



## **Part 2A of Form ADV: *Firm Brochure***

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02/22/2019

This brochure provides information about the qualifications and business practices of Israel Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (303) 861-3798. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Israel Investment Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 153952.

## **Item 2    Material Changes**

This Firm Brochure, dated 02/22/2019, is our disclosure document prepared according to the SEC's requirements and rules "Amendments to Form ADV" adopted in July 2010. As you will see, this document is in narrative format.

Consistent with the rules, you will receive a copy of this document (Item 2) which summarizes any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

There have been no material changes to the Firm Brochure since the March 2018 revision.

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## **Item 4    Advisory Business**

Israel Investment Advisors, LLC (hereinafter “IIA” or “we”) is a SEC-registered investment adviser with its principal place of business located in Colorado. IIA began conducting business in 2010.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

- GHP Investment Advisors, Inc.

IIA offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

#### **ISRAEL INVESTMENT FUND, L.P.**

IIA is the general partner of the Israel Investment Fund, L.P. (the “IIF”). The IIF is a Delaware limited partnership under the Delaware Revised Uniform Limited Partnership Act, as amended. The IIF is structured to rely on an exclusion from the definition of an “investment company” under the Investment Company Act of 1940, as amended, and, therefore, is not registered with the SEC as an investment company. The partnership's objective is long-term capital growth through investments in a portfolio of, among other things, publicly traded Israeli securities. IIA may recommend the IIF to certain clients, but only as a piece of a diversified portfolio and only upon an assessment of the client’s investment objectives, tolerance for risk, liquidity and suitability. Clients and prospective clients should refer to the IIF’s “Private Placement Memorandum” for details regarding the IIF and the risks related to investing in the IIF. The sale of the IIF is limited to investors who are accredited investors.

### **SEPARATE ACCOUNTS**

IIA provides Investment Supervisory Services that consist of the management of investment accounts (“Separate Accounts”) for clients on a discretionary basis. We manage these accounts based on the Israel-focused investment strategy outlined in the “Methods of Analysis, Investment Strategies and Risk of Loss” section (Item 8), and in accordance with client-specified guidelines and objectives. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company, and will generally include advice regarding the following securities:

- Investment Partnership: Israel Investment Fund, L.P.
- Exchange-listed securities
- Securities traded over-the-counter

- Foreign issuers
- Warrants
- Corporate debt securities
- Options contracts on securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with our reasonable assessment of the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **PUBLICATION OF PERIODICALS**

IIA may publish newsletters from time to time covering general information on current market trends, economic conditions, etc. No specific investment recommendations are provided in these newsletters and the information provided does not purport to meet the objectives or needs of any individual. These newsletters are distributed free of charge to our advisory clients and prospective clients.

## **AMOUNT OF MANAGED ASSETS**

As of 12/31/2018, we were actively managing approximately \$8,246,569 of clients' assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES INVESTMENT MANAGEMENT FEES**

#### **Israel Investment Fund, L.P.**

IIA, as the general partner of the Israel Investment Fund, L.P. ("the IIF"), receives from each limited partner a quarterly fee (the "Management Fee"), in arrears, in an amount equal to one quarter of one percent (0.25%) of such limited partner's share of the net value of the assets of the partnership as of the end of each quarter (1% on an annualized basis). The general partner, in its sole and absolute discretion, may reduce or waive the Management Fee payable by a limited partner that is an affiliate of the general partner or by any other limited partner.

At the end of each fiscal year, the general partner is allocated by credit to its capital account and each limited partner is allocated by debit to its capital account an amount equal to ten percent (10%) of such limited partner's pro rata share of the net capital appreciation for each fiscal year (the "Incentive Allocation"). The general partner, in its sole and absolute discretion, may reduce or waive the Incentive Allocation allocable from a limited partner that is an affiliate of the general partner or from any other limited partner.

The Incentive Allocation is subject to a “High Water Mark.” This means that an Incentive Allocation is made with respect to a limited partner only if such limited partner’s investment has recovered any net capital depreciation, taking into account such limited partner’s share of Management Fees, debited to it for prior years. This calculation is adjusted for withdrawals of capital.

In addition to the Management Fee and the Incentive Allocation, the IIF incurs operating expenses which include all commissions, research fees, interest on margin accounts and other indebtedness, custodial fees, bank service fees and any other reasonable expenses related to the evaluation, acquisition, monitoring or disposition of partnership investments, accounting, legal, technical, taxes and other governmental changes, insurance premiums and other operating expenses and all expenses in connection with the offer and sale of limited partnership interests, as is determined by the general partner in its sole and absolute discretion.

