which can be waived at SF's discretion. There is no minimum account size associated with the SAA or FMA programs. Some TPMs have minimums of \$25,000 to \$1,000,000. Any minimum account size is outlined in the IMA entered into by the Client. Exceptions to minimum account size requirements may be negotiated.

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

### ***Methods of Analysis***

As discussed in Item 4, SF and its IARs primarily recommend or select investments in ETFs and mutual funds in the SAA, FMA and Managed Portfolios programs. They also recommend certain outside managers in the TPM program. The analysis for these securities and managers is conducted in the following way.

*Managed Portfolios and Certain TPMs* - Members of the IMC conduct due diligence on securities, investment managers and strategies for the Managed Portfolios and certain TPMs. While various sources of information may be used, the IMC's principal sources of information include (i) fund databases; (ii) financial publications; (iii) management interviews and contacts; (iv) industry trade association statistics; (v) government data; (vi) capital markets data; and (vii) third party research materials that analyze the overall investing landscape as well as specific market sectors and strategies. As appropriate, the IMC also reviews materials supplied by the investment managers including annual reports, factsheets, presentations, fund prospectus/offering memorandum, performance and related investment data, if available. When reviewing the investment strategy and process, performance, risk management and expenses of a prospective investment manager, the IMC evaluates some or all of the following items, among others:

- Are the assets under management large enough to efficiently manage a diversified portfolio but small enough to navigate supply constrained market sectors;
- Is there a stable investment team with the experience and depth required by the investment strategy;
- Is there consistency of the investment objective and the strategy followed;
- Is there a clearly defined investment style and management process;
- Is there a well-designed benchmark index (*e.g.*, universe of securities, weighting methodology);
- Does the organization have a disciplined management of risk exposures (*e.g.*, market, interest rate, credit, inflation, currency, liquidity);
- Is there attractive absolute and risk-adjusted performance, consistent with return and risk objectives. A track record from a different but similar investment vehicle may be used to evaluate performance;
- Are volatility and returns during market drawdowns consistent with risk exposures;

- Are there positive or neutral supply/demand trends and investor sentiment;
- Are the investment characteristics (*e.g.*, geography, industry sectors, valuation, capitalization range, credit quality) consistent with the investment mandate;
- Are the types of securities that may be held in the portfolio sufficiently liquid and well understood (*i.e.*, in line with the specific mandate);
- Are the costs, including management fees, operating expenses, sales fees and administrative expenses, marketing expenses, etc., reasonable (*i.e.*, moderate or low for the specific mandate);
- Is the product structure attractive and what are the potential tax implications.

*SAA, FMA and SEI Mutual Fund Portfolios* – Given the number of IARs providing advice at SF, the methods of analysis, investment strategies and investment selections will vary based upon the individual IAR providing the advice. As noted in Item 4, in the SAA, FMA and SEI Mutual Fund Portfolios programs, IARs are not limited to using securities that have been reviewed by the IMC. IARs may conduct their own research and due diligence when making a securities recommendation. Several tools available to IARs include (i) Morningstar; (ii) Fi360; (iii) Bloomberg; (iv) financial publications; and (v) other sources to construct portfolios and research track records and fundamentals regarding the particular securities recommended.

### ***Investment Strategies***

Certain strategies and securities pose risks to Clients, as detailed below.

*ETFs*: Shares in an ETF can be traded throughout the day on an exchange and are bought and sold at a market price that may differ from Net Asset Value (NAV). When conducting due diligence on ETFs, members of the IMC review additional data on liquidity and trading costs, often including:

- Tracking error versus the benchmark index (for passive ETFs);
- Premium/discount between the market price of the shares and NAV;
- Bid/ask spread;
- Trading volume.

