



**WRAP FEE PROGRAM BROCHURE**

**FORM ADV, PART 2A -APPENDIX 1**

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**MARCH 29, 2019**

This wrap fee program brochure provides information about the qualifications and business practices of DaVinci Financial Designs LLC. If you have any questions about the contents of this brochure, please contact us by telephone at (803) 741-0134 or email at [jim.agostini@dav-fd.com](mailto:jim.agostini@dav-fd.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.

Additional information about DaVinci Financial Designs is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Please note that the use of the term "registered investment adviser" and description of DaVinci Financial Designs and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our associates.

**PLEASE RETAIN THIS BROCHURE FOR YOUR RECORDS**

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This Firm Brochure provides a summary of DaVinci Financial Designs' services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. At least annually within 90 days of the end of DaVinci Financial Designs' fiscal year ("FYE"), the Securities and Exchange Commission regulations require the firm to update certain information in the Firm Brochure. Within 120 days of DaVinci Financial Designs' FYE, we will distribute either: (1) this summary of the material changes in information, or (2) we will provide Clients with our full revised Firm Brochure which will include a summary of material changes in this Item. If we deliver the summary in lieu of delivering the full Firm Brochure to each Client, a Client may notify us that the Client wishes to receive a full Firm Brochure. If you would like to receive a complete copy of our Firm Brochure, including the supplement, please contact us at 803-741-0134 or by email at [jim.agostini@dav-fd.com](mailto:jim.agostini@dav-fd.com) to request a copy free of charge.

### **SUMMARY OF MATERIAL CHANGES**

This section describes any material changes DaVinci Financial Designs' may have since our last annual updating amendment in March 2018. Any time a material change occurs in DaVinci Financial Designs' operations, depending on its nature, the firm will promptly communicate this change to Clients (and it will be summarized in this Item). "Material changes" requiring prompt notification to the Securities and Exchange Commission and to Clients will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a Client's full understanding of who we are, how to find us, and how we do business.

The following changes have been made since our most recent annual update:

1. Added disclosure under Fees and Compensation relating to potential conflicts of interests arising from offering mutual fund share classes with higher expenses ratios and that have sales loads when lower cost shares in the same funds are available to the client. Disclosure outlines the firm's general policy not to recommend mutual funds with 12-b-1 fees. The firm neither receives additional compensation from mutual fund companies nor charges the client for the expense these 12-b-1 fees are intended to cover. The brochure outlines the exception to this policy when the firm may receive the 12-b-1 fees relating to the period of time when such shares with sales loads are transferred to the firm for a client and when the funds are reallocated to other investments by the client's adviser.

## **ABOUT OUR ADVISORY SERVICES**

### **Asset Managed Portfolios Services**

Our primary asset management services involve tailored asset managed portfolios ("AMP") which are commonly called wrapped-fee arrangements. We emphasize continuous and regular account supervision. We create a portfolio, generally consisting of mutual funds, individual stock and bonds and exchange traded funds ("ETFs"). Under certain more limited circumstances, we may also include in the portfolio other investments such as options and public and private securities.

Based on your circumstances, we will tailor a portfolio suitable for meeting your specific needs, particular investment goals and tolerance for market losses. We will then review our proposed AMP with you. If you should have any objections or restrictions to any types of investments we have proposed, you will have an opportunity to let us know and, to the extent we are able to manage the account, you may place reasonable restrictions on the type of investments.

Your Adviser will review your portfolio on a regular basis and at least annually. However, if your account value is less than \$15,000, then we may review your account less frequently. We encourage you to contact your Adviser if there is a significant change in your personal circumstances impacting your investment objectives, personal goals, risk tolerance, risk management needs, tax planning, estate planning, retirement planning or the like. Certain events which impact these areas may trigger your Adviser to perform an off-cycle review of your accounts. Major market or economic events are some examples of triggering events. If appropriate, we will rebalance the investments or make other changes to your account.

### **Life Design Services and Asset Portfolio Management**

For certain clients with assets in excess of \$250,000, we may combine Life Design Services with Asset Managed Portfolios services which are described earlier. The combined services are intended to assist clients in meeting their financial planning and investment needs by consolidating the fees for each of these services. Under certain circumstances, combining the Life Design Services and the Asset Managed Portfolios services fees may create a potential conflict of interest for us if our planning advice to you recommends a reduction in your investment assets under our management. In those situations, to avoid this potential conflict, we may ask that you pay the fees separately.