Each partner is charged a proportionate share of all operating expenses, provided however, that to the extent the auditing and accounting fees of the partnership exceed one-half percent (0.50%) of the net asset value of the partnership, calculated annually, any amounts in excess of such expense limitation shall be paid by the general partner.

### **Separate Accounts**

The annual investment management fee for Separate Accounts is one percent (1%) of the assets under management. Investment management fees are payable quarterly in arrears and are calculated based on the value (market value or fair market value in the absence of market value) of the account on the last day of the calendar quarter for which services are being billed.

IIA also charges an annual performance fee on Separate Accounts equal to ten percent (10%) of the net capital appreciation. This performance fee is subject to a “High Water Mark.” This means that the performance fee will only be assessed if a client’s investment account has recovered any net capital depreciation, net of management fees, debited to it for prior years. This calculation is adjusted for withdrawals of capital. Performance fees are calculated annually at the end of the calendar year.

Investment management fees and performance fees are typically debited from the client’s account in accordance with the authorization in the client’s account application.

Separate Accounts managed by IIA may also be subject to additional fees and expenses charged by third-party service providers, which are described in more detail under “General Information” in this section.

### **MINIMUM ACCOUNT SIZE**

IIA has established certain initial minimum account requirements based on the nature of the services provided. These account sizes may be negotiable under certain circumstances, and are described in further detail in Item 7.

## PUBLICATION OF PERIODICALS

As previously stated in the "Publication of Periodicals" section (Item 4), newsletters published by IIA are distributed free of charge to our advisory clients and prospective clients.

## GENERAL INFORMATION

*Limited Negotiability of Advisory Fees:* With respect to its Separate Accounts, IIA retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These may include, among other factors, the complexity of the client relationship, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition and reporting requirements, among other factors. The specific annual fee schedule will be identified in the contract between IIA and each client.

Special client requirements, such as compliance with special investment restrictions or the use of specially designed securities universes, and particular facts and circumstances relating to certain accounts, may also result in different fee rates.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annual fee.

Clients with whom IIA works in developing new services or investment approaches may be charged a lower fee.

Discounts not generally available to our advisory clients may be offered to family members and friends of associated persons of our firm.

*Additional Fees and Expenses:* In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers. Please refer to the "Brokerage Practices" section (Item 12) for additional information.

*Grandfathering of Minimum Account Requirements:* Pre-existing advisory clients are subject to IIA's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements may differ among clients.

*ERISA Accounts:* IIA may be deemed to be a fiduciary to advisory clients that are employee benefit plans, pursuant to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to individual retirement accounts ("IRAs"), pursuant to Section 4975 of the Internal Revenue Code of 1986, as amended ("Internal Revenue Code"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, IIA may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or Rule 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or Rule 12b-1 fees, however, only when such fees are used to offset IIA's advisory fees.

*Advisory Fees in General:* Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

*Limited Prepayment of Fees:* Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

### **PERFORMANCE-BASED FEES**

As previously disclosed in the “Fees and Compensation” section (Item 5), our firm accepts a performance-based fee in its role as investment manager for Separate Accounts and its role as the general partner of the Israel Investment Fund, L.P. (“IIF”).

Clients should be aware that performance-based fee arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

This incentive creates potential conflicts of interest. In order to mitigate the risks of such conflicts, IIA relies on policies and procedures that seek to emphasize IIA’s fiduciary duties to clients. Pursuant to such policies and procedures, IIA’s Chief Compliance Officer is tasked with the review of accounts for consistency with IIA’s investment objectives and limitations.

## **Item 7 Types of Clients**

IIA currently provides advisory services to the following types of clients:

- Other pooled investment vehicles (e.g., hedge funds)

In addition, IIA intends to provide advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Trusts, estates or charitable organizations
- Corporations or other businesses not listed above

Our firm has established certain initial minimum account requirements based on the nature of the services provided. As a condition for providing investment supervisory services for Separate Accounts, IIA imposes a minimum dollar value of assets under management of \$1 million. The minimum investment for limited partners in the Israel Investment Fund, L.P. is \$100,000. These



account sizes may be negotiable under certain circumstances. IIA may group certain related client accounts for the purposes of achieving the minimum account size.

