

# **GM ADVISORY GROUP, INC.**

## **Firm Brochure**

**Dated: March 2019**

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This Brochure provides information about the qualifications and business practices of GM Advisory Group, Inc ("GMAG"). If you have any questions about the contents of this Brochure, please contact GM Advisory Group's Chief Compliance Officer ("CCO"), Margaret Iamunno at 631-227-3900 or by e-mail [miamunno@gmadvisorygroup.com](mailto:miamunno@gmadvisorygroup.com). Additional information about GM Advisory Group, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). 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

Registration of an investment advisor does not imply that GM Advisory Group, Inc. or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

**Item 2: Material Changes**

There have been no material changes since our last annual amendment to our ADV filing 3/29/2018.

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#### **Item 4: Advisory Business**

GM Advisory Group, Inc. ("GMAG", the "Adviser", "we", "us", "our" or the "Firm"), founded in 2004, is a corporation organized under the laws of the State of New York. GMAG is registered as an investment adviser with the SEC and has no intermediate subsidiaries that are publicly held.

GMAG also serves as the investment manager of GMAG Diversified Opportunities Fund, L.P. (the "Fund"), and our affiliate, GMAG Diversified Fund GP, LLC (the "General Partner"), is its General Partner.

Frank Marzano is the sole principal owner and is the Managing Principal of GMAG. Frank Marzano is also the manager of the Fund ("Fund Manager") and the managing member of the General Partner. In addition to Frank Marzano, GMAG employs 22 individuals.

The Fund and the separately managed accounts are collectively referred to as the "Clients" or "Client Accounts".

GMAG primarily provides investment advisory services to managed account Clients, including individuals, high net worth individuals, trusts, estates, charitable organizations, and business entities on an assets under management and flat fee basis, and, to the extent a client requests, financial planning and related consulting services.

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

GMAG provides the following discretionary and non-discretionary investment advisory services;

##### **Separately Managed Account Clients**

Are managed on either a discretionary or non-discretionary basis as specified in the pertinent advisory agreements. We primarily provide discretionary investment management services to our managed account Clients on a wrap fee basis in accordance with GMAG's investment management wrap fee program (the "Wrap Fee Program"). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in GMAG's Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants along with GMAG's Firm Brochure. Clients in the Wrap Fee Program pay a single specified annual fee, inclusive of execution, custody, performance reporting, and investment management fees.

GMAG has personal discussions with its Clients in which their investment objectives based on their particular financial circumstances are determined. We develop a Client's investment policy and create and manage a portfolio based on that policy, consisting of one or more of the following: individual equities, bonds, exchange traded funds, no-load or load-waived mutual funds, or other investment vehicles. Each of our Clients individually owns the securities in the individual portfolio. Each Client has the opportunity to place reasonable written restrictions on investing in certain securities or types of securities.

To the extent, a Client requests financial planning services or financial advice on non-investment related matters, we may provide those services and we may charge additional fees for such services. We may recommend the services of other professionals, including licensed insurance agents; however, our Clients are under no obligation to engage the professionals we recommend. GMAG does not guarantee the services of any recommended professional, and we are not liable for any action, omission, recommendation, decision, or loss as a result of a Client's use of one of these recommended professionals.

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

To the extent requested by a Client, GMAG provides Financial Planning and Consulting Services primarily on a fixed fee basis, separate and apart from the Wrap Fee Program or other pertinent investment management agreements. These services cover the development and management of a financial plan addressing a variety of client needs which may include any or all of the following functions; cash flow planning, business planning, risk management, retirement and wealth preservation planning, tax planning and analysis, and charitable giving.

We may recommend the services of other professionals, including licensed insurance agents; however, our Clients are under no obligation to engage the professionals we recommend. GMAG does not guarantee the services of any recommended professional, and we are not liable for any action, omission, recommendation, decision, or loss as a result of a Client's use of one of these recommended professionals.

### **GMAG Diversified Opportunity Fund**

GMAG provides investment advice to the Fund, a fund of funds. The Fund elected to dissolve and terminate as of July 1, 2016. This election was taken with a focus on the best interests and equitable treatment of all Fund Investors. The Fund continues in existence for the sole purpose of strategically and opportunistically returning capital to its current Investors through liquidation. The Fund is no longer raising capital, accepting Investors, or conducting new investment activities. Further to align with the best interests and equitable treatment of all Fund Investors, the General Partner, has waived the incentive allocation of net gain for the calendar year 2016 through the date of dissolution of the Fund. Also, GMAG, the Investment Manager, has significantly reduced its management fees commencing July 1, 2016. Information about the Fund, including restrictions imposed on Fund investments, can be found in its offering documents (including its confidential information memorandum) and organizational documents, as amended.

Management fees received in connection with the advisory services that GMAG provides to the Fund are different from the fees received by GMAG with respect to its managed accounts. Despite its ability to take two management fees, GMAG does not charge two management fees on that portion of a Client's assets that are invested in the GMAG Diversified Opportunity Fund.