Refer to our Firm Brochure for a more detailed description of "Life Design Services" and the combination of the services under "Life Design Services and Asset Portfolio Management."

## **FEES AND COMPENSATION**

DaVinci's Advisers are authorized, within certain stated limits, to negotiate a fee schedule with you for compensating your Adviser. Generally, your services and fees are reviewed annually. Depending on your situation, you may decide to adjust the services or negotiate a different fee with your Adviser in accordance with the framework outlined in the following section.

The following fee and compensation information provided are examples and a framework for your consideration. You should review the fee structures and their limitations carefully when selecting the services we will be providing you. A number of factors may influence the services we recommend for your circumstances including:

1. Your preference for a “wrap” versus per trade transaction charges for trading certain or all securities;
2. Account size;
3. Anticipated trading frequency;
4. Anticipated securities to be traded;
5. Management style; and
6. Long term investment goals.

These variables in your particular situation may cause the fee structure for one or more of our services to be more costly than other of our programs. Your overall cost relating to a particular service may be higher or lower than you might incur if you were paying transaction costs separately or if these costs were “wrapped” into your total fees. To compare the cost of the programs, you should consider the anticipated frequency of your trading activity associated with your investment goals, brokerage commissions charged by the broker-dealer and the advisory fees charged by your Adviser. You should review the following information regarding our fees and compensation framework carefully and discuss with your Adviser in order to select services that will be most likely to meet your goals and to be most cost efficient. Because of the variables stated above, DaVinci cannot and does not guarantee that any particular selection among our services will result in the lowest fees.

You should be aware that when we receive compensation from other companies, it creates a conflict of interest that may impair the objectivity of your Adviser when making advisory recommendations. For example, your Adviser receives a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as his/her compensation from our firm. In cases where your Adviser is paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we may stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded and maintained for an extended period of time, beyond three to five years.

To illustrate this point further, a conflict of interest arises when advisers are incentivized by mutual fund companies to recommend that clients invest in mutual fund share classes with higher expense ratios and that have sales loads even when lower cost shares in the same funds are available to the client. These shares can be purchased through either a brokerage account or within a wrap account. While the commission is waived in a wrap account, the custodian may still receive the 12-b-1 fee which in turn lowers the expenses to the advisory firm. In order to avoid this conflict of interest, our firm’s policy is to recommend institutional share classes and ETFs which have no loads and no 12-b-1 fees associated with them. Conversely, our firm does not recommend share classes where the firm receives additional compensation from the mutual fund company. Our firm pays all expenses and transaction fees from the advisory fees paid by our clients to the firm. In other

words, we neither receive additional compensation from mutual fund companies nor charge the client for the expenses these 12-b-1 fees are intended to cover.

In limited circumstances, when a client is transferring a portfolio containing Class A shares to our firm, our advisers may retain such shares in the account temporarily for reallocation in accordance with the client's specific needs if the adviser believes it is in the client's best interest. For example, an adviser may delay selling Class A shares transferred from another firm into a client's account to meet the client's specific needs such to manage tax consequences of the sale of the shares. In all circumstances, our advisers work to reallocate these shares as quickly as possible while attempting to minimize negative consequences to the client. In these limited circumstances, the custodian will receive the associated 12-b-1 fees until the shares are sold.

### **Asset Managed Portfolios Services**

Advisory fees for our Asset Managed Portfolio services are typically set based on a percentage of assets under management. Our fees for our Asset Managed Portfolio services may be negotiated based on the aggregated assets you have under management with us and the complexity of the investment strategy. However, negotiated percentage fees will not exceed 3%. Our percentage fees are assessed on the last day of the calendar quarter, on a pro-rata annualized basis, and are deducted from the account under management in advance of the next quarter. In limited circumstances, based on the complexity and magnitude of the assets to be managed and/or for certain high net worth individuals, our management will permit your Adviser to charge only portfolio transaction costs when negotiating a compensation arrangement for combining Life Design Services and Asset Managed Portfolio services.

Under certain circumstances, at your request, we will direct the account custodian to bill you directly for these services. We do not pay any portion of our fee to third party portfolio managers.