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

IIA offers investors the opportunity to participate in the growth and development of the Israeli economy and financial markets. We manage portfolios of primarily Israeli stocks and bonds based on a rigorous investment process. Short-term volatility is difficult to predict in the financial markets so we seek to understand the long-term fundamental relationships between risk and reward.

### **METHODS OF ANALYSIS**

We may use some or all of the following methods of analysis in formulating our investment advice and/or managing client assets.

*Fundamental Analysis:* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

To help us determine if an investment is overvalued, undervalued, high-risk or low-risk, we establish a benchmark for each sector of the Israeli stock market. Through our research we eliminate overvalued, high-risk investments and focus on moderate risk stocks. We take the same approach when analyzing Israeli fixed income and real estate securities in comparison with the equities market.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

*Risks for all forms of analysis:* Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **INVESTMENT STRATEGIES**

IIA may use some or all of the following strategies when managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, liquidity needs and time horizons, among other considerations.

*Long-term purchases:* We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or

- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

*Short-term purchases:* Short-term purchases are not a core investment strategy for IIA. Consequently, we do not use short-term purchases on a regular basis. In limited cases, however, we may purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize—we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and may result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment for short-term capital gains.

*Margin transactions:* We do not use margin transactions as an investment strategy. However, we do recommend, where appropriate, that a client establish a margin account with the client's broker. In this situation, if we are selling one stock and purchasing another stock with the proceeds, we can use the margin account to make certain that the client is not left out of the purchase if we have difficulty completing the sale.

*Option writing:* We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the holder the right to buy an asset at a certain price within a specific period of time. We may buy a call if we believe that the price of the stock will increase before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. We may buy a put if we believe that the price of the stock will fall before the option expires.

We may use options to speculate on the possibility of a price swing. We may also use options to "hedge" a purchase of the underlying security—in other words, we may use options to limit the potential upside and/or downside of a security we have purchased for your portfolio. A risk of buying

options is that the holder could lose the premium paid if the anticipated shift in the underlying stock price does not occur before the option expires.

We may use "covered calls", in which we sell a call option on a security you own. In this strategy, you receive a fee for making the option available, and give the person purchasing the option the right to buy the security from you at an agreed-upon price. A risk of covered calls is that they potentially limit the upside of the underlying stock, and if we want to sell the stock prior to the end of the option agreement, we may have to buy the option back and incur a loss.

*Private Funds:* "Private funds" such as the IIF are typically structured to rely on exclusions from registration under the Investment Company Act of 1940, as amended, and therefore are not subject to the same oversight, reporting obligations or investment restrictions as registered investment companies.

## **RISK OF LOSS**

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. In addition to the risks associated with the methodologies and strategies described above, certain risks may be applicable to your investments, including, but not limited to:

*Market Risk:* The value of a portfolio may fluctuate over time in response to overall movements in the stock market.

*Equity Securities Risk:* The prices of equity securities fluctuate based on changes in a company's financial condition and overall market and economic conditions. The value of equity securities could decline if the financial condition of the companies declines or if overall market and economic conditions deteriorate.

*Investments in Israel:* IIA's investments in securities of Israeli companies may expose it to special risks and considerations, including, but not limited to, privatization risk, currency risk, geopolitical and terrorism risk, and sector and concentration risk.

*Other Risks Associated with the IIF:* Investments in the IIF are also subject to risks arising in connection with the types of instruments typically purchased by the IIF, or with regulatory and structural concerns specific to the IIF. These may include, but are not limited to, concentration risk, small-cap company risk, options risk, risk of changes in applicable law, and liquidity risk. For a more detailed discussion of these risks, please consult the IIF's private placement memorandum.

## **Item 9 Disciplinary Information**

IIA is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no material disciplinary events to disclose.

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

### ***Affiliated Investment Advisers:***

GHP Investment Advisors, Inc. ("GHPIA"), a SEC-registered investment adviser, is the majority owner and managing member of IIA. Members of our firm's management are also managers of GHPIA. In their separate capacities, these individuals provide advisory services through GHPIA.

The advisory services delivered by GHPIA are distinct from those provided by our firm and are provided for separate compensation. GHPIA's advisory services may be recommended to our clients for whom they are appropriate. There are no referral fee arrangements between our firms for these recommendations.

GHPIA provides administrative services to IIA for which GHPIA receives an administration fee of up to 0.10% of IIA's assets under management. GHPIA also provides IIA with investment management services for which GHPIA receives an investment management fee of up to 0.25% of IIA's assets under management. GHPIA may, in its sole and absolute discretion, reduce or waive these fees.