### **Customized Services**

GMAG provides customized advisory services to its managed account Clients based upon each Client's unique needs, objectives, and concerns. We review Client investment goals and financial circumstances with Clients. Following such review, we develop an investment strategy and investment guidelines for each individual Client. Each Client has the opportunity to place reasonable written restrictions on investing in certain securities or types of securities. Unless a Client has advised GMAG in writing to the

contrary, GMAG is not subject to restrictions on the discretionary management of a particular Client's managed account assets.

### **Wrap Fee Programs**

As mentioned herein, we offer our managed account Clients the option to participate in our Wrap Fee Program.

The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in our GMAG's Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants.

Under the Wrap Fee Program, GMAG offers participants discretionary investment management services for a single specified annual fee, inclusive of execution, custody, performance reporting, and investment management fees. GMAG also offers Clients participation in a non- discretionary wrap fee program or other non-discretionary portfolio management services as specified in pertinent investment management agreements.

GMAG receives a portion of the Program fee for its services. Execution, reporting, and custodial services for the Wrap Fee Program are generally provided by Pershing Advisor Solutions, LLC ("Pershing"), Charles Schwab & Co., Inc. ("Schwab"), or Interactive Brokers ("IB"). The cost of participation in the Wrap Fee Program may exceed the cost of purchasing investment advisory services from other advisers or broker-dealers. In addition, the amount of compensation received by GMAG as a result of a Client's participation in the Wrap Fee Program may be more than the amount that GMAG would receive if that Client paid separately for investment advice, brokerage, and other services. In addition, the fees charged by GMAG for participation in the Wrap Fee Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. Although most of our managed account Clients, who elect discretionary investment management services, choose to participate in the Wrap Fee Program, there is no substantive difference between how we manage wrap fee accounts and how we manage other managed accounts.

### **Client Assets We Manage**

As of December 31, 2018, the Firm manages through the activities of continuous supervision and management of our client's securities portfolios approximately \$695,352,368 in discretionary and \$720,106,627 in non- discretionary assets totaling \$1,415,458,995 in assets under management.

Pursuant to its Financial Planning Consulting Services Agreements covering financial planning for a variety of client needs such as cash flow planning, business planning, risk management, retirement and wealth preservation planning, tax planning and analysis, and charitable giving, as of December 31, 2018, the Firm advises through the activities of planning and consulting \$478,600,736 in assets under advisement.

## **Item 5: Fees and Compensation**

### **Managed Accounts**

Advisory fees are set forth in the relevant client agreements. As described above in Item 4, most of our managed account Clients who elect discretionary investment management services participate in our Wrap Fee Program. Each Client pays a single fee ("Program Fee") for our advisory services, as well as a

number of third-party services and costs, inclusive of execution, custody, performance reporting, and investment management. While all managed account fees are subject to negotiation, the current annual Program Fee is based upon a percentage of the managed account Client's assets placed under GMAG's management. The following fee schedule applies:

Assets Under Management	Annual % Fee
Initial \$500,000	2.00%
Next \$500,000	1.75%
Next \$1,000,000	1.25%
Next \$2,000,000	1.00%
Next \$4,000,000	0.75%
All Additional	0.50%

The Program Fee is not charged on the basis of a share of capital gains upon or capital appreciation of the assets or any portion of the assets. In considering the investment programs described in this brochure, Clients should be aware that the cost of the Wrap Fee Program may exceed the cost of purchasing investment advisory services from other advisers or broker-dealers. In addition, the amount of compensation received by GMAG as a result of a Client's participation in the Wrap Fee Program may be more than the amount that GMAG would receive if that Client paid separately for investment advice, brokerage, and other services.

For an in-depth discussion of the factors that we consider in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of commissions and compensation for those broker-dealers, please see Item 12.

### **Payments**

Fees are prorated and paid quarterly, in advance, based upon the market value of the assets placed under GMAG's management on the last business day of the previous quarter. Based on applicable SEC procedures, the Fees are remitted to us only after the custodian of the Client's assets receives the Client's authorization to charge the account.

GMAG, in its sole discretion, may charge a higher or lower Fees, or fixed fees based upon certain criteria. Examples include complexity of the engagement, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with a Client, and other items. GMAG will not increase Fees until a Client has received prior written notice of the increase.

Where Clients fees are based upon the market value of assets, they will be charged based on market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance. Fees are prorated for accounts opened during the quarter. An additional fee for the current quarter will be assessed if assets are deposited after the beginning of the quarter, prorated based on the number of calendar days remaining in the quarter during which the service will be in effect. No portion of the fee will be credited to the Client for the current calendar quarter should any withdrawals from the

portfolio occur in the same calendar quarter.

If an account is terminated, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. A managed account Client agreement generally may be canceled at any time, by either party, for any reason upon receipt of prior written notice. Clients have the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

#### **Miscellaneous Fees**

The Program Fee does not include certain charges and administrative fees, including, but not limited to, transaction charges (excluding mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than Pershing, Schwab, or IB (who generally provide execution, reporting, and custodial services for the Wrap Fee Program), transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program's wrap fee.

Other managed accounts (those not participating in our Wrap Fee Program) are responsible for custodial charges and certain charges and administrative fees, including, but not limited to, transaction charges (excluding mark-ups and mark-downs) resulting from trades, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the advisory fee, which is specified in the pertinent investment advisory agreement.