<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
Over \$10,000,000	0.50%
\$2,000,000 - \$9,999,999	0.70%
\$1,000,000 - \$1,999,999	0.90%
\$500,000 - \$999,999	1.00%
\$250,000 - \$499,999	1.15%
\$50,000 - \$249,999	1.25%
\$15,000 - \$49,999	1.50%
Under \$15,000	2.25%

All securities transactions are effected through LPL, a registered broker-dealer. LPL charges us for brokerage commissions and/or transaction fees for executing securities transactions in your account(s). You do not pay for these fees from your account balance. These fees are included within our compensation. However, you should also be aware that your account will be charged separately by the mutual funds for management fees and other fund expenses. DaVinci Financial Designs does not receive any portion of these fund-related fees.

As described above, the available account structures include this Asset Managed Portfolios under which you pay a single fee that covers your Adviser's advice and the execution of transactions in your account through LPL as broker-dealer. Our program is described in our wrap program brochure which is available upon your request.

Other of our services and programs charge you an advisory fee paid to DaVinci plus additional transaction charges associated with each transaction in your portfolio. DaVinci typically manages accounts in the Asset Managed Portfolios differently than assets held in accounts that pay transaction fees because of the different nature of services provided. You should refer to the introductory language above under Fees and Compensation for a review of the variables which influence the trading practices within portfolios and considerations when selecting this service. Your overall cost in the Asset Managed Portfolios may be higher or lower than you might incur by paying transaction costs separately.

In addition, you should be aware of the following:

1. You authorize us to be paid directly by the independent custodian of your account;
2. You will be sent account statements by the independent custodian on at least a quarterly basis;
3. Your account statements will list all disbursements from your account, including the advisory fee paid to us; and
4. You should compare any information we give you regarding our fees with the independent custodian's information in account opening and subsequent account statements.

If you decide to terminate your agreement with us within five (5) business days of having signed the initial agreement or within five (5) business days of having signed a renewal agreement, then fees you paid within those five (5) days will be refunded to you. At any time after the five day complete refund period, you may terminate your agreement and request a refund of unearned fees, provided that the request is in writing and provides thirty (30) days notice. Upon termination, we will refund all unearned prepaid fees, pro-rata, and cease the payments for the next calendar quarter. We may under other circumstances, in our discretion, waive, refund or discount fees.

### **Life Design Services and Asset Managed Portfolios**

When you combine our Life Design Services with our Asset Managed Portfolio services, you may combine the fees into a single fee structure. As a result of the combination, you will not pay a flat fee for the Life Design Services. Instead, the fee for Life Design Services is combined with the Asset Managed Portfolio services. Alternatively, you may elect to pay the fees associated with each service individually. In that case, you will generally pay a flat fee for your Life Design Services and fees based on a percentage of assets under management for your Asset Managed Portfolio services.

Like the Asset Managed Portfolio services, the fees may be negotiated based on the aggregated assets you have under management with us and the complexity of the investment strategy. However, negotiated fees will not exceed 3%. Our fees are assessed on the last day of the calendar

quarter, on a pro-rata annualized basis, and are deducted from the account under management in advance of the next quarter. In limited circumstances, at your request, we will direct the account custodian to bill you directly for these services.

<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
Over \$10,000,000	1.00%
\$2,000,000 - \$9,999,999	1.20%
\$1,000,000 - \$1,999,999	1.40%
\$500,000 - \$999,999	1.50%
\$250,000 - \$499,999	1.65%

The minimum asset level to participate under this arrangement is \$250,000 but otherwise is calculated and administered like the Asset Managed Portfolios as described above.

In addition, you should be aware of the following:

1. You authorize us to be paid directly by the independent custodian of your account;
2. You will be sent account statements by the independent custodian on at least a quarterly basis;
3. Your account statements will list all disbursements from your account, including the advisory fee paid to us; and
4. You should compare any information we give you regarding our fees with the independent custodian's information in account opening and subsequent account statements.

In certain circumstances, we may have a conflict of interest when we charge the combination fee for Life Design Services and Asset Managed Portfolios. It might appear that we are incentivized to recommend strategies which keep your assets under management in the Asset Managed Portfolios. For example, we might recommend to you to draw down your assets in your accounts to fulfill your retirement plans as a part of our Life Design Services but since we get paid as a percentage of assets under management there may appear to be a conflict of interest. When this circumstance arises, we will discuss it with you and may recommend terminating the combined fee agreement and executing one for each of the services.

If you decide to terminate your agreement with us within five (5) business days of having signed the initial agreement or within five (5) business days of having signed a renewal agreement, then fees you paid within those five (5) days will be refunded to you. At any time after the five day complete refund period, you may terminate your agreement and request a refund of unearned fees, provided that the request is in writing and provides thirty (30) days notice. Upon termination, we will refund all unearned prepaid fees, pro-rata, and cease the payments for the next calendar quarter.

