

# Fifth Set Investment Advisors LLC

600 Mamaroneck Avenue  
Suite 600  
Harrison, NY 10528  
(646) 783-9717  
ipost@fifthsetinvestment.com  
www.fifthsetinvestment.com

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## **FORM ADV PART 2A BROCHURE**

*This disclosure brochure provides clients with information about the qualifications and business practices of Fifth Set Investment Advisors LLC, an independent investment advisory firm registered with the U.S. Securities and Exchange Commission. It also describes the services Fifth Set Investment Advisors LLC provides as well as background information on those individuals who provide investment advisory services on behalf of Fifth Set Investment Advisors LLC. Please contact Fifth Set Investment Advisors LLC at 646-783-9717 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by any state securities authority. Registration with the U.S. Securities and Exchange Commission does not imply that Fifth Set Investment Advisors LLC or any individual providing investment advisory services on behalf of Fifth Set Investment Advisors LLC possess a certain level of skill or training.*

*Information on the disciplinary history and the registration of Fifth Set Investment Advisors LLC and its associated persons is available on the Internet at [www.adviserinfo.sec.gov/IAPD/](http://www.adviserinfo.sec.gov/IAPD/). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Fifth Set Investment Advisors LLC is 159118.*

## **Item 2 – Material Changes**

This item discusses specific material changes to the Fifth Set Investment Advisors LLC disclosure brochure.

Pursuant to current SEC regulations, Fifth Set Investment Advisors LLC will ensure that clients receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of its fiscal year which occurs at the end of the calendar year. Fifth Set Investment Advisors LLC may further provide other ongoing disclosure information about material changes as necessary.

Fifth Set Investment Advisors LLC will also provide clients with a new brochure as necessary based on changes or new information, at any time, without charge.

Fifth Set Investment Advisors LLC has made the following material changes since the date of its last annual amendment filing (February 14, 2019):

### **Item 1 - Cover Page**

Fifth Set Investment Advisors, LLC has changed its principal office address to:

600 Mamaroneck Avenue  
Suite 600  
Harrison, NY 10528

### **Item 3 – Table of Contents**

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## **Item 4 - Advisory Business**

### **A. The Company**

Fifth Set Investment Advisors LLC ("FSIA" or the "firm"), a New York limited liability company, has been registered with the U.S. Securities and Exchange Commission since June 2017. FSIA was formed in September 2011 and from 2011 to 2017, was registered as an investment adviser in the State of New York (this firm was previously registered in the State of New York under the CRD number 139735 from 2006 – 2008).

The principal owner of FSIA is Ian Andrew Post.

### **B. Advisory Services**

FSIA offers the following services to advisory clients:

#### Portfolio Management Services

FSIA offers ongoing Portfolio Management Services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Portfolio Management Services include, but are not limited to, the following:

- Financial planning
- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

FSIA will create and manage a customized portfolio based on the client's risk profile and investment guidelines. FSIA will allocate the client's assets among various asset classes based on the client's risk tolerance. Each portfolio will be designed with the goal of meeting each client's individual needs.

Portfolio Management Services will be provided on a discretionary basis only. Accordingly, the client will give FSIA full authority to manage the client's assets in accordance with what FSIA deems to be in the client's best interest based on the client's investment objectives and guidelines. Clients will retain individual ownership of all securities in their account.

#### Financial Planning Services

If a client desires to obtain financial planning apart from the basic planning services provided as part of Portfolio Management Services, FSIA also provides financial planning as a stand alone service. Financial plans and/or financial planning recommendations (in the absence of a financial plan) may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, and a written report may be prepared.

Financial planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All financial planning recommendations are of a generic nature. In performing its services, FSIA is not required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely on such information.

Should a client choose to implement the financial planning recommendations contained in the plan, FSIA may recommend its own services or that of other professionals (*i.e.*, attorney, accountant, insurance agent, and/or stockbroker). Clients are advised that a conflict of interest exists if FSIA recommends its own services. The client is under no obligation to act upon any of the recommendations made by FSIA under a financial planning engagement and/or engage the services of any such recommended professional, including FSIA or any of its related persons. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of FSIA's recommendations.