#### **Mutual Fund and Exchange Traded Fees and Expenses**

If a Client invests in mutual funds or exchange traded funds, they may be charged fees and expenses by such funds that are separate and distinct from the Program Fee or other GMAG advisory fees as specified in the pertinent investment advisory agreements. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Clients are not restricted from investing in mutual or exchange traded funds directly, without the services of GMAG, however in that event they would not receive the services provided by GMAG which are designed, among other things, to assist the client in determining which mutual or exchange traded funds are most appropriate to each client's financial condition and objectives. Clients should compare the fees charged by the funds (available in each fund's prospectus) and the fees charged by GMAG to fully understand the total amount of fees to be paid by the client. If Client is an Investor in the Fund, GMAG does not charge fees on the portion of their assets invested in the Fund, except for those fees charged by the Fund itself.

#### **Financial Planning, Consulting & Similar Fees**

As described above in Item 4, from time to time GMAG provides certain financial planning and consulting services to its Clients on non-investment related matters. Although GMAG generally considers these services incidental to the services it provides under its managed account services, including the Wrap Fee Program, GMAG may determine to provide those services on primarily a fixed fee basis, separate and apart from the its managed account services including the Wrap Fee Program. In that event, GMAG may describe those services and fees in a separate agreement between GMAG and the applicable Client. Those agreements may include financial planning agreements and limited consulting agreements and the scope of the services which will be offered. These services cover financial planning for a variety of client



needs such as cash flow planning, business planning, risk management, retirement and wealth preservation planning, tax planning and analysis, and charitable giving. Fees will be determined on a case by case basis depending on the needs of the client. The agreements will also include a description of the fees to be charged and when they are to be paid. If GMAG agrees to provide these services, GMAG's obligations are expressly limited to the planning and consulting services specifically requested by the Client.

### **GMAG Diversified Opportunity Fund**

GMAG provides investment advice to the Fund, a fund of funds. The Fund elected to dissolve and terminate as of July 1, 2016. This election was taken with a focus on the best interests and equitable treatment of all Fund Investors. The Fund continues in existence for the sole purpose of strategically and opportunistically returning capital to its current Investors through liquidation. The Fund is no longer raising capital, accepting Investors, or conducting new investment activities. Further to align with the best interests and equitable treatment of all Fund Investors, the General Partner, has waived the incentive allocation of net gain for the calendar year 2016 through the date of dissolution of the Fund. GMAG, the Investment Manager, has significantly reduced its management fees commencing July 1, 2016.

#### **Management Fee**

The GMAG Diversified Opportunity Fund, L.P. charges Investors a Management Fee, which is paid quarterly in advance. The Management Fee is equal to one-quarter of one-quarter percent (a 0.25% per annum rate) of the opening capital account balance of each Investor that owns Interests, as of the beginning of each fiscal quarter, after taking account of any distribution in connection with the Interests of the Investor at the beginning of the quarter and the value of that Investor's interest in any "designated investment."

#### **Incentive Allocation**

The General Partner has waived the Incentive Allocation of net gain in respect of the Class B Interests for the calendar year 2016 through the date of dissolution of the Fund.

#### **Payment**

The Fund's partners pay their Management Fees quarterly in advance by deduction from Fund assets and debits from capital accounts. If applicable, unearned but pre-paid fees are refunded with withdrawal proceeds or other distributions. The ability of a partner to withdraw all or portions of its capital account from the Fund are described in detail in the Fund's offering and organizational documents. Incentive Allocation has been waived by the General Partner.

#### **Other Fees**

In addition to the Management Fee, the Fund is responsible for all of its operating expenses, including, but not limited to, organizational expenses, legal, audit, accounting fees, insurance premiums, regulatory filing fees, custodial, administration and other fees, commissions, and its share of expenses directly related to its purchase and sale of securities. GMAG, in its sole discretion may charge the Fund for research, due diligence and travel expenses incurred in researching potential investments and portfolio managers.

We may contract with third party service providers from time to time to provide research and due diligence services for the Fund. The Fund will pay for expenses incurred in connection with third party

service contracts, provided, that we may elect to pay those expenses.

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

As mentioned above, the General Partner has waived the incentive allocation of net gain for the calendar year 2016 through the date of dissolution of the GMAG Diversified Opportunity Fund (“the Fund”) and GMAG, the Investment Manager, has significantly reduced its management fees commencing July 1, 2016.

As a result, neither GMAG or its supervised persons accepts performance-based fees.

GMAG has adopted policies and procedures intended to address conflicts of interest relating to the management of multiple Clients and the allocation of investment opportunities between Clients. GMAG reviews investment decisions to ensure that all Clients with substantially similar investment objectives are treated fairly and equitably over time. See Item 12 in this Brochure. We will offer Clients the right to participate in all investment opportunities that we determine are appropriate for the Client in view of their investment objectives, relative amounts of capital available for new investments, the investment profile, and the Clients portfolio composition. In accordance with our Allocation Procedures, we will endeavor to treat each of our Clients in a fair and equitable manner.