For additional information, please refer to the "Life Design Services" and "Asset Managed Portfolios" sections of our Firm Brochure.



## **Additional Information about Our Fees**

A wrap fee program allows you to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management, and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This results in a higher advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

In addition to our fees, you may pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by our firm.

Your Adviser receives a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as their compensation from our firm. In cases where our Adviser is paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we may stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded.

## **PERFORMANCE BASED FEES**

DaVinci Financial Designs does not charge performance-based fees nor do we do side-by-side management.

## **TYPES OF CLIENTS and ACCOUNT REQUIREMENTS**

DaVinci Financial Designs provides its services to a wide variety of clients. Typically, we provide advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Charitable organizations
- Trusts and Estates

DaVinci Financial Designs does not require a minimum asset amount to provide our services to you. We do, however, have a few minimum fees for certain services. The following is a description of those requirements:

- Generally, our minimum annual fee for Life Designs Services is \$1,500.
- We generally have a \$250,000 minimum account requirement for Life Design Services combined with Portfolio Management Services.

Refer to the Firm Brochure for all minimum account requirements and fee requirements.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Our primary asset management services involve tailored asset managed portfolios ("AMP") which are commonly called wrapped-fee arrangements. We emphasize continuous and regular account supervision. We create a portfolio, generally consisting of mutual funds, individual stock and bonds and exchange traded funds ("ETFs"). Under certain more limited circumstances, we may also include in the portfolio other investments such as options and public and private securities.

Based on your circumstances, we will tailor a portfolio suitable for meeting your specific needs, particular investment goals and tolerance for market losses. We will then review our proposed AMP with you. If you should have any objections or restrictions to any types of investments we have proposed, you will have an opportunity to let us know and, to the extent we are able to manage the account, you may place reasonable restrictions on the type of investments.

Your Adviser will review your portfolio on a regular basis and at least annually. However, if your account value is less than \$15,000, then we may review your account less frequently. We encourage you to contact your Adviser if there is a significant change in your personal circumstances impacting your investment objectives, personal goals, risk tolerance, risk management needs, tax planning, estate planning, retirement planning or the like. Certain events which impact these areas may trigger your Adviser to perform an off-cycle review of your accounts. Major market or economic events, are some examples of triggering events. If appropriate, we will rebalance the investments or make other changes to your account.

Before recommending or selecting portfolio managers for clients, we conduct initial due diligence on a fund's portfolio management, investment strategies and performance, amongst other factors. We also provide ongoing review of the fund portfolio manager's management of the portfolio. We review fund portfolio managers' reports at least annually. We will replace portfolio managers who are not meeting our criteria for fund management and performance.

When selecting fund portfolio managers, we use the similar fundamental, technical and quantitative methods of analysis in its selection of equity and other securities for individual client accounts. When doing our analysis we use outside investment research. Some of these outside sources of information we use when developing our investment strategies include information from broker - dealers and other third parties, investment publications on general economic conditions, and financial publications from the investment banking industry and from other members of the professional investment community. We have the flexibility when choosing which research we use and to tailor investment recommendations to meet your risk tolerance and financial plan goals/strategy.

Each investment strategy we use reflects your financial goals, investment objectives, risk tolerance and time horizon. We create a portfolio, generally consisting of mutual funds, individual stocks,

bonds and exchange traded funds (“ETFs”). Equity investments are expected to maximize the long-term real growth of portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of portfolio equity investments. We will also employ mutual funds that use hedging strategies to provide more diversity to our allocations and allow the fund managers to actively manage portfolios with the goal of absolute returns regardless of overall market or index movement.