### **C. Client Tailored Services and Client Imposed Restrictions**

FSIA's investment management services are tailored to meet the specific needs of each client. In order to provide appropriately individualized services, FSIA will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

At least annually, FSIA will review with clients their financial circumstances, investment objectives and risk profile. In order for FSIA to provide effective investment management services, it is critical that clients provide accurate and complete information to FSIA and inform FSIA anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds, mutual funds or with respect to certain third-party investment managers. In addition, a restriction request may not be honored if it is fundamentally inconsistent with FSIA's investment philosophy, runs counter to the client's stated investment objectives, or would prevent FSIA from properly servicing client accounts.

### **D. Wrap Fee Programs**

FSIA does not participate in wrap fee programs (*i.e.*, programs that offer services for one, all-inclusive fee).

### **E. Assets Under Management**

As of December 31, 2018, FSIA has the following assets under management:

<b>Total Assets Under Management</b>	<b>Discretionary Assets</b>	<b>Non-Discretionary Assets</b>
\$48,119,606.00	\$48,119,606.00	\$0.00

## Item 5 - Fees And Compensation

### A. Advisory Fees

#### Portfolio Management Services

Portfolio Management Services fees may be charged as either an asset-based fee or a fixed fee:

##### *Asset-Based Fees*

The annual fee for discretionary Portfolio Management Services will be charged as a percentage of assets under management according to the following schedule:

Assets Under Management	Maximum Annual Fee (%)
\$1 - \$500,000	1.25%
\$500,001 - \$5,000,000	1.00%
Above \$5,000,001	0.75%

The Portfolio Management Services fee is pro rated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the quarter. The first quarter's fee is pro rated based on the market value at the time cash is deposited or assets are transferred into the account, and the number of days remaining in the quarter. Fees on additional deposits or withdrawals will also be assessed in arrears.

##### *Fixed Fees*

FSIA may elect to charge a flat annual fee in lieu of asset based fees. These fees generally range from \$5,000 to \$25,000 based on the complexity and needs of the client. Fees are payable quarterly in arrears, with the first quarterly payment due at the end of the initial quarter.

#### Financial Planning Services

Financial Planning Services fees will be charged a rate of up to \$300 per hour depending on the length of time it will take to complete the advisory service and on the nature and complexity of the individual client's personal circumstances. An estimate for total hours will be determined at the start of the advisory relationship.

### B. Payment Method

#### Portfolio Management Services

There are two options a client may select from to pay FSIA's advisory services fees:

##### Direct Debiting

Each quarter, FSIA will notify the client's qualified custodian of the amount of the fee due and payable to FSIA pursuant to the firm's fee schedule and advisory agreement. The qualified custodian will not validate or check FSIA's fees, its corresponding calculation or the

assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account(s) the client has designated to pay FSIA's advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to FSIA.

### Billing

Each quarter, FSIA will issue the client an invoice for the firm's services and the client will pay FSIA by check or wire transfer. All fees are due and payable upon receipt of the invoice or as negotiated and documented in the client's advisory agreement.

### Financial Planning Services

Clients will be billed for the Financial Planning Services fee upon conclusion of the service.

## **C. Additional Information**

### Minimum Requirements

FSIA requires new clients have a minimum account size of \$400,000 for portfolio management services. FSIA, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. FSIA will only accept clients with less than the minimum portfolio size if, in the sole opinion of the firm, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. FSIA may aggregate the portfolios of family members to meet the minimum portfolio size.

FSIA also requires a minimum quarterly fee of \$1,250 (which equals \$5,000 on an annual basis) for portfolio management services. FSIA retains the right to reduce or waive the minimum annual fee.

### Fees Negotiable

FSIA retains the right to modify fees, including minimum account size and/or minimum fee requirements, in its sole and absolute discretion, on a client-by-client basis. Factors considered include the complexity and nature of the advisory services provided, anticipated amount of assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, and account composition.

### Mutual Fund Fees and Exchange Traded Funds

All fees paid to independent investment managers for investment management services are separate and distinct from the fees and expenses charged by mutual funds and exchange-traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses.