As our affiliations with GHPIA may present potential conflicts of interest, we have established written policies and procedures for insider trading that impose reporting obligations and other restrictions on any member, officer or employee of these firms from buying, selling or recommending the securities of companies bought, sold or recommended by IIA where the decision is substantially derived, in whole or in part, by reason of access to the recommendations of IIA to our clients.

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

### ***Affiliated Certified Public Accountants:***

One shareholder of GHPIA is also a Tax Consultant of the accounting firm Crowe. This shareholder is an individually licensed and practicing Certified Public Accountant providing accounting services for separate and typical compensation. This individual spends the majority of his time on their accounting practice; however, he may IIA to clients for whom our investment supervisory services are appropriate. No accounting client of Crowe Horwath is obligated to use the investment supervisory services provided by IIA.

IIA may recommend the services of our Certified Public Accounting Shareholder, or of Crowe Horwath, to advisory clients in need of accounting services. Accounting services provided by the individuals are separate and distinct from IIA's advisory services, and are provided for separate and typical compensation. No client of IIA is obligated to use the accounting services of a specific Certified Public Accountant.

## *Sponsor or Syndicator of Limited Partnerships:*

### **Israel Investment Fund, L.P.**

IIA is the general partner of Israel Investment Fund, L.P. (the "IIF"). The IIF is a Delaware limited partnership under the Delaware Revised Uniform Limited Partnership Act, as amended, that operates as a private investment partnership that invests in foreign securities. IIA has a financial interest in this fund. IIA recommends to certain clients that they buy or sell this fund, but only as a piece of a diversified portfolio. Clients and prospective clients should refer to the fund's "Private Placement Memorandum" for details regarding the IIF and the risks related to investing in the IIF. The sale of the IIF is limited to investors who are accredited investors.

### **GHP International Reform and Development Fund, L.P.**

GHPIA is the general partner of the GHP International Reform & Development Fund, L.P. ("the IRDF"). The IRDF is a Delaware limited partnership under the Delaware Revised Uniform Limited Partnership Act, as amended, that operates as a private investment partnership that invests in foreign securities. GHPIA has a financial interest in this fund. IIA may refer certain clients to GHPIA for the purpose of investing in this fund. Clients and prospective clients should refer to GHPIA's disclosure document (Form ADV Part 2) and the fund's "Private Placement Memorandum" for details regarding the fund and the risks related to investing in the IRDF. The sale of the IRDF is limited to investors who are accredited investors.

## *Conflicts of Interest*

IIA and our members, officers and employees will devote to the IIF as much time as we deem necessary and appropriate to manage the IIF's business. IIA and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the IIF and/or may involve substantial time and resources of our firm and our affiliates.

Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the IIF, but must be allocated between the business of the IIF and other of our business activities and those of our affiliates. To address the risks of such conflicts, IIA's compliance policies and procedures and its Code of Ethics provide for, among other things, review of personnel time commitments and allocation of investment opportunities, to seek to assure that all activities are consistent with our fiduciary duties owed to clients.

Clients should be aware that the direct or indirect receipt of additional compensation by IIA and its management persons or employees from affiliated investment advisers and accounting firms, as well as IIA's obligations as general partner to the IIF, may create conflicts of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations or when determining time commitments.

IIA endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser. To that end, IIA has adopted certain compliance policies and procedures, including its Code of Ethics (further described in Item 11), that IIA believes are reasonably designed to mitigate conflicts that may arise. These policies and procedures provide for, among other things, periodic reviews of client accounts, restrictions on employees' outside activities, and measures that seek to deliver adequate disclosure of conflicts to clients.

***Other:***

One of IIA's principals, Andrew Kark, is also a Partner with M. Z. Kark & Associates, Inc. ("MZKA"), a SEC-registered investment adviser. MZKA is not affiliated with IIA.

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

Our firm has adopted a Code of Ethics which sets forth the high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

IIA and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

We believe that IIA's Code of Ethics is reasonably designed to protect against conflicts between the personal securities transactions (if any) of IIA's and its affiliates' principals, officers and employees (and members of their families) and transactions effected on behalf of IIA's advisory clients. The Code of Ethics is based on the principle that IIA and its employees owe a fiduciary duty to IIA's advisory clients. Thus, employees of IIA must:

1. Place the interests of advisory clients first.
2. Avoid taking inappropriate advantage of their position within IIA.
3. Conduct their personal securities transactions (if any) in full compliance with the Code of Ethics.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees 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.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person may have an interest or position in a certain securities which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account, thereby preventing such employee from benefiting from transactions placed on behalf of advisory accounts.

Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering.

IIA's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of IIA's Code of Ethics is available to any client or prospective client upon request.

## **Item 12 Brokerage Practices**

IIA participates in the institutional service program offered by Charles Schwab & Co., Inc. ("Schwab"). Schwab is a FINRA registered broker-dealer and a member of SIPC.

IIA is independently owned and operated, and not affiliated with Schwab. While there is no direct linkage between the investment advice IIA provides and its participation in this program, economic benefits are received by IIA that would not otherwise be received if IIA did not participate in this program.

Schwab provides IIA with access to institutional services which are typically not available to retail investors. These services include administrative support, record keeping and related services, the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

These services are generally available to independent investment advisers on an unsolicited basis, and are not contingent upon our firm committing any specific amount of business (assets in custody or trading commissions) except that, in the case of Schwab, certain services are only available without charge so long as a total of at least \$10 million of client assets are held on Schwab's institutional platform. (Schwab includes the assets held for our affiliated investment adviser, GHP Investment Advisors, Inc., when determining the total client assets held on Schwab's institutional platform).

Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through or that settle into accounts held on their platform. Schwab may charge clients who hold alternative investment securities (e.g., private limited partnerships) a separate custody-related fee for holding those securities.

Schwab makes available to our firm other products and services that benefit IIA but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Products and services provided by Schwab that assist us in managing and administering our clients' accounts include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements).
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts.
- Provide research, pricing and other market data.
- Facilitate payment of our fees from clients' accounts.
- Assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- Compliance, legal and business consulting.
- Publications and conferences on practice management and marketing.
- Access to service providers and human capital consultants.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to IIA. They may also discount or waive fees they would otherwise charge for some of these services, or pay all or a part of the fees of a third-party providing these services to our firm. Schwab may also provide our firm with other benefits such as educational events and occasional business entertainment.

In evaluating whether to recommend or require that a client custody their assets at Schwab, we focus on the nature, cost and quality of the custody and brokerage services provided. We may, however, take into account the availability of some of the previously mentioned products and services as part of the total mix of factors we consider, which may create a potential conflict of interest.

Our firm will consider client requests to use a custodian that IIA does not yet have a formal relationship with. In such cases our firm considers, among other factors, the cost of establishing and maintaining such a business relationship, service scope and quality, and the ability of a potential custodian to provide IIA with daily automated downloads of trading activity and account balances in a format used by IIA.

In selecting a broker-dealer, IIA uses its best judgment to choose the broker-dealer most capable of providing the services necessary to obtain best execution. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including, but not limited to:

- The broker's commission rate.
- The broker's promptness, reliability and quality of executions.



- The broker's trading expertise, ability to handle difficult trades, knowledge of other buyers and sellers, positioning and distribution capabilities.
- The broker's ability to provide IIA with market-related information.
- The broker's back-office efficiency, capital strength and financial stability, as well as prior performance and responsiveness in serving IIA and its clients.

Accordingly, while IIA will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

Subject to the requirement of seeking best execution, IIA may, in circumstances in which two or more brokers-dealers are in a position to offer similar prices and execution, give preference to a broker-dealer that can provide investment information, research services and brokerage services to IIA. In obtaining that information and those services, IIA may execute securities transactions that cause a client to pay an amount of commission in excess of the amount of commission another broker would have charged.

Investment information and research services received under such circumstances are a benefit to IIA because IIA does not directly produce or pay for the research or services. This may create an incentive to select a broker based on the research or other services provided rather than the client's interest in best execution. Under Section 28(e) of the Securities Exchange Act of 1934, IIA may do this if it determines in good faith that the amount of commission charged was reasonable in relation to the value of brokerage and/or research services provided by such broker. To mitigate and address any conflicts of interest that may arise, IIA has adopted policies and procedures to evaluate, on an ongoing basis, all commissions paid in order to ensure that the commission represents reasonable compensation for the brokerage and research services provided by such broker-dealers.