We use the following methods of analysis to design an investment strategy for you which aligns with your personal life design strategy (Financial Plan):

- **Alpha Based Investing.** We manage assets on an Alpha Based metric of risk verse reward through all market cycles while emphasizing downside protection. The return generated from an Alpha Based Investment is based on a risk-adjusted basis. Alpha uses the volatility (price risk) of an investment and compares its risk-adjusted performance to a benchmark. The excess return of the investment relative to the return of the benchmark is the investment’s alpha. We align your risk tolerance and wealth management strategy to this risk reward profile.
- **Modern Portfolio Theory (“MPT”).** MPT is a theory on how to minimize risk by carefully choosing proportions of various assets that comprise a portfolio to optimize or maximize an expected return based on a given level of market risk, emphasizing that the risk is an inherent part of higher reward. Construction of these portfolios develops an “efficient frontier” of optimal strategies offering the maximum possible expected return for a given level of risk.
- **We generally use long-term purchases of securities with the idea of holding them for relatively longer periods of time (typically held for at least a year) to implement our method of analysis.** 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 you. Moreover, if our predictions are incorrect, an investment may decline sharply in value before we make the decision to sell. This method of approach is fundamentally based on the theory that investors rely on an overall investment strategy as a component of a larger comprehensive financial plan/strategy and behave rationally to economic conditions. However, we may attempt to mitigate this risk by varying the portfolio’s actual asset allocation from its target asset allocation as a result of the varying market cycles in different asset and sub classes. Typically, the portfolio will be rebalanced to its normal asset allocation quarterly, unless specific market conditions or triggering events preclude rebalancing back to the target asset allocation. As soon as the conditions that warranted the allocation being different from the target portfolio are no longer a factor, we will realign the portfolio to the original target or align to specific sectors that provide for the overall strategic objectives of the portfolio.
- **ETF and Mutual Fund Risk:** ETFs and mutual funds are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of our

investment strategies will be higher than the cost of investing directly in ETFs or mutual funds, as there are two levels of fees. ETFs and mutual funds are subject to specific risks, depending on the nature of the fund.

ETFs are professionally managed pooled vehicles that invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. ETF managers trade fund investments in accordance with fund investment objectives. ETF risk can be significantly increased for funds concentrated in a particular sector of the market, or that primarily invest in small cap or speculative companies, use leverage (i.e. borrow money) to a significant degree, or concentrate in a particular type of security (i.e., equities), rather than balancing the fund with different types of securities.

- **Master Limited Partnerships (MLPs):** MLPs are publicly traded partnerships that trade mainly on the New York Stock Exchange and/or the NASDAQ, the same as stocks. With a few exceptions, MLPs hold and operate assets related to the transportation and storage of energy (certain MLPs may have commodity risk). Most publicly traded companies are corporations. Corporate earnings are usually taxed twice. The business entity is taxed on any money it makes and then shareholders are taxed on the earnings the company distributes to them.

MLP investing includes risks such as equity and commodity-like volatility. Also, distribution payouts sometimes include the return of principal and, in these instances, references to these payouts as “dividends” or “yields” may be inaccurate and may overstate the profitability/success of the MLP. Additionally, there are potentially complex and adverse tax consequences associated with investing in MLPs. This is largely dependent on how the MLPs are structured and the vehicle used to invest in the MLPs and consult with your Adviser and tax professional prior to investing.

The above list of risk factors does not purport to be a complete list or explanation of the risks involved in an investment strategy. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed above.

**Please Note:**

Risks involved in these strategies will depend upon the types of investments chosen. Investing in securities involves risk of loss that you should be prepared to bear. All securities have the risk of potential for loss of income or principle. These strategies involve the use of benchmarks which reflect past performance. Although this is reasonable methodology, benchmarks reflect past performance and do not guarantee future performance. Therefore, the risk of these methods of analysis is the uncertainty of market performance. Generally, investments have costs such as fees, even when there is a negative return. Additionally, there is a time lag and price uncertainty to the purchase of securities. You should also account for other risks such as market volatility, inflation, credit risk and interest rate changes.

Depending on the strategy that is right for you, different types of securities can be recommended, including mutual funds, unit investment trusts, collective investment trusts, and equities. Securities

such as mutual funds carry the risk of lack of control in that fund or portfolio managers decide when to buy and sell. A market volatility risk comes with investing in the stock market. While the market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you (1) understand the risks associated with investing in the stock market, (2) are appropriately diversified in your investments, and (3) ask us any questions you may have.

We generally place your cash balances in an FDIC insured cash account. We try to achieve the highest return on your cash balances through this relatively low-risk conservative account. In most cases, at least a partial cash balance will be maintained in this insured cash account so that our firm may debit advisory fees for our services related to Asset Managed Portfolios, or the combined Life Design Service and Asset Managed Portfolios Services, as applicable.

We act as portfolio manager(s) for the wrap fee program(s) previously described in this Wrap Brochure. This may create a conflict of interest in that other investment advisory firms may charge the same or lower fees than our firm for similar services. Our portfolio managers are not subject to the same selection and review as outside portfolio managers that do not participate in the wrap fee program. This is because we have chosen not to utilize outside portfolio managers.