### Miscellaneous Expenses

FSIA's portfolio management fee with respect to each client account does not include certain other charges and expenses, including (a) brokerage charges, which are paid on a transactional basis, (b) dealer mark-ups or mark-downs on securities purchased or sold for an account through third-party dealers and (c) taxes. Please see Item 12 on page 14 of this brochure for detailed information about Fifth Set's brokerage practices.

### Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client will be billed directly by such professional(s).

## **D. Termination and Refunds**

A client has the right to terminate an investment advisory or financial planning agreement without penalty within five (5) business days after entering into such agreement. In addition, an investment management agreement may be canceled at any time, by either party, for any reason upon thirty (30) days prior written notice to the other party. If an account is terminated during a calendar quarter, fees will be adjusted *pro rata* based upon the number of calendar days in the calendar quarter that the investment management agreement was effective. Because fees are charged in arrears, the client will not be due a refund.

## **E. Additional Compensation**

FSIA and its associates are engaged for fee-only services and an effort is made to recommend "no-load" investments whenever possible. FSIA does not accept commissions or compensation from any other source (*e.g.*, mutual funds, insurance products or any other investment product) and does not charge a mark-up on clients' securities transactions.

Neither FSIA nor its associated persons receive "trailer" or 12b-1 fees from an investment company that the firm recommends. Fees charged by issuers are detailed in prospectuses or product descriptions and clients are encouraged to read these documents before investing.

Clients always have the option to purchase recommended or similar investments through a service provider of their own choosing.

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

FSIA does not accept performance-based fees or engage in side-by-side management. FSIA's advisory fees are calculated as described above in Item 5 - Fees and Compensation - and are not charged on the basis of a share of the capital gains upon, or capital appreciation of, the funds in a client's account.

## **Item 7 - Types of Clients**

### **A. Clients**

FSIA provides investment management services to individuals, including high net worth individuals, corporations and other business entities.



## **B. Engaging the Services of FSIA**

All clients wishing to engage FSIA for advisory services must enter into the applicable advisory agreement with FSIA as well as any other document or questionnaire provided by the firm. The advisory agreement describes the services and responsibilities FSIA to the client. It also outlines FSIA's advisory fees in detail. In addition, clients must complete certain broker-dealer/custodial documentation. Upon completion of these documents, FSIA will be considered engaged by the client.

Clients are responsible for ensuring that FSIA is informed in a timely manner of changes in investment objectives and risk tolerance.

## **C. Conditions for Managing Accounts**

FSIA requires new clients have a minimum account size of \$400,000 for portfolio management services. FSIA, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. FSIA will only accept clients with less than the minimum portfolio size if, in the sole opinion of the firm, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. FSIA may aggregate the portfolios of family members to meet the minimum portfolio size.

FSIA also requires a minimum quarterly fee of \$1,250 (which equals \$5,000 on an annual basis) for portfolio management services. FSIA retains the right to reduce or waive the minimum annual fee.

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

### **A. Methods of Analysis and Investment Strategies**

#### Methods of Analysis

FSIA utilizes a combination of modern portfolio theory and the efficient market hypothesis to design client portfolios. The firm designs portfolios to include asset classes which are expected to vary in the patterns of returns, thereby dampening the volatility of the overall portfolio. The firm does not believe there is value in individual security selection or market timing. Rather, the firm designs portfolios with the expectation of delivering market rates of return commensurate with the proportion of the portfolio invested in each asset class.

#### Modern Portfolio Theory

Modern Portfolio Theory is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets. Modern Portfolio Theory assume that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact

trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### Investment Strategies

FSIA will use all or some of the following strategies in 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 and time horizons, among other considerations:

#### *Long-Term Purchases*

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

#### *Short-Term Purchases*

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

#### *Option Writing*

An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. An investment strategy utilizing option writing involves selling (writing) an option. When an investor sells (writes) an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller receives from the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

### Sources of Information

In conducting its security analysis, FSIA may utilize the following sources of information: financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the U.S. Securities and Exchange Commission, data services, and company press releases.

### Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not

be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.

- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.
- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.
- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.
- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing an investment manager from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.

- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### *Risks Associated with Investment Strategies*

#### Long-Term Purchases

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., "locking-up" assets that may be better utilized in the short-term in other investments).

#### Short-Term Purchases

Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.

#### Option Writing

There are numerous risks associated with transactions in options on securities or securities indexes and therefore, are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss of principal. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. For example, as the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis

risk between the performance of the underlying portfolio and the performance of the underlying index (e.g., the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well).

#### *Risk Associated with Methods of Analysis*

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment.

FSIA's securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While FSIA is alert to indications that data may be incorrect, there is always the risk that the firm's analysis may be compromised by inaccurate or misleading information.

#### *Modern Portfolio Theory*

The primary inherent risk in using the Modern Portfolio Theory is the fact that theory is built on the assumption that over time, historic relationships between investments remain relatively consistent. If a fundamental shift in relationships among the various asset classes/sectors should occur, historical data will no longer accurately represent what can be expected going forward. More volatility can occur if these relationships prove to be incorrect or (for a time) are inconsistent. If asset class relationships do shift, short-term greater than anticipated declines in the value of portfolios can be seen - which can at times be dramatic. As a result, the Modern Portfolio Theory investment philosophy is best suited for investors who desire a buy and hold strategy for a substantial portion of their funds with a long-term investment time horizon.

### **C. Risks Associated with Specific Securities Utilized**

#### Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (i.e., increase the value of the company's stock price).

#### Preferred Stocks

Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time. Preferred stock may also be subject to mandatory redemption provisions and an issuer may repurchase these securities at prices that are below the price at which they were purchased by the investor. Under these circumstances, a client account holding such preferred securities could lose money.

#### Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (*e.g.*, corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

#### Exchange Traded Funds (ETFs)

An ETF holds a portfolio of securities designed to track a particular market segment or index. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client’s portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are asset classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF’s portfolio, may be considered “non-qualified” under certain tax code provisions.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### Mutual Funds - Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries.

In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

### Mutual Funds - Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also have the same risks as set forth under "Fixed-Income Securities" listed above.

### Mutual Funds - Index Funds

Index Funds have the potential to be affected by "tracking error risk" which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a "sample index" that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund's portfolio, may be considered "non-qualified" under certain tax code provisions.

### Real Estate Related Securities

Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the rate of inflation, possible lack of availability of mortgage funds, overbuilding, extending vacancies of properties, increases in competition, property taxes and operating expenses, changes in zoning laws, costs resulting from clean up of, and liability to third-parties for damages resulting from, environmental problems, casualty and condemnation losses, uninsured damages from floods, earthquakes or other natural disasters, limitations on and variations in rents and changes in interest rates. Investing in Real Estate Investment Trusts ("REITs") involves certain unique risks in addition to those risks associated with investing in real estate in general. REITs are dependent upon the skills of management, are not diversified and are subject to cash flow dependency, default by borrowers and self-liquidation.

**Note that there may be other circumstances not described here that could adversely affect a client's investment and prevent their portfolio from reaching its objective.**

## **Item 9 - Disciplinary History**

Neither FSIA nor its management personnel have any reportable disciplinary history.

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

### **A. Broker-Dealer Registration and Registered Representatives**

FSIA is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

### **B. Futures and Commodity Registration**

FSIA is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

### **C. Financial Industry Affiliations**

FSIA does not have any financial industry affiliations to disclose.

### **D. Selection of Other Advisers**

FSIA does not receive, directly or indirectly, compensation from other investment advisers that it recommends or selects for its clients.

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

### **A. Code of Ethics**

FSIA has adopted a Code of Ethics to prevent violations of the securities laws. The Code of Ethics is predicated on the principle that FSIA owes a fiduciary duty to its clients. Accordingly, FSIA expects all firm personnel to act with honesty, integrity and professionalism and to adhere to federal securities laws. All firm personnel are required to adhere to the Code of Ethics. At all times, FSIA and its personnel must (i) place client interests ahead of the firm's; (ii) engage in personal investing that is in full compliance with the firm's Code of Ethics; and (iii) avoid taking advantage of their position.

Clients and prospective clients may request a copy of the firm's Code of Ethics by contacting FSIA at 646-783-9717.