*Active Strategies*: Active investment strategies (including open-end mutual funds and certain TPMs) seek to outperform a benchmark by selecting a portfolio of securities that differs from the benchmark portfolio. Active strategies involve manager risk and are typically more expensive than passive strategies that track benchmark indices. When conducting due diligence on active strategies, members of the IMC typically participate in a conference call, on-site meeting and/or meeting in SF's offices with a member of the investment strategy's portfolio management team. Factors evaluated by members of the IMC during the due diligence process include:

- Understanding the investment guidelines and discretion given to the investment team;
- Understanding the current risk/reward environment for taking on active risk exposures;
- Reviewing performance versus a universe of similar strategies;
- Considering investment techniques that may be used (*e.g.*, leverage, derivatives, shorting);
- Reviewing whether return premium compensates for active portfolio management and trading expenses.

The IMC looks at the experience and track record of the manager of each mutual fund and ETF as well as certain TPMs in an attempt to determine if that manager has demonstrated reasonable results and an ability to invest over a period of time and in different economic conditions. The IMC also monitors these mutual funds, ETFs and TPMs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund, ETF or TPM analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as the IMC does not control the underlying investments in a mutual fund, ETF or TPM, managers of different funds held by the Client may purchase the same security, increasing the risk to the Client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund, ETF or TPM which could make the holding(s) less suitable for the Client's portfolio.

*Master Limited Partnerships (MLPs):* MLPs are limited partnerships that are publicly traded on exchanges. Many MLPs provide exposure to a commodity-related industry such as oil and gas. Unlike ETFs and mutual funds, which provide exposure to a basket of issuers and are managed by a professional investment manager, MLPs are individual operating companies, much like equities. Not all MLPs are profitable or pay distributions to investors. The SF investment team screens the universe of MLPs to identify large, liquid securities that pay distributions.

*Investment Platform Due Diligence -TPMs:* SF and its IARs also recommend some investment platforms that provide integrated portfolio management, administration and reporting. These investment platforms typically offer asset allocation portfolios designed to meet different investment objectives and a broad array of separately managed accounts (SMAs) and investment funds. These platforms are supported by investment specialists in asset allocation, portfolio construction and manager due diligence as well as technology platforms that facilitates custody, trading, tax management and reporting.

While members of the IMC conduct due diligence on the investment platforms to validate their business models, ability to identify and access attractive investment managers to the platform and the costs of the platform compared to direct investments, the IMC typically does not conduct diligence on the actual TPMs offered on the platform. When conducting due diligence on investment platforms, members of the IMC typically participate in a conference call, on-site meeting and/or meeting in SF's offices with a member of the management team. The investment platforms offer a wide spectrum of investments with different asset classes, strategies and risk exposures. Depending on the TPM's internal due diligence processes, the IMC often relies heavily on the due diligence performed by the investment platforms and often conducts additional screening on the TPM's available investments to identify strategies that are suitable for a particular Client's objectives, risk tolerance and other preferences.

### ***Alternative Investment Strategies***

Alternative investments such as non-traded REITs, hedge funds and fund of hedge funds may only be offered through an SF advisory platform such as SAA.

*Non-Traded REITs:* When the IMC reviews non-traded REITs, it screens them to eliminate those securities that primarily invest in debt or in speculative areas of the real estate market. Non-traded

REITs have limited liquidity with no available market price and the underlying properties are valued infrequently. In addition, management practices differ markedly from public REITs. Dividends may be paid out of offering proceeds and borrowing if operating cash flow is not sufficient. The property portfolio is typically a "blind pool," that is, built up over time. When conducting due diligence on non-traded REITs, members of the IMC typically participate in a conference call, on-site meeting and/or meeting in SF's offices with a member of the REIT's management team. Factors typically evaluated by members of the IMC during the due diligence process of non-traded REITs include:

- Sponsor/advisor track record managing prior REITs through a successful liquidity event;
- Conflicts of interest that may result from the relationship between the REIT sponsor and the advisor;
- Other real estate investments controlled by the sponsor that may compete for new acquisitions or tenants;
- Pace of capital raising and expected timeframe until the offering is closed to new investments;
- Size and timing of the management team's investment;
- Investment opportunity (*e.g.*, supply/demand trends, valuation of private vs. public markets);
- Timing of the investment in the commercial real estate market cycle and current capitalization rate trends;
- Diversification and quality of property portfolio (*e.g.*, occupancy rate, average remaining lease terms, tenants credit quality);
- Investment limits (international properties, leverage) are reasonable;
- Leverage is in line with industry peers;
- Ability to sufficiently access capital markets for financing needs;
- Dividends are materially covered by Modified Funds From Operations (MFFO);
- Dividend payments are consistent with capitalization rates provided by the underlying investments and target leverage;
- Offering, operational and liquidation fees are not excessive and are competitive with evolving industry practices.

*Alternative Fund of Funds:* Hedge funds and commodity pools are complex investments that often entail greater risks than traditional investments. Hedge funds and commodity pools may utilize a variety of techniques including the use of leverage, derivatives and short sales and may exhibit a wider range of returns than traditional investments. In addition, hedge funds and commodity pools may invest in less liquid investments, have investment terms that limit liquidity and charge higher fees including performance-based fees.

SF typically recommends alternative funds of funds that research, select and build portfolios of underlying funds, thereby providing an added layer of due diligence compared to investing in funds directly. This approach provides exposure to a diverse group of managers and strategies that may help to mitigate manager risk. Fund of funds typically charge a layer of fees that are in addition to the fees charged by the underlying managers. Members of the IMC conduct due diligence on alternative fund of funds to identify specialist teams that have appropriate knowledge of the universe of managers and strategies, good relationships with alternative managers and a portfolio construction and manager selection process that is consistently applied. When conducting due diligence on alternative fund of

funds, members of the IMC typically participate in a conference call, on-site meeting and/or meeting in SF's offices with a member of the portfolio management team. Factors typically evaluated by members of the IMC during the due diligence process include:

- Criteria for hiring and firing managers;
- Frequency of manager turnover;
- Trends in assets under management;
- Fee arrangement with the underlying funds;
- Portfolio construction and rebalancing;
- Views on identifying and managing commonalities between managers (*i.e.*, position or overlap exposure);
- Understanding of the current risk/reward environment for taking on active risk exposures;
- Performance versus a universe of similar strategies;
- Investment tools that may be used by the underlying funds (*e.g.*, leverage, derivatives, shorting);
- Return premium that compensates for the additional layer of fees;
- Operational controls; and
- Major service providers (*e.g.*, accounting, auditing, administration).

*Investment Platform Due Diligence—Alternative Investments:* SF and its IARs also recommend investment platforms that provide access to alternative strategies such as hedge funds. These platforms are supported by a deep bench of alternative investment specialists that conduct due diligence encompassing the investment and operational risks of the investment funds available on the platform. In some cases, these efforts are outsourced by the platforms to third parties. This independent due diligence bolsters the efforts of the IMC. These platforms provide access to alternative investments that are sometimes only directly available to large institutional investors and utilize technology that facilitates investment execution and reporting. Members of the IMC conduct due diligence on alternative investment platforms to validate their business model, ability to access attractive hedge funds to the platform and the costs of the platforms compared to direct investment. This review covers platform documents, the due diligence reports provided by the platform, fund performance and investment terms such as fees and liquidity. When conducting due diligence on alternative investment platforms, members of the IMC typically participate in a conference call, on-site meeting and/or meeting in SF's offices with a member of the management team. The IMC may select a small group of investment funds with specific characteristics from the larger universe of funds available on the platform.

### ***General Risks***

Although the IMC and IARs consider many risks before recommending a security or investment manager to Clients (or investing on their behalf), there are a myriad of circumstances that may cause investments to lose value. Their assessment of any investment manager or security's likely future performance is inherently a prediction and it is subject to uncertainty and risk that the outlook might prove wrong. An outcome contrary to what the IMC or IAR anticipated may arise from a number of factors, such as: an erroneous assessment of the value offered by the investment manager/security, a change in strategy by the selected manager, market changes, unanticipated changes to interest rates or

the tax code, among others.