IIA uses investment information and research services that it receives from broker-dealers to evaluate securities and to formulate investment recommendations for our clients. Such information and services are used by our firm as part of its investment management process, and are helpful to IIA in serving our clients. Among other things, IIA may receive research reports, oral advice, or data from the brokers-dealers regarding particular companies, industries, or general market or economic conditions. Such investment information and research services may include, among other things:

- Information concerning pertinent federal and state legislative and regulatory developments and other developments that could affect the value of companies in which IIA has invested or may consider investing.
- Attendance at meetings with corporate management personnel, industry experts, economists, government personnel and other financial analysts and journalists
- Consultation with scientific and technical experts concerning the viability and market potential of an issuer's products and services.
- Comparative issuer performance and evaluation and technical measurement services.
- Subscriptions to publications that provide investment-related information.

- Accounting and tax law interpretations.
- Economic advice.
- Quotation equipment and services, and execution measurement services.
- Other services provided by recognized experts on investment matters of particular interest to IIA.

In addition, services may include the use of or be delivered by computer systems whose hardware and/or software components may be provided to IIA as part of the services.

In any case in which information and other services can be used for both research and non-research purposes, IIA makes an appropriate good faith allocation of those uses and pays directly for that portion of the services to be used for non-research purposes. This allocation can create a potential conflict of interest.

The investment information and research services that IIA receives from brokers-dealers are used by our firm to formulate recommendations for purchase or sale of securities. These recommendations may be made available to all of IIA's clients and are used by IIA in servicing all of its clients.

It is recognized that a particular account may be charged a commission paid to a broker-dealer who supplied research services not utilized by such account. IIA expects that each account will benefit overall by such practices because each is receiving the benefit of research services and the execution of such transactions not otherwise available to it.

### *Directed Brokerage*

For discretionary clients, IIA seeks written authority to determine the broker-dealer to use and the commission costs that will be charged to these clients for securities transactions. In such cases, IIA, consistent with its fiduciary duties, will clear securities transactions through brokers-dealers who provide acceptable execution services, reasonable commission arrangements, and support of data-related services.

In the event that a client directs IIA to use a particular broker-dealer, IIA may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct IIA to use a particular broker-dealer and other clients who do not direct IIA to use a particular broker-dealer. IIA reserves the right to refuse an account based on excessive limitations or directions to use a certain broker-dealer.

### *Trade Aggregation*

In some cases, trades may be executed in an aggregated transaction ("block trade") as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by IIA. Our firm believes that block trades may enable it, on average and over time, to obtain enhanced execution and lower brokerage commissions (although there is no certainty that such objectives will

be achieved). IIA will only execute block trades when it believes that doing so is in the best interest of the affected accounts. IIA is not obligated to aggregate orders into larger transactions.

When IIA executes block trades, the trades are generally averaged as to price and allocated in a manner which is deemed fair and equitable to each of the accounts involved. In making such allocation decisions, IIA will adhere to all applicable legal and regulatory requirements, and will use its business judgment when considering, among other things, any or all of the following:

- Each client's investment objectives, guidelines and restrictions.
- The size of each client's order.
- The amount of investable funds available in each client's account.
- The amount already committed by each client to that or similar investments.
- The size and structure of each client's portfolio.

Although IIA will use its best efforts to be fair and equitable to all clients, there can be no assurance that any particular investment will be proportionately allocated among clients according to any particular or predetermined standard or criteria.

In the event IIA purchases for client accounts shares in initial public offerings ("IPOs"), IIA will generally allocate such offerings amongst client accounts in proportion to the asset values of the accounts (subject to account restrictions, available investable funds, and suitability considerations). Our firm expects such instances to be rare given IIA's investment strategies.

Because IIA manages client accounts based on client specific investment guidelines, objectives, and restrictions, a particular security may be purchased for one or more clients at a time when one or more clients are selling the same security. In such cases, when IIA believes it is appropriate and in accordance with applicable law and regulations, IIA may effect third-party agency cross transactions between two or more accounts. IIA believes that such transactions can benefit both accounts by effecting a transfer of securities from one account to another at a reduced cost. IIA generally executes agency cross transactions only through an independent third-party broker-dealer which may receive minimal or no compensation for this accommodation.

In the process of managing client accounts, IIA may purchase securities that are not listed on a national securities exchange but that are instead traded in the over-the-counter market. Our firm may also purchase listed securities in the third market (over-the-counter trades of exchange-listed securities) or fourth market (direct trades of securities between institutional investors without intermediation of a broker-dealer). Where transactions are executed in the over-the-counter market or third market, IIA will seek to deal with the primary market-makers, but when necessary in order to obtain the best price and execution, it will utilize the services of others. In all cases, IIA will attempt to secure best execution.