GMAG may recommend an investment in the Fund to one or more of its managed account Clients, as appropriate, based upon the investment objectives, strategies and suitability of those Clients. GMAG regularly monitors the performance and investment portfolio of its managed accounts and simultaneously manages the investment activities of the Fund. This dual role may result in potential or actual conflicts of interest between the management of the Fund and other business activities. For example, GMAG may determine in its sole discretion to allocate certain investment opportunities to the Fund and not to the managed accounts (or vice versa), or to one or more managed accounts and not to all managed accounts or the Fund. GMAG may also pursue and execute trades in the same or different securities for the Fund and one or more managed accounts at different times.

Those trades may cause two different performance results among the Fund and the managed accounts or amongst the various managed account Clients. GMAG may purchase securities for one or more Client or the Fund at the same time as GMAG sells securities for other Clients of GMAG or sell securities for a Client or the Fund at the same time as GMAG purchases those securities for other Clients of GMAG. GMAG will attempt to service the individual needs of each of its Clients, including the Fund. Conflicts of interest between a particular Client, the Fund, and other Clients could exist, including a conflict with the allocation of investment opportunities, time and resources among the Fund and the Client.

As noted above, GMAG, as part of an overall Client asset allocation strategy, may recommend that Clients who qualify as either “accredited investors”, as defined in the US Securities Act of 1933, as amended and/or “qualified purchasers” or “knowledgeable employees” as defined in the Investment Company Act of 1940, as amended, and the rules thereunder depending upon the Fund offering documents consider allocating a portion of that Client's investment assets among private investment funds. If the Client determines to invest in a private investment fund recommended by GMAG, GMAG may be compensated based upon the value of the assets placed in private investment funds in accordance with the Program Fee schedule or other managed account agreement. The Program Fee or other advisory fees paid to

GMAG is in addition to the fees paid to the private investment fund sponsors and managers, as described in the offering documents of any of those private investment funds. Despite its ability to take two fees, GMAG does not charge its Clients managed account fees on that portion of their assets that are invested in the GMAG Diversified Opportunity Fund. However, GMAG does charge those Clients the Management Fee as discussed above. The decision whether to invest in a fund (including the Fund) always rests with each Client, after that Client has received and reviewed the fund's offering materials (including a confidential private placement memorandum that details, among other items, the terms, risks and conflicts of interest pertaining to an investment in that fund).

## **Item 7: Types of Clients**

Our Clients are the separately managed accounts and the Fund. GMAG provides portfolio management services to individuals, high net worth individuals, trusts, estates, charitable organizations, and business entities. These types of persons may also be Investors in the Fund. The Fund is no longer raising capital, accepting Investors, or conducting new investment activities.

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

### **Methods of Analysis & Investment Strategy**

With respect to managed account Clients, GMAG utilizes a variety of different sources of financial information in connection with its analysis of securities. Those sources include financial publications, inspections of corporate activities, research materials and reports, corporate rating services, annual reports, prospectuses, SEC filings, and company press releases. Research services are received in various forms, which may include, without limitation, written reports and information obtained via electronic sources including the internet. Employees of GMAG also attend industry conferences.

GMAG will review each person or firm that manages a mutual or exchange traded fund, privately placed pooled investment vehicle, or other investment strategy for which an investment is being considered. They will use one or more of the following methods of due diligence: meetings/ongoing conference calls with such persons and his or her staff; verification of references; background reviews with respect to regulatory matters, education and professional history; reviews of audited financial statements; and verification of performance claims.

### **Investment Strategies**

#### **Managed Account Clients**

The primary investment strategy we use for Client accounts is strategic asset allocation. Asset Allocation is the process for determining a long-term asset allocation that is appropriate for an investor, as well as considering how each asset class will fare in the intermediate-term in relation to its long-term expectations. The first step is to define which asset classes exist and how to categorize the world of investments. Asset classes must be unique, and investable for consideration. We believe there are a number of asset classes from which suitable selections can be made for Clients. It is also important to classify these asset classes more broadly into groups that investors can understand. Asset classes generally serve one of three purposes: Growth, Preservation, or Inflation Protection. By using broad categories that establish a clear goal and objective, we believe investors can better determine their proper allocation, and therefore have portfolios that better fit their risk profile.

The investment strategy for a specific Client is based upon their investment objective and financial circumstances stated by the Client during consultations. The Client may change these objectives at any time. In performing our services, we are not required to verify any information received from the Client or from the Client's other professionals and are expressly authorized to rely on information from the Client. Moreover, each Client is advised that it remains their responsibility to promptly notify GMAG if there is ever any change in their financial situation or investment objectives for the purpose of reviewing/evaluating/revising GMAG's previous recommendations and/or services.

#### **The GMAG Diversified Opportunity Fund**

The Fund elected to dissolve and terminate as of July 1, 2016. This election was taken with a focus on the best interests and equitable treatment of all Fund Investors. The Fund continues in existence for the sole purpose of strategically and opportunistically returning capital to its current Investors through liquidation. The Fund is no longer raising capital, accepting Investors, or conducting new investment activities. Further to align with the best interests and equitable treatment of all Fund Investors, the General Partner, has waived the incentive allocation of net gain for the calendar year 2016 through the date of dissolution of the Fund. GMAG, the Investment Manager, has significantly reduced its management fees commencing July 1, 2016.