## **B. Recommendations Involving Material Financial Interests**

FSIA does not recommend to clients securities in which the firm or any related person has a material financial interest.

## **C. Investing in Same Securities as Clients**

From time to time, representatives of FSIA may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of FSIA to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. However, the size of personal trades and the types of investments (ETFs or Open-End Mutual Funds) that are likely to be transacted in would not have a practical impact on prices in those securities. FSIA will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

## **D. Participation or Interest in Client Transactions**

From time to time, representatives of FSIA may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of FSIA to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. However, the size of personal trades and the types of investments (ETFs or Open-End Mutual Funds) that are likely to be transacted in would not have a practical impact on prices in those securities. FSIA will always document any transactions that could be construed as conflicts of interest and will always transact client's transactions before its own when similar securities are being bought or sold. No person associated with FSIA shall prefer his or her own interest to that of any client.

## **Item 12 - Brokerage Practices**

### **A. Brokerage Selection**

FSIA recommends that clients utilize the brokerage and clearing services of TD Ameritrade, Inc., a FINRA-registered broker-dealer ("TD Ameritrade"), for investment management accounts.

### Best Execution

Best execution has been defined as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

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 among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the

foregoing, while FSIA will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests FSIA to arrange for the execution of securities brokerage transactions for the client's account, FSIA shall direct such transactions through broker-dealers that it reasonably believes will provide best execution. FSIA shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution.

#### Broker Analysis

FSIA evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving FSIA.

FSIA is responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for client accounts to ensure consistent quality executions. In addition, FSIA periodically reviews its transaction costs in light of current market circumstances and other relevant information.

#### Research/Soft Dollar Benefits

FSIA uses TD Ameritrade's Institutional (TDA Institutional) service. There is no direct link between FSIA's use of TDA Institutional and the investment advice it gives to its clients, although FSIA receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

As a TDA Institutional user, FSIA receives other products and services that benefit FSIA, but may not benefit its clients' accounts. Some of these other products and services assist the firm in managing and administering clients' accounts, including:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk serving TDA Institutional participants exclusively;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts;
- Ability to have investment advisory fees deducted directly from client account;
- Receipt of compliance publications; and
- Access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors.

TDA Institutional also makes available to FSIA other services intended to help FSIA manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, TDA Institutional may make available, arrange and/or pay for these types of services rendered to FSIA by independent third parties.

Additional benefits received because of FSIA's use of TDA Institutional may depend upon the amount of transactions directed to, or amount of assets custodied by, TD Ameritrade. While as a fiduciary FSIA endeavors to act in its clients' best interests, FSIA's recommendation that clients maintain their assets in accounts at TD Ameritrade may be based in part on the benefit to FSIA of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage provided by TD Ameritrade which may create a conflict of interest.

### Directed Brokerage

#### *Company Directed Brokerage*

FSIA does not have the discretionary authority to determine the broker-dealer to be used. As stated above, clients in need of brokerage will have TD Ameritrade recommended to them. While there is no direct linkage between the investment advice given and usage of TD Ameritrade, economic benefits are received which would not be received if FSIA did not give investment advice to clients (please see additional disclosures in the "Research/Soft Dollars Benefits" section directly above). FSIA does not participate in any transaction fees or commissions paid to the broker dealer or custodian and does not receive any fees or commissions for the opening or maintenance of client accounts at recommended brokers.

Not all investment advisers require their clients to direct brokerage. FSIA is required to disclose that by directing brokerage, FSIA may not be able to achieve most favorable execution of client transactions and this practice may cost clients more money.

#### *Client Directed Brokerage*

Certain clients may direct FSIA to use particular brokers-dealers for executing transactions in their accounts. With regard to client directed brokerage, FSIA is required to disclose that FSIA may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates FSIA might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. FSIA reserves the right to decline acceptance of any client account that directs the use of a broker-dealer if FSIA believes that the broker-dealer would adversely affect FSIA's fiduciary duty to the client and/or ability to effectively service the client portfolio.

As a general rule, FSIA encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker-dealer to the client in exchange for the directed brokerage designation.