#### **CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGER(S)**

We are required to describe the information that we communicate to your portfolio manager(s) about you, and how often or under what circumstances we provide updated information. Our firm communicates with your portfolio manager(s) on a regular basis as needed (daily, weekly, monthly, etc.) to ensure your most current investment goals and objectives are understood by your portfolio manager(s). In most cases, we will communicate such information as part of our regular investment management duties. Nevertheless, we will also communicate information to your portfolio manager(s) when you ask us to, when market or economic conditions make it prudent to do so, etc.

#### **CLIENT CONTACT WITH PORTFOLIO MANAGER(S)**

Clients are always free to directly contact their portfolio manager(s) with any questions or concerns they have about their portfolios or other matters.

#### **ADDITIONAL INFORMATION**

##### **DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to our firm or the integrity of our management.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Our Advisers are registered representatives of LPL, member FINRA/SIPC and agents for various insurance companies. As such, these Advisers are paid separate, yet customary commissions from LPL, third party investment management companies, and issuing insurance companies when you implement a recommendation to purchase a security investment or an insurance product. Because the compensation we receive from these organizations vary, we may have an incentive to direct

you to investments, products and /or third party money managers who will pay higher compensation and/or share of its advisory services fees. You, however, are not under any obligation to engage your Adviser when considering implementing any recommendation to purchase a security or insurance. Implementing any or all of your Adviser's recommendations is solely at your discretion.

You should be aware that when we receive compensation from other companies, it creates a conflict of interest that may impair the objectivity of your Adviser when making advisory recommendations. For example, your Adviser receives a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as his/her compensation from our firm. In cases where your Adviser is paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we may stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded.

DaVinci Financial Designs endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment Adviser; we take the following steps to address this conflict:

- we disclose to you the existence of all material conflicts of interest, including the potential for our firm and Advisers to be compensated from advisory clients in addition to our firm's advisory fees;
- we disclose to you that you are not obligated to implement your Advisor's recommendations by purchases of recommended investment and/or insurance products through our Advisers;
- we collect, maintain and document accurate, complete and relevant client background information, including your financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to you are suitable to your needs and circumstances;
- we require that our Advisers seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm;
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to you.

We refer you to the following sections of this Brochure for more detailed information regarding our affiliations with certain parties: "About Our Advisory Services" and "Fees."

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our Advisers and associates, including compliance with applicable state and Federal securities laws. DaVinci Financial Designs and our Advisers owe a duty of loyalty,

fairness and good faith towards you, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide fiduciaries. As a fiduciary, it is an Adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times and to avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients.

Our firm and/or its Advisers may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, the firm and/or our Advisers may have an interest or position in a certain security(ies) which may also be recommended to a client. We recognize that the personal investment transactions of our Advisers and associates demand high standards. As a result, our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our Advisers will not interfere with (i) making decisions in the best interest of our clients; and (ii) allowing Advisers and associates to invest for their own accounts. Our Code of Ethics also provides for oversight, enforcement and recordkeeping provisions.

In situations which might represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No Adviser or associate of our firm may put his or her own interest above the interest of an advisory client.
- To prevent the misuse of material non-public information by our Advisers (often referred to as insider trading), no associate of our firm may buy or sell securities for his other personal portfolio(s) where his or her decision is a result of information received as a result of his or her association unless the information is also available to the investing public.
- It is the expressed policy of our firm that no person associated with us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such associates from benefiting from transactions placed on behalf of advisory accounts.
- Our firm requires prior approval for any initial public offerings or private placement investments by the firm's associates.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
- All of our associates must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We have established procedures for the maintenance of all required books and records.
- All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.

You can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority. However, as part of our services, an Adviser may provide recommendations as to investment products or insurance. To the extent that an Adviser recommends that you invest in products or services that will result in compensation being paid to us, this presents a conflict of interest. The compensation to the Adviser and we may be more or less depending on the product or services that the Adviser recommends. Therefore, the Adviser has a financial incentive to recommend that a financial plan or strategy be implemented using a certain product or service over another product or service.

You should also understand that we may perform advisory and/or brokerage services for various other clients, and that we may give advice or take actions for those other clients that differ from the advice given to you. The timing or nature of any action taken for the account may also be different.