#### **Material Risks of Strategies and Securities**

Investing in securities involves a risk of loss that Clients and Investors in the Fund should be prepared to bear. Investing involves risk, including the risk of loss. There can be no assurance that the investment objective of our Clients and Investors will be achieved and that Clients and Investors will not incur losses. In addition to the risks listed below, Clients should review the respective offering or similar documents of each mutual fund, ETF and other security or instrument in its portfolio or recommended for purchase by us (including the Fund), for a detailed description of risk factors associated with a particular investment or portfolio. We encourage all of our Clients to meet with us on regular basis to review the assets in the account and the specific risk parameters for the account.

#### **Managed Account Risks**

Capital values fluctuate, especially so over shorter periods of time. The possibility of capital loss does exist. However, historical data suggests that the risk of principal loss can be minimized if a long-term investment mix, chosen in accordance with your risk tolerances and objectives, is maintained over the long-term. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains are realized on successful investments. Clients may not get a return of capital or realize any gains on their investments. If they do, those returns, or gains may not occur for a substantial period of time after investing with us.

GMAG may utilize a range of different investment strategies depending upon the investment objectives of the Client. The associated risks will vary depending upon which investment products and strategies are employed. Risks associated with GMAG investment strategies as applicable, include, but are not limited to the following;

Although we generally limit our investments for Clients to listed securities, mutual funds and exchange-traded funds ("ETFs"), we are not required to diversify our strategies. We may invest in a limited number of strategies or with a limited number of mutual funds and ETFs. In addition, funds that we recommend may invest in underlying funds in the same or similar securities, further limiting the diversification of

managed accounts.

We may invest in strategies or markets that underperform as compared to other strategies or securities markets generally. This strategy may cause Client accounts to underperform as compared to other investment vehicles that invest in different asset classes. Different types of securities (for example, large-, mid- and small- capitalization stocks or growth or value stocks) tend to go through cycles of performing better—or worse— than the securities markets generally. In the past, these periods have lasted in excess of several years.

We may utilize such investment techniques as leverage, margin transactions, short sales, option transactions, and forward and futures contracts. These practices can, in certain circumstances, maximize the adverse impact to which Client accounts may be subject. We cannot guarantee or represent that our investment strategy will be successful, and investment results may vary substantially over time.

Changes in interest rates will affect the value of fixed income investments. In general, as interest rates rise, bond prices fall, and conversely, as interest rates fall, bond prices rise. Interest rate risk is generally greater for high yield securities; however, higher-rated fixed income securities are also subject to this risk. Increased interest rate risk is also a factor when investing in fixed income securities paying no current interest (such as zero-coupon securities and principal-only securities), interest-only securities and fixed income securities paying non-cash interest in the form of other securities.

The trading prices of equity securities fluctuate in response to a variety of factors. These factors include events impacting a single issuer, as well as political, market and economic developments that affect specific market segments and the stock market as a whole. The value of Client accounts, like stock prices generally, will fluctuate within a wide range in response to these factors. As a result, Client accounts could lose value over short or even long periods.

The value of assets or income from investments may be less in the future as inflation decreases the value of money. As inflation increases, the value of fixed assets can decline. This risk is greater for fixed- income securities with longer maturities.

The issuer or guarantor of a fixed income security may be unable or unwilling to make timely payments of interest or principal. This risk is magnified for lower-rated debt securities, such as high yield securities. High yield securities are considered predominantly speculative with respect to the ability of the issuer to make timely payments of interest or principal. In addition, funds that invest in fixed income securities issued in connection with corporate restructurings by highly leveraged issuers or in fixed income securities that are in default may be subject to greater credit risk because of those investments.

Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect a security's or instrument's value. The value of securities or instruments of smaller, less- well known issuers can be more volatile than that of larger issuers. Issuer-specific events can have a negative impact on the value of Client accounts.

Private investment funds are speculative, not suitable for all investors, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can

include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity in that there may be no secondary market for the investment and none is expected to develop, volatility of returns, restrictions on transferring interests in the investment, potential lack of diversification and resulting higher risk due to concentration of trading authority depending on the numbers of advisor(s) utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds; and risks associated with operations, personnel, and processes of the manager. Private investment funds may invest in a limited number of strategies, a limited number of direct investments, and with a limited number of portfolio managers

Clients must promptly apprise us of any material changes in their financial condition, or of any other change having a material effect on their investment objectives or goals. If they fail to inform us of any change and we do not modify our strategy to account for these changes, their accounts could suffer, adverse consequences.

#### **Managed Account Liquidity Risks**

We may invest our Clients' assets in a blend of liquid, publicly traded mutual funds and ETFs which may, in turn, invest in or be comprised of a variety of securities and other instruments. Certain types of securities, such as non-investment grade debt securities, small capitalization stocks, securities issued by real estate investment trusts, and emerging market securities are subject to the risk that the securities may not be sold at the quoted market price within a reasonable period of time. A managed account holding those securities may experience substantial losses if required to liquidate these holdings.

The mutual funds and ETFs in which we may invest our Clients' assets may, in turn, invest in non-U.S. securities and other financial instruments denominated in non-U.S. currencies. Investments in securities of non-U.S. issuers and securities denominated in non-U.S. currencies pose currency exchange risks to the extent they are not hedged. In addition, foreign securities regulators may exercise less regulatory supervision than those in the United States, and foreign governments may afford less legal protection to the pooled investment vehicles as Investors than that of the U.S. government.