### **Equity Trust Company**

IIA also maintains a relationship with Equity Trust Company. IIA's relationship with Equity is limited to Equity custodian services. IIA may use these services for Limited Partners of the IIF who hold their

partnership position in an IRA account. IIA does not receive any investment information or research services from or execute trades through Equity Trust Company.

## **Item 13    Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** The individual securities held in the IIF and client portfolios are monitored daily. General parameters of managed accounts (e.g., securities transactions, deposits, withdrawals, cash balances, etc.) are reviewed daily. Client portfolios are typically reviewed quarterly in the context of each client's stated investment objectives and guidelines. Portfolio reviews may focus on factors such as the status of individual investments, diversification, tax considerations, market opportunities and other relevant factors. 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.

IIA employs a team approach to reviewing client portfolios. Brian Friedman, President, supervises the review of client portfolios. Sebrina Ivey, Chief Compliance Officer of GHPIA assists Brian in monitoring and reviewing client portfolios.

**REPORTS:** Separate Account clients receive trade confirmations and monthly statements from Schwab. IIA provides quarterly reports summarizing account performance, balances and holdings.

Limited partners in the IIF who hold their partnership position in an IRA receive quarterly statements from Equity Trust Company. All limited partners in the IIF receive unaudited quarterly statements and audited annual reports from IIA.

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

Our firm may pay referral fees to individuals or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee to a non-GHPIA employee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information.

- ⊗ the Solicitor's name and relationship with our firm;
- ⊗ the fact that the Solicitor is being paid a referral fee; and
- ⊗ the amount of the referral fee.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

Our firm does not pay referral fees related to clients investing directly in the Israel Investment Fund.

## **Item 15 Custody**

As previously disclosed in the "Fees and Compensation" section (Item 5), our firm directly debits investment management fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current, as there may be variances due to different accounting methods or reporting dates.

## **Item 16 Investment Discretion**

IIA seeks full investment discretion on investment management accounts. Clients give IIA discretionary authority when they sign our standard investment management agreement.

Investment discretion allows IIA to place trades in a client's account without contacting them to obtain permission. Our discretionary authority also includes the ability to do the following without contacting the client.

- Determine the security to buy or sell.
- Determine the amount of the security to buy or sell.
- Determine the timing of buy or sell orders.

Clients may limit IIA's discretionary authority at any time by notifying our firm in writing and signing a revised investment management agreement. Such restrictions may include, but are not limited to, religious, ethical or political guidelines, or a limit on the value of a single stock holding relative to the total value of a client's portfolio.

IIA reserves the right to refuse an account due to client imposed limits on our discretionary authority, including excessively restrictive investment guidelines.

## **Item 17 Voting Client Securities**

IIA votes proxies in accounts for which our firm has been given written authority to do so by the client. Clients may revise this authority at any time by contacting IIA and updating the appropriate written authorizations. With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

IIA has adopted policies and procedures designed to guide our firm in voting proxies in the best interest of our clients. In order to vote proxies with client interests in mind, IIA has contracted (through GHPIA) with Broadridge Financial Solutions, Inc. ("Broadridge") and Glass, Lewis, Co., LLC ("Glass Lewis") to provide our firm with an integrated proxy recommendation and proxy voting service. Accordingly, IIA has adopted the written proxy voting policies of Glass Lewis, which are the basis for proxy votes cast on behalf of our clients.

While IIA relies on the recommendations supplied by Glass Lewis, our firm retains ultimate responsibility for proxy votes, and can override a Glass Lewis recommendation if we believe doing so is in the best interest of our clients. If a material conflict of interest is present that may affect our ability to vote proxies in the best interest of our clients, we will follow the Glass Lewis recommendation.

IIA votes proxies for clients at the same custodian on an aggregated basis. Clients may, however, direct IIA to vote their shares in a certain manner by submitting written instructions to our office.

Clients may obtain a copy of our proxy voting policies and procedures, as well as information about how IIA voted their securities, by contacting our office. Clients who have not authorized IIA to vote proxies on their behalf will receive their proxies directly from their custodian.

## **Item 18 Financial Information**

Under no circumstances does IIA require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

IIA has not been the subject of a bankruptcy petition at any time during the past ten years, and has no additional financial circumstances to report.