SF's IMC and IARs invest in and recommend securities they believe to be appropriate for the Client based on an understanding of the Client's investment objectives and risk tolerance. Summarized below are relevant risks broadly relating to the types of securities SF primarily invests in for Client assets; however, securities may be subject to additional risks specific to that security or issuer. Clients are strongly encouraged to review the prospectus disclosures and offering documents relating to the securities held in their portfolios if they have any questions, as these documents discuss in more detail the risks relating to the particular investment. Additional information regarding the general characteristics and risks relating to the types of securities that SF primarily recommends for Client assets are explained in SF's "Product Risk Disclosure" document posted on SF's website at [www.SummitFinancial.com](http://www.SummitFinancial.com). Clients with additional questions regarding a particular security should contact their IAR.

If there is little or no trading activity in the account, a Client will pay more in advisory fees than commission charges than if the account was a brokerage account.

### ***Specific Risks***

Clients participating in the Managed Portfolios program should understand the underlying holdings within the Managed Portfolio (mutual funds and ETFs) involve risk and the potential of loss. Money markets used in Managed Portfolios are generally considered low risk but are not guaranteed and may be subject to loss and or change in market value. Mutual funds and ETFs often provide diversification but may be concentrated in a particular asset category or class within a category. Investments in funds impose risk due to exposure to economic forces or factors for which the future is uncertain. Some of these are unique to individual funds, but many are common to many funds. A fund's risk depends on how closely its return is coupled with given indexes, the riskiness of each index and how closely the indexes tend to move together.

The level of overall investment market diversification will vary depending on the Managed Portfolio(s) used as well as the underlying exposures of the underlying funds or MLPs. The risk in a Managed Portfolio or collection of Managed Portfolios is a function of the underlying asset classes utilized. Further, all investment strategies involve risk and the investment performance and success of any strategy cannot be predicted or guaranteed. Past performance should not be used to forecast future results.

Hedge funds are speculative in nature and may use leverage or other aggressive investment practices. As a result, Client returns may be highly volatile, and Clients may lose all or a portion of the investment in the fund. Clients who invest in commodities (through hedge funds that specialize in this asset class) should know that commodities are subject to world events, limited liquidity, shifting market preferences, trade signal disruption, supply/demand imbalances, currency movement and many other things that cannot be successfully predicted, but do have a significant impact on future results.

Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a Client, should be prepared to bear.



This list of risks is not exhaustive. When Clients invest in mutual funds, ETFs, UITs and newly issued municipal bonds, for example, they receive prospectuses and official statements which identify the risk factors associated with those securities and issuers. Clients are encouraged to review such disclosure documents. Similarly, Clients are encouraged to review the offerings documents for private investments and the investment advisory brochures for all TPMs for additional risk disclosures. Please contact your IAR or [research@sfr1.com](mailto:research@sfr1.com) if you have questions about your investments.

#### **Item 9. Disciplinary Information**

Not applicable. SF has no legal or disciplinary events to disclose.

#### **Item 10. Other Financial Industry Activities and Affiliations**

*LS Services* - Some of SF's management persons are registered with a broker-dealer that operates under the name LS Services ("LSS"). LSS is a limited purpose broker dealer that is being acquired by SFH. LSS does not provide brokerage or other services to any customers and has no direct relationship with any of SF's Clients. PKS pays a referral fee to LSS on the brokerage business that Summit's Wealth Managers conduct in their capacity as RRs of PKS, and some of that brokerage business may be with persons who are also Summit Clients. This means that even though Summit is not involved in the brokerage activity conducted at PKS, even if conducted with Summit Clients, Summit's parent company will profit by the Wealth Manager's brokerage activity.