We may invest our Clients' assets in emerging or developing markets. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which have less stability than those of more developed countries. Investments in securities in developing market countries are also generally more volatile and less liquid than investments in securities in markets of developed countries. Emerging market securities may be subject to currency transfer restrictions and may experience delays and disruptions in securities settlement procedures. Certain emerging markets are closed in whole or part to the direct purchase of equity securities by foreigners. In addition, fund that invests in foreign securities or securities denominated in foreign currencies may be adversely affected by changes in currency exchange rates, exchange control regulations, foreign country indebtedness and indigenous economic and political developments.

We may invest our Clients' assets in high yield securities. High yield securities, also known as "junk bonds," are below investment grade quality and may be considered speculative with respect to the issuer's continuing ability to make principal and interest payments. These types of securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities. Yields on high yield securities will fluctuate. The secondary markets in which lower-rated

securities are traded may be less liquid than the markets for higher-rated securities. A lack of liquidity in the secondary trading markets could adversely affect the price at which Clients or the funds they own could sell a particular high yield security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause fluctuations in the value of Client accounts. Adverse publicity and Investor perceptions may decrease the values and liquidity of high yield securities generally.

We may invest our Clients' assets in real estate investment trusts, or REITs, which may be subject to certain risks associated with the direct ownership of real property, including declines in the value of real estate, risks related to general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses and variations in rental income.

We may recommend for our Clients private investment funds where an investor can expect a lack of liquidity in that there may be no secondary market for the investment, and none is expected to develop.

### **Fund Risks**

We advise Clients on investments in private investment funds which may be in limited partnerships, limited liability companies, corporations or other entities. As discussed earlier, the GMAG Diversified Opportunity Fund ("the Fund") is no longer raising capital, accepting Investors, or conducting new investment activities.

Private investment funds, such as the Fund, generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the private investment fund offering documents. Each prospective Client will be required to complete a subscription agreement to establish qualification for investing in private investment funds and also to acknowledge understanding and acceptance of the merits and risks of the investment.

The performance of a private investment fund will be dependent in part upon the integrity, skill, and judgment of its portfolio managers.

We conduct the amount and depth of due diligence that we believe is adequate to recommend the appropriate portfolio managers with which to invest. However, due diligence is not a guarantee and may not uncover problems associated with a particular portfolio manager or an investment. We may rely upon representations made by hedge fund managers, accountants, attorneys, prime brokers and other investment professionals. If any representation is misleading, incomplete, or false, it may result in the selection of portfolio managers that might otherwise have been eliminated from consideration had complete and accurate information been made available.

The separate Management Fee payable to GMAG based upon the value of the assets placed in private investment funds in accordance with the Program Fee Schedule or other managed account fee schedule will result in a layering of fees, which will reduce the rate of return that the Investor will derive from the underlying investments. Despite its ability to take two fees, GMAG does not charge two management fees on that portion of the Clients assets that are invested in the GMAG Diversified Opportunity Fund.

The Fund has invested in certain types of securities, such as non-investment grade debt securities, small capitalization stocks, securities issued by real estate investment trusts, and emerging market securities

which are subject to the risk that the securities may not be sold at the quoted market price within a reasonable period of time. A pooled investment vehicle holding these securities may experience substantial losses if it is required to liquidate them.

A portfolio manager of a private investment fund may have an inability to exit underlying funds because of, among other things, poor performance by those underlying funds, regulatory actions or complaints against those underlying funds, or volatility in the markets in which those funds invest. Underlying funds in which a portfolio manager invests have the right to defer or suspend withdrawals in the event those situations arise, or that a suspension is otherwise considered to be in the best interest of those underlying funds. The organizational documents of the underlying funds may impose additional limitations on withdrawal.

Private investments funds are speculative, not suitable for all investors, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity in that there may be no secondary market for the investment and none is expected to develop, volatility of returns, restrictions on transferring interests in the investment, potential lack of diversification and resulting higher risk due to concentration of trading authority depending on the numbers of advisor(s) utilized, absence of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds; and risks associated with operations, personnel, and processes of the manager. Private investment funds may invest in a limited number of strategies, a limited number of direct investments, and with a limited number of portfolio managers.

### **Item 9: Disciplinary Information**

Neither we nor any of our management personnel are subject to or have in the past been subject to any criminal or civil action in any domestic or foreign court, and neither we nor any of our management personnel have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

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

GMAG is affiliated with GMAG Risk Management LLC, an entity through which designated persons, including GMAG personnel are licensed insurance agents.

GMAG may introduce clients to GMAG Risk Management, for the purpose of selling insurance products and GMAG associated persons may receive commissions as a result of their affiliation with GMAG Risk Management, LLC.

While GMAG associated persons, at all times, puts the interest of the Clients first as part of GMAG's fiduciary duty, Clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgement of individuals making recommendations.

Clients are under no obligation to purchase insurance products through GMAG Risk Management or its associated persons. Insurance commissions earned by GMAG associated persons is in addition to any advisory fees paid by you to GM Advisory Group. GMAG does not charge advisory or consulting fees on



insurance products purchased through GMAG Risk Management.