We have established policies requiring the reporting of Code of Ethics violations to our senior management. Anyone who violates any of the above restrictions may be subject to being disassociated from our firm.

As disclosed in the Firm Brochure under “Other Financial Industry Activities and Affiliations,” our firm’s associates are separately registered as securities representatives of a broker-dealer, investment Adviser representatives of another registered investment Adviser, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to “Other Financial Industry Activities and Affiliations” of our Firm Brochure for a detailed explanation of these relationships and important conflict of interest disclosures.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [jim.agostini@dav-fd.com](mailto:jim.agostini@dav-fd.com), or by calling us at 803-741-0134.

### **Brokerage Practices**

You may implement your Adviser’s recommendations to purchase securities products through any broker-dealer of your choice. Based on our business model and the services we offer LPL is our only broker-dealer/ custodian. All of DaVinci Financial Designs Advisers are registered as registered representatives with LPL, member FINRA/SIPC, for the purposes of offering you securities products. If you choose to implement advice you received through your Adviser in his or her capacity as a registered representative, you will be required to do so by opening an account through LPL because the compliance rules of LPL do not allow registered representatives to associate with other broker-dealers. We do not permit your Adviser to recommend another broker-dealer.

DaVinci Financial Designs may receive from LPL or a mutual fund company, without cost and/or at a discount, support services and/or products, certain of which assist DaVinci Financial Designs to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by DaVinci Financial Designs may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by DaVinci Financial Designs in furtherance of its investment advisory



business operations. As indicated above, certain of the support services and/or products that may be received may assist DaVinci Financial Designs in managing and administering client accounts. Others do not directly provide such assistance, but rather assist DaVinci Financial Designs to manage and further develop its business enterprise.

DaVinci Financial Designs' clients do not pay more for investment transactions effected and/or assets maintained at LPL as a result of this arrangement. There is no corresponding commitment made by DaVinci Financial Designs to LPL or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Advisers at DaVinci Financial Designs, in their capacities as registered representatives of LPL may suggest that you implement recommendations through LPL. If you choose to do so, this would present a conflict of interest for your Adviser to the extent that he/she could receive commissions as registered representatives from LPL and compensation as investment advisory representatives of DaVinci Financial Designs.

You are under no obligation to implement recommendations through LPL but if you do so, your Adviser may be paid commissions or fees that are higher or lower than those you may pay elsewhere for similar services. LPL is a broker-dealer with which DaVinci Financial Designs' Advisers are also associated. As a result of the individual association of DaVinci Financial Designs' Advisers with LPL, DaVinci Financial Designs' is generally required to utilize the brokerage/custodial services of LPL for investment advisory services. To the extent otherwise applicable to the transactions to be effected directly by DaVinci Financial Designs, DaVinci's general policies relative to the execution of client securities brokerage transaction are as follows:

Execution of Brokerage Transactions (when applicable). DaVinci reasonably believes LPL will provide "best execution." In seeking "best execution," the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker-dealer's services including execution capability, commission rates, and responsiveness. Accordingly, although DaVinci Financial Designs will seek competitive commission rates, it may not necessarily obtain the lowest possible commission rates for account transactions.

Transactions for each client account generally will be effected independently. In the event that the transactions for a client's accounts are effected through a broker-dealer that refers investment management clients to DaVinci Financial Designs, there exists the potential for conflict of interest if the accounts incur higher commission or transaction costs than the accounts would otherwise have incurred had the client determined to effect account transactions through alternative clearing arrangements that may have been available through DaVinci Financial Designs.

DaVinci Financial Designs does not render advice to or take any actions on behalf of clients with respect to any legal proceedings including bankruptcies and shareholder litigation, to which any securities or other investments held in client accounts, or the issuers thereof, become subject, and

does not initiate or pursue legal proceedings, including without limitation shareholder litigation, on behalf of clients with respect to transactions, securities, or other investments held in client accounts. The right to take any actions with respect to legal proceedings, including shareholder litigation with respect to transactions, securities or other investments held in client accounts is expressly reserved to the client.

DaVinci Financial Designs Advisers may buy or sell for their own accounts the same securities, which may be recommended to clients.

We do not have directed brokerage or soft dollar arrangements, nor do we execute transactions on a principal or agency cross basis.

We perform investment management services for various clients. There are occasions when portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous client accounts with similar investment objections. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, such transactions are affected only when we believe that they will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situations, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary allocation methods.