*Summit Risk Management, LLC* – SRM is a Delaware limited liability company and is licensed to sell non-securities insurance products and earns commissions or remuneration on such products. No variable insurance products are sold through SRM. Many of the Clients of SRM are also Clients of SF. Most persons associated with SF are also associated with SRM. Most SF IARs are insurance brokers or agents under an SRM agency relationship.

*Merchant Wealth Management Holdings, LLC* - Merchant Wealth Management Holdings, LLC ("Merchant Wealth"), a subsidiary of Merchant Investment Management, LLC ("Merchant Investment"), owns a minority, non-controlling interest in the Advisor. Merchant Investment, through subsidiaries other than Merchant Wealth, has ownership interests in various companies that provide investment and other consulting services to financial firms, including investment advisors ("Investment Solutions"). The Advisor is provided access to use these Investment Solutions, where the Advisor may utilize the Investment Solutions pursuant to an engagement that the Advisor enters into directly with the third party providing the investment solution. These Investment Solutions may include, but are not limited to, third party money managers, private investments, pooled investment vehicles, or other investment products for which a commission is earned. Engagement of and with these Investment Solutions poses a potential conflict of interest due to the minority ownership interest that Merchant Investment's various subsidiaries own in the third parties providing these Investment Solutions. Through Merchant Investment's minority ownership interests in the third parties that provide these Investment Solutions, Merchant Investment will benefit from additional revenue that is generated when the Advisor engages any of these third party service providers. Accordingly, the Advisor may have an incentive to engage one or more of these Investment Solutions. In an effort to ensure these conflicts of interest are addressed, the Advisor has implemented a risk control and disclosure framework, the objective of which is for the Advisor to select Investment Solutions that are in the best

interest of the Client. The Advisor is not controlled by Merchant Wealth or Merchant Investment, and is operated independently where Merchant Investment and all other related subsidiaries are not involved with the services offered by the Advisor and maintains its own office space.

*Sextant Securities, LLC* - The Advisor, in which Merchant Investment has an [indirect] minority, non-controlling ownership interest [through Merchant Wealth], may engage Sextant Securities, LLC ("Sextant"), an affiliated Broker-Dealer owned by Merchant Investment, to access certain investment products, which may include, but not be limited to, private equity funds, open-ended and close-ended mutual funds, and other products for which Sextant earns a commission if they are sold (herein "Security Offering"). As a result of Merchant Investment's ownership of Sextant, Merchant Investment may benefit from revenue and/or placement fees received by Sextant if the Advisor invests any Client funds into a Security Offering. Accordingly, the Advisor may have an incentive to invest Client funds into a Security Offering. Neither the Advisor nor its Supervised Persons will receive any additional compensation for investing Client funds into a Security Offering or Sextant. In addition, there is no requirement for the Advisor to recommend to a Client a Security Offering offered through Sextant.

Prior to recommending a Security Offering, the Advisor will conduct appropriate due diligence to ensure that any recommendation to invest Clients funds into a Security Offering aligns with the Client's investment needs and objectives. In addition, the Advisor will provide additional disclosure information to each Client, which will include relevant details regarding material financial interests and compensation surrounding the Security Offering.

*Maxim Income Opportunity Fund II, L.P.* - The Advisor may recommend that Clients invest into the Maxim Income Opportunity Fund II, L.P. (herein "Maxim"), a Security Offering of Sextant. Individual owners of Merchant Wealth, in their separate capacity, have material ownership interests in Maxim. As a result, these individuals stand to benefit financially from additional investments made into Maxim and from returns generated by Maxim. These individual owners of Maxim, who also have an indirect ownership interest in the Advisor, would benefit financially in their individual capacity if the Advisor invests Client funds into Maxim. As a result, the Advisor may have an incentive to invest Client funds into Maxim.