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

GMAG has adopted a Code of Ethics (the “Code of Ethics”) for all supervised persons of GMAG describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at GMAG must acknowledge the terms of the Code of Ethics annually, or as amended.

GMAG has implemented an investment policy relative to personal securities transactions. This investment policy is part of GMAG’s overall Code of Ethics which serves to establish a standard of business conduct for all of GMAG’s associated persons that is based upon fundamental principles of openness, integrity, honesty and trust. GMAG’s clients or prospective clients may request a copy of GMAG’s Code of Ethics by contacting Margaret Iamunno.

In accordance with Section 204A of the Advisers Act, GMAG also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by GMAG or any person associated with GMAG.

GMAG anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it may cause accounts over which GMAG has management authority to effect and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which GMAG, its affiliates and/or clients, directly or indirectly, have a position of interest. GMAG’s employees and persons associated with GMAG are required to follow GMAG’s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of GMAG and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for GMAG’s clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of GMAG will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of GMAG’s clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics and is structured to reasonably prevent conflicts of interest between GMAG and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with GMAG’s obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. GMAG

will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a prorated basis. Any exceptions will be explained on the trade order.

It is GMAG's policy that GMAG will not affect any principal or agency cross securities transactions for client accounts. GMAG will also not effect cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account.

## **Item 12: Brokerage Practices**

GMAG generally recommends that Clients utilize the custody, brokerage and clearing services provided by Pershing Advisor Solutions, LLC ("Pershing"), Charles Schwab & Co., Inc. ("Schwab"), or Interactive Brokers ("IB"). Prior to engaging GMAG to provide investment management services, the Client will be required to enter into a formal Investment Advisory Agreement with GMAG setting forth the terms and conditions under which GMAG shall manage the Client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Qualitative and quantitative factors that GMAG considers in recommending Pershing, Schwab, and/or IB (or another broker-dealer/custodian,) include historical relationship with GMAG, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees charged by the broker-dealer/custodian shall comply with our duty to obtain best execution, the broker-dealer/custodian may charge a commission that is higher than another qualified broker-dealer might charge to effect the same transaction. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although GMAG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for Client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of GMAG's investment management fee.

### **Soft Dollar Fees**

GMAG does not receive Soft Dollar Benefits from a broker-dealer or a third party.

### **Brokerage for Client Referrals**

GMAG does not receive client referrals from a broker-dealer or third party.

### **Directed Brokerage Arrangements**

GMAG accepts directed brokerage arrangements when a client requires that transactions be effected through a specific broker-dealer. In such Client directed arrangements, the Client will negotiate terms and arrangements for their account[s] with that broker-dealer, and GMAG will not seek better execution services or prices from other broker-dealers or be able to "batch" the Client's transactions for execution through other broker-dealers with orders for other accounts managed by us. As a result, the Client may

pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account[s] than would otherwise be the case.

### **Aggregation**

The aggregation or blocking of Client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to the Clients. Our policy is to aggregate Client transactions where possible and when advantageous to the Clients. In these instances, the Fund participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. We currently seek to achieve this by executing transactions in the Client Accounts. Those blocked orders may include orders on behalf of Clients that participate in the Wrap Fee Program as well as Clients that do not participate in the Wrap Fee Program, including the Fund. Trading of aggregate batches of securities composed of assets from multiple Client accounts allows us to execute equity trades in a timely and equitable manner and to reduce overall transaction charges incurred by us. Any reduction in transaction charges incurred by us will not reduce the fees charged to Clients participating in the Wrap Fee Program. In connection with the execution of any such trade, no advisory Client will be favored over any other advisory Client, and each Client that participates in an aggregated batch order will participate at the average share price for all of GMAG's transactions in the applicable securities during the applicable business day.

We may have, through our clearing/custodial firm relationships, limited access to initial public offerings of shares ("IPO") and in limited circumstances may purchase and recommend for purchase IPOs for its Client accounts. If one or more managed account Clients request that GMAG purchase a specific IPO, GMAG will evaluate the suitability of the investment and may, if available, purchase that IPO for each of the requesting managed account Clients' accounts on a pro-rata basis among all requesting Clients. We shall use reasonable efforts to allocate available IPO shares on a fair and equitable basis, and in adherence to applicable laws, rules, and regulations, including FINRA Rule 5130.

### **Allocation**

Our policy prohibits any allocation of trades in a manner that results in more favorable treatment for our proprietary accounts, affiliated accounts, or any Client Account.

We have adopted a policy for the fair and equitable allocation of transactions that generally analyzes each trade, taking into consideration the specifics of each trade and the characteristics of each Client Account. To the extent that the Fund and the separately managed accounts participate in a particular transaction such transaction will generally be allocated pro-rata among such Client Accounts, unless facts specific to the transaction and Client Accounts warrant an alternative allocation methodology.

## **Item 13: Review of Accounts**

### **Review of Accounts and Reporting**

Client accounts are reviewed by the Managing Principal in concert with internal Portfolio Managers. While the underlying securities within these Client accounts are continuously monitored, those accounts are formally reviewed at least quarterly. More frequent reviews may be triggered by material changes in variables such as the Client's individual circumstances, or the market, political or economic environment.