### **Review of Accounts**

As described in our advisory services agreement, your Adviser will review your accounts regularly intending to learn whether your accounts are in line with your investment objectives and appropriately positioned based on market conditions and investment policies. Your Adviser will generally review your accounts with you at least once annually. For accounts valued below \$15,000, we may review these accounts with you less frequently. We encourage you to contact your Adviser if there is a significant change in your personal circumstances impacting your investment objectives, personal goals, risk tolerance, risk management needs, tax planning, estate planning, retirement planning or the like. Certain events which impact these areas may trigger your Adviser to perform an off-cycle review of your accounts. Major market or economic events, are some examples of triggering events.

We will recommend rebalancing your accounts, as appropriate, or other actions to address your current circumstances and market conditions. Your Adviser will conduct the review with you. Unless you ask us to do so, we do not typically document our reviews of your accounts in written reports. Similarly we do not automatically update written financial plans unless you contract with us to do so.

### **Client Referrals and Other Compensation**

It is our policy not to engage or pay anyone for referring potential clients to our firm. To the extent that they are in compliance with law and regulations relating to client referrals, some of our Advisers may participate in various marketing programs but do not pay a fee for any lead or

solicitation of a potential client. We are paid by sponsoring mutual fund companies for providing advisory services to benefit employers and employees at no fee for our services and we receive advisory fees from third party money managers to whom we refer clients. Both of these circumstances are described in greater detail under “About Our Advisory Services.”

We may also be compensated by LPL, our broker-dealer, in different ways for example, payments based on production, reimbursements of fees we pay to LPL for items such as administrative services, and other things of value such as free or reduced-costs marketing materials, as well as attendance at LPL conferences and events. Payments in connection with transition assistance to an Adviser are designed to offset the cost associated with an industry career move and to reduce the financial burdens on the Adviser and potential clients. These payments are typically based on the Adviser’s overall production and/or on the amount of assets serviced by LPL as a custodian or broker dealer. As a result of this compensation, our Advisers may have a financial incentive to recommend some services or programs to you.

We may benefit when LPL or a mutual fund company, without cost and/or at a discount, provide us support services and/or products, to assist us to better monitor and service client accounts maintained at such institutions. Included within the support services we may receive investment-related research, pricing information and market data, computer hardware and/or software and other technology to assist us in our investment advisory business operations, compliance and/or practice management-related publications, consulting services, attendance at conferences, meetings, and other educational and/or social events, and marketing support.

You do not pay more for investment transactions effected and/or assets maintained at LPL as a result of these arrangements. There is no commitment made by us to LPL or any other institution as a result of the above arrangement.

### **Custody**

Our firm does not have actual or constructive custody of your accounts.

We previously disclosed in the "Fees and Compensation" section of this Brochure when our firm directly debits advisory fees from your accounts.

As part of this billing process, your account custodian is advised of the amount of our fee you authorized us to deduct from your account. On at least a quarterly basis, your account custodian is required to send you a statement showing all transactions within the account during the reporting period. We urge you to review your statement.

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

### **Investment Discretion**

When you hire us to provide discretionary asset management services, we place transactions in your account without contacting you prior to each transaction to obtain your permission. This type of arrangement only applies to our Asset Managed Portfolios and combination Life Designs Services and Asset Managed Portfolio clients.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

You give us discretionary authority when you sign a discretionary agreement with our firm, and you may limit this authority by giving us written instructions. You may also change/amend such limitations by once again providing us with written instructions.

### **Voting Client Securities**

As a matter of firm policy, we do not vote proxies on your behalf. Therefore, although our firm may provide investment advisory services relative to your investment assets, you maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities you beneficially own shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. You are also responsible for instructing each custodian of the assets, to forward you copies of all proxies and shareholder communications relating to your investment assets.

You will receive proxy materials directly from the custodian or transfer agent. If your account is part of a plan subject to ERISA, the applicable ERISA plan documents will determine who receives the proxy materials and who is responsible for voting proxies. Typically, rights to vote proxies are reserved to the plan trustees or the investment manager who is the custodian of the assets.

We do not offer you any consulting assistance regarding proxy issues although your Adviser may answer your general questions regarding the proxy materials.

### **Financial Information**

Since DaVinci Financial Design is an advisory firm that maintains discretionary authority for clients accounts, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our obligations. We have no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

DaVinci Financial Designs has not been the subject of a bankruptcy petition at any time during the past ten years.