Maxim invests in non-traded REITs that may be in speculative areas of the real estate market or incorporate debt, which is generally excluded from the investment recommendations made directly by the Advisor, as disclosed in Item 8 above. Prior to the recommendation of Maxim, the Advisor conducts appropriate due diligence to ensure any recommendation to a Client to invest into Maxim aligns with the Client's investment needs and objectives.

The Advisor will conduct appropriate due diligence to ensure any recommendation to a Client to invest into Maxim aligns with the Client's investment needs and objectives. In addition, the Advisor will provide additional disclosure information to each Client, which will include relevant details regarding material financial interests and compensation surrounding Maxim. In addition, neither the Advisor nor its Supervised Persons will receive any additional compensation for investing Client funds into Maxim. Lastly, there is no requirement for the Advisor to recommend Maxim to Clients, nor are Clients obligated to invest into Maxim.

#### ***Relationships or Arrangements with Related Persons***

As detailed in Item 5 above, in their capacities as insurance brokers or insurance agents, SF's Wealth Managers receive fees, commissions and other remuneration from non-Clients including insurance companies for their insurance activities. Some of that insurance activity generates revenue to SRM as well. Wealth Managers who are registered with PKS, an unaffiliated broker-dealer, will offer brokerage products, for which such Wealth Managers will receive compensation, in their capacity as RRs of PKS. As noted above, LSS will receive a referral for such business through PKS. Your Wealth Manager's obligations to you when selling insurance or securities differs from his or her obligations to you when he or she is acting as an IAR through Summit and except as noted herein, Summit does not supervise those activities. You are under no obligation, however, to purchase any other products or services from Wealth Manager.

### ***Selection of Other Investment Advisers***

As noted in Item 4 – Advisory Business, SF may recommend TPMs as providers of investment management services for Clients. SF's fee is typically added to the fee charged by the TPM. This relationship and the fees are described in the IMA, and in some programs, an additional agreement between the Client and the TPM. This practice creates a conflict of interest in that the IAR has an incentive to direct Clients to those managers who provide SF with a larger fee split. Some TPM programs provide higher payouts to the IARs than SF's other advisory programs, but the amount of compensation will depend on the fee agreement negotiated with the Client.

SF may recommend Piton Investment Management, LP ("Piton") as a TPM, which is under common ownership with Merchant Wealth. Piton is an SEC-registered investment advisor focusing on fixed income investment management services to institutions and high net worth individuals. As disclosed above, this presents a conflict of interest due to the minority ownership interest that Merchant Investment's subsidiaries own in Piton, where Merchant Wealth will benefit from additional revenue that is generated from assets placed with Piton. Also, to ensure that SF is selecting TPMs that are in the best interest of the Client, SF has implemented a risk control and disclosure framework to ensure conflicts addressed.

### **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

SF believes it owes Clients the highest level of trust and fair dealing. As part of its fiduciary duty, SF endeavors to put the interests of its Clients ahead of the interests of the firm and its personnel. SF has adopted a Code of Ethics that emphasizes the high standards of conduct the firm seeks to observe. SF personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

SF's Code of Ethics attempts to address specific conflicts of interest it has identified or that could likely arise. SF personnel are required to follow guidelines in areas such as prohibitions on insider trading, personal securities transactions, conflicts of interest, gifts, confidentiality and privacy, compliance procedures, certification of compliance, training, record keeping and adherence to applicable securities laws.

Clients may request a copy of SF's Code of Ethics by contacting (973) 285-3600 or by emailing [compliance@sfr1.com](mailto:compliance@sfr1.com).

### ***Personal Trading Practices***

SF associated persons are not permitted to acquire beneficial ownership of any securities in an initial public offering (IPO) or purchase any private placements without the prior written approval of SF's Chief Compliance Officer. SF does not require pre-clearance for personal securities transactions other than IPOs or private placements.