## **B. Trade Aggregation and Allocation**

FSIA does not aggregate (e.g., combine) the trades of its clients **as FSIA does not typically recommend individual securities**. FSIA's decision not to aggregate trades could cost a client more money in the form of higher brokerage commissions.

## **Item 13 - Review Of Accounts**

### **A. Periodic Reviews**

#### Portfolio Management Services

Client accounts are reviewed at least monthly only by Ian Andrew Post, Principal. Ian Andrew Post is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at FSIA are assigned to this reviewer.

#### Financial Planning Services

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Ian Andrew Post, Principal. There is only one level of review and that is the total review conducted to create the financial plan.

### **B. Other Reviews**

Reviews may be triggered by material market, economic or political events, cash inflow or outflow to/from the portfolio or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Regular Reports**

#### Portfolio Management Services

Each client will receive at least monthly from the custodian, a written report that details the client's account including assets held and asset values. Clients will receive, at least quarterly, a report produced by the portfolio management reporting firm hired by FSIA. The report will include performance and asset allocation information. Clients are urged to carefully review the account statement sent by the portfolio management reporting firm and to compare the account statement provided by the broker-dealer/custodian with any statements provided by the portfolio management reporting firm.

#### Financial Planning Services

Financial Planning Services clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for at the inception of the advisory relationship.

## **Item 14 - Client Referrals And Other Compensation**

### **A. Economic Benefits**

FSIA does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

### **B. Client Referrals**

Neither FSIA nor any related person directly or indirectly compensates any person for client referrals.

FSIA utilizes mutual funds from Dimensional Fund Advisors (DFA) in client portfolios. DFA restricts availability of their funds to those registered investment advisory firms that have been approved by DFA. (Approval is based on attending an introductory DFA conference and an investment philosophy based on the Efficient Market Hypothesis). DFA offers investors a “Find An Advisor” link on their website through which investors may find information regarding FSIA. FSIA does not compensate DFA for client referrals and client referrals are not predicated on investing client assets in DFA funds.

### **Item 15 - Custody**

FSIA is deemed to have custody because the firm deducts its fees directly from client accounts.

Custody of client assets will be maintained with the independent custodian selected by the client. FSIA will not have physical custody of any assets in clients’ accounts except as permitted for payment of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize FSIA to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client’s account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client’s account during the period covered by the account statement, and the funds, securities and other property in their account at the end of the period. Clients are urged to carefully review statements received from the custodian to ensure the accurate reporting of such information.

### **Item 16 - Investment Discretion**

FSIA requests that it be provided with written authority (*e.g.*, limited power of attorney contained in firm’s advisory agreement) to determine the types and amounts of securities that are bought or sold. FSIA’s authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between FSIA and the client. Any limitations on FSIA’s discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments are required to be submitted in writing.

### **Item 17 - Voting Client Securities**

#### **Proxy Voting**

FSIA does not vote proxies on behalf of its clients. Therefore, although FSIA may provide discretionary investment advisory services relative to client investment assets, it is the client that maintains exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client’s investment assets. FSIA and/or the client shall correspondingly 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.

## **Legal Proceedings**

Although FSIA may have discretion over client accounts, FSIA will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

## **Item 18 - Financial Information**

### **A. Prepayment of Fees**

Because FSIA does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, FSIA is not required to include a balance sheet with this disclosure brochure.

### **B. Financial Condition**

FSIA does not have any adverse financial conditions to disclose.

### **C. Bankruptcy**

FSIA has never been the subject of a bankruptcy petition.

## **Item 19 – Additional Information**

### **A. Privacy Notice**

FSIA views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. FSIA does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, FSIA may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. FSIA restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for FSIA. As emphasized above, it has always been and will always be FSIA's policy never to sell information about current or former clients or their accounts to anyone. It is also FSIA's policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of the FSIA's Privacy Policy please contact FSIA at 646-783-9717.

### **B. Requests for Additional Information**

Clients may contact Ian Andrew Post, Principal of FSIA, at 646-783-9717 to request additional information or to submit a complaint. Written complaints should be sent to Fifth Set Investment Advisors LLC, 600 Mamaroneck Avenue, Suite 600, Harrison, NY 10528.