We advise all of our managed account Clients that it is their responsibility to advise us of any changes in their investment objectives or financial situation. We ask all of our managed account Clients to review financial planning issues (to the extent applicable), investment objectives, and account performance, with us on an annual basis.

We also review and monitor the investments of the Fund on an ongoing basis.

The broker-dealer/custodian provides managed account Clients with transaction confirmation notices and regular summary account statements directly. We shall provide performance reports for each Client's account, at least annually. Clients are encouraged to contact GMAG to discuss ongoing access to account information for their accounts.

Investors in the Fund will receive annual audited financial reports and quarterly unaudited statements of net asset value. GMAG has arranged for an auditor to examine and report upon the financial statements of the Fund at the end of each fiscal year. Copies of the audited financial statements will be furnished to each Investor as soon as practicable after the end of each fiscal year. The Fund reserves the right to make interim reports available solely in electronic form on the web site (with appropriate password protections) of the Fund, GMAG, or the Fund's custodian.

We review the Client accounts on a continual basis to assure conformity with their investment objectives and guidelines. We engage in active management for the Client accounts and, accordingly review our transactions, positions and cash balances on a daily basis.

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

We do not compensate any person, either directly or indirectly, for Client referrals who is not our supervised person.

#### **Item 15: Custody**

We will comply with the requirements of the Rule 206(4)-2 of the Advisers Act with regards to custody of assets of the Fund ("Custody Rule").

For certain Client accounts, we are deemed to have custody, and for certain circumstances where custody is implied, in order to comply with the Custody Rule, GMAG has an independent accounting firm perform a surprise examination of those assets annually.

Client funds and securities are held in custody by qualified custodians, such as unaffiliated broker-dealers or banks. Clients will receive quarterly account statements or appraisals directly from their qualified custodian that holds and maintains client assets. We currently primarily utilize Pershing, LLC, Charles Schwab & Co., and Interactive Brokers as custodians. Managed account Clients should receive at least quarterly statements from the custodian. GMAG urges Clients to carefully review those statements and compare the official custodial records to the performance reports that we may be provided to them. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Annually, upon completion of the Fund's annual audit, we will distribute the audited financials along to

Investors in the Fund. The CCO shall ensure that the Fund's audited financials are delivered to all Investors within 180 days of the fiscal year end.

An investment adviser to a private fund need not arrange for the custodian to send to each Investor (or the fund itself) a quarterly account statement or have an annual surprise examination if the fund (i) is subject to an audit (as defined in section 2(d) of Article 1 of Regulation S-X) by an accountant registered with the Public Company Accounting Oversight Board at least annually and upon liquidation, and (ii) distributes its audited financial statements prepared in accordance with generally accepted accounting principles to all Investors (or, in certain cases, the Fund itself) within 180 days of the end of the fund's fiscal year. We rely upon this audit exception for the Fund.

### **Item 16: Investment Discretion**

Where we have discretionary authority to determine, without obtaining specific consent, securities to be bought or sold, the amount of securities to be bought or sold, broker-dealer to be used and the commission rates paid. This authority is established by the Wrap Fee Investment Advisory Agreement or other pertinent investment advisory agreement signed by the Client and GMAG. We exercise that discretion based on the stated investment objectives for the particular Client Account.

When selecting securities and determining amounts, GMAG observes the investment policies, limitations and restrictions of the Clients for which it advises. Any limitations of discretionary authority will be included in the written agreement between each Client and GMAG. Clients may amend those limitations in writing submitted to us.

For the Investors in the Fund, any limitations on authority are included in the Fund's and the Client Accounts' investment management agreement, or governing documents, as applicable.

### **Item 17: Voting Client Securities**

GMAG does not vote proxies for its managed account clients. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. GMAG and/or the client instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

If GMAG inadvertently receives proxy information for a security held in a managed account client's account, GMAG will immediately forward such information to the appropriate managed account client, but will not, and will not be obligated to, take further action with respect to the voting of such proxy. Upon termination of its agreement with a managed account client, GMAG shall make a good faith and reasonable attempt to forward proxy information received by GMAG on behalf of such managed account client to the forwarding address provided by such client to GMAG.

GMAG affirmatively disclaims responsibility for voting (by proxies or otherwise) on, and will not take any action with regard to, all matters (other than forwarding proxies and proxy information to managed account clients) for which shareholder action is required or solicited with respect to securities beneficially

held by a client's managed account, including, without limitation, (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) all matters relating to bankruptcies or reorganizations.

Relating to the Fund. To the extent that we have been delegated proxy voting authority on behalf of the Investors, we comply with our proxy voting policies and procedures that are designed to ensure that in cases where we vote proxies with respect to client securities, such proxies are voted in the best interest of the Client.

The Investors in the Fund may not direct voting of proxies. If a material conflict of interest between us and a Fund exists, we will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interest of the Fund or take some other appropriate action.

Upon request, we will provide Clients with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Fund.

### **Item 18: Financial Information**

GMAG does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered.

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to Clients, and have not been the subject of a bankruptcy proceeding