SF does not hold or trade securities for its own accounts, although from time to time, IARs of SF may trade in securities for their own accounts that they also buy or recommend to Clients, and they also may trade in different securities that they do not feel are appropriate for certain Clients (including related securities, such as warrants or options). The conflict presented in this practice could lead to an IAR purchasing or selling a security in advance of a Client and/or receiving a better price. Summit monitors such transactions to look for potential conflicts of interest and to reasonably ensure that representatives of SF transact Client business before their own when the same securities are being bought or sold at or around the same time.

## **Item 12. Brokerage Practices**

### ***Soft Dollar Arrangements***

SF does not engage in soft dollar arrangements.

### ***Trade Aggregation***

Transactions for each Client in the TDS Managed Portfolios and the SAA and FMA programs will be effected independently and are not "batched". For trade aggregation practices in connection with TPM programs, Clients should refer to the investment management agreements they enter into with the TPMs, as well as the disclosure brochures for the TPMs.

### ***Best Execution***

SF maintains a fiduciary duty to seek the best execution pricing available for Client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it is a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market and the specific needs of the Client.

SF's primary objective when placing orders for the purchase and sale of securities for Client accounts is to obtain the most favorable net results taking into account such factors as price, size of order, difficulty of execution and broker skill. Based on these criteria, the firm may not necessarily pay the lowest commission or commission equivalent, as specific transactions can involve specialized services on the part of the broker.

### ***Brokerage for Client Referrals***

SF has an incentive for Wealth Managers to select PKS as the broker-dealer to conduct brokerage business in furtherance of a financial plan or otherwise, as LSS will receive a referral fee on such brokerage business. In addition, as stated earlier, most Wealth Managers are also RRs of PKS, an unaffiliated broker dealer, and when acting in their capacity as RRs they will receive compensation for securities brokerage services conducted at PKS.

### ***Selection of Brokers***

Clients in SF's wrap programs must execute transactions through FBS. For additional information, please see SF's wrap fee program brochure.

For some TPM programs, the executing broker is affiliated with the Custodian of the assets. For additional information, please refer to the brochure of the TPM.

### **Item 13. Review of Accounts**

The Managed Portfolios are reviewed on a continuous basis by the IMC. SAAs, FMAs, TPMs, SEI MAS and SEI MF (and Wealth Manager-Directed assets within the SEI programs) are reviewed on a continuous and regular basis by the IAR providing supervisory services to the account. The Outside Investment Monitoring accounts may be reviewed on a regular or on a periodic basis – as determined by the Client and IAR at inception of the relationship. Additional reviews are triggered by material market, economic, or political events, or by changes in Client's financial situations, such as retirement, change in employment or marital status, physical move, inheritance or other life events.

Each Client will receive written statements from the Custodian that detail the Client's positions and activity. Many IARs also provide their Clients with periodic performance reports, which may show performance across multiple accounts within a household. Clients are advised to always compare those reports to the statements provided by the qualified Custodians, which are the official records of the accounts.

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

#### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients***

SF and its IARs receive economic benefits from third parties in a number of ways. Please see Item 5 – Fees and Compensation for additional details.

Generally, IARs are compensated through SF on a percentage of the advisory fee charged to the Clients' accounts (often referred to as a "grid" or "net" payout). The payout percentage varies based upon the advisory program, service or TPM selected. Moreover, IARs with higher total revenue generally receive higher "grid" payouts. Most of the revenue paid to SF from Clients are also split with the IARs. Additionally, if IARs recommend insurance in connection with financial planning service to Clients many of the IARs receive significant allowances from Mass Mutual or other insurance companies, as discussed in Item 5 – Fees and Compensation and in the IAR Brochure Supplements.

SRM receives allowances as well. In connection with accounts in which Clients do not pay a program fee to SF (except AssetMark and Envestnet accounts), and, with certain limited exceptions, accounts in the SEI programs, SF retains a portion of the advisory fee before applying the IAR's grid to calculate the IAR's compensation. In connection with accounts that do pay a program fee to SF, the AssetMark accounts, Envestnet accounts, and, in certain limited cases, SEI accounts, SF retains no portion of the advisory fee before applying the IAR's grid to calculate the IAR's compensation and the IAR's compensation is based on the entire advisory fee. This variability in SF's practices with respect to retention of advisory fees creates an incentive to IARs to steer Clients to programs or services that generate higher revenue to them, although SF believes the IARs focus on each Client's specific needs in recommending an advisory program, combination of programs or service. SF is aware of the conflicts of interest created by the variability in advisory fee compensation across programs and has adopted practices to supervise program recommendations.

Certain IARs receive other types of support from SEI and insurance companies. Payments from insurance companies are made to IARs in their capacity as securities or insurance brokers or as insurance agents and are routed through SF or an affiliate. These payments frequently include reimbursement for marketing costs (such as paying for Client meetings or mailing expenses). These tend to be modest and are often a few hundred dollars. These third party firms may also pay for travel and attendance at due diligence meetings, conferences, Client relationship building events and other events that benefit the IAR financially and educate them about the sponsors' products, services and support. These types of reimbursements are intended to result in the Wealth Manager's promotion of their investment products and create an incentive for the Wealth Managers, often acting as RR or insurance brokers/agents, to steer Clients to invest with sponsors who deliver these economic benefits. All of these payments and reimbursements are customary in the industry and are in addition to the commissions generated on insurance sales. SF and its affiliates are aware of the conflicts of interest created by these payments and have adopted practices to supervise program and insurance product recommendations.

SF also has agreements whereby it receives solicitation fees for referring Clients' assets to be managed by certain TPMs. The IARs typically provide advisory services in connection with those assets as well. For additional information and disclosures about solicitor arrangements, please see the written disclosure document you will receive in connection with any referral to a TPM for which a solicitation fee was earned as well as your investment management agreement with any TPM to whom you are referred.

As noted above, SF's parent company receives an economic benefit through LSS for brokerage business that the Wealth Managers conduct in their capacity as RRs of PKS.

### ***Compensation to Non-Advisory Personnel for Client Referrals***

SF compensates its own IARs as well as some third parties for Client referrals. Terms of the compensation for third parties are disclosed to the Client at the time of the solicitation and upon request.

## **Item 15. Custody**

The SEC defines custody as holding Client funds or securities, directly or indirectly, or having the authority to obtain possession of them. Summit is deemed to have custody over Client assets because, among other things, the Clients' authorization in the IMA which directs the Custodians to accept all instructions from SF relating to such assets. Because it has custody, SF is obligated to adhere to additional safeguards which include reasonably ensuring Client assets are maintained with a "qualified Custodian" (a legal term by the SEC), notifying the Clients of the name and address of the qualified Custodian (if Summit opens the account), having a reasonable belief the qualified Custodian sends statements no less than quarterly and engaging an independent public accountant to examine those assets on a surprise basis every year. The accountant performing the "surprise" examination will contact some of SF's Clients to confirm their holdings with those listed on the records of the adviser.

SF urges Clients to compare the account statements they receive from their Custodian with any performance report or statements SF or its service providers may create for them.

#### **Item 16. Investment Discretion**

SF, acting through the CIO, has discretionary authority over the accounts invested in the Managed Portfolios program. The CIO determines the securities to be bought or sold, the amount of securities to be bought or sold and the timing of the purchases and sales of the securities. In FMAs, including the SEI Wealth Manager Directed accounts, the IAR exercises discretion and determines the securities to be bought or sold, the amount of securities to be bought or sold and the timing of the purchases and sales of the securities.

The exercise of discretion is noted in the investment management agreements signed by the Clients.

#### **Item 17. Voting Client Securities**

SF will not request or accept voting authority for Clients. Clients will receive proxies directly from the issuer of the security or the Custodian. Clients should direct all proxy questions to the issuer of the security.

#### **Item 18. Financial Information**

SF does not require or solicit Clients to prepay fees of more than \$1,200, six months or more in advance.