

# **PANTHREX ASSET MANAGEMENT, LLC**

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## **WRAP PROGRAM BROCHURE (APPENDIX 1 TO FIRM BROCHURE) MARCH 27, 2019**

This wrap fee program brochure provides information about the qualifications and business practices of PanthRex Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (888) 302-5559. 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.

PanthRex Asset Management, LLC is a SEC registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The written communications of an Adviser provide you with information for your use in determining whether to hire or retain the Adviser.

Additional information about PanthRex Asset Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for PanthRex Asset Management, LLC is 281619.

## **ITEM 2 - MATERIAL CHANGES**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Interim updates will be distributed to you if there is a material change to this Brochure.

At any time, you may obtain a free printed copy of our most recent Brochure by contacting us at the phone number listed on the cover.

Since our last update an annual per account technology fee of up to \$100 per account has been implemented. This fee is designed to offset the cost of providing online account access, account aggregation, and similar features.

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## ITEM 4 - SERVICES, FEES AND COMPENSATION

### OWNERSHIP/ADVISER HISTORY

PanthRex Asset Management, LLC (“PanthRex”) is a Texas limited liability company. PanthRex is registered with the Securities and Exchange Commission. PanthRex is owned by Michael Wallin, Allen Hargis, and Coppell Advisory Solutions, LLC.

### SERVICES

PanthRex will not assume any responsibility for the accuracy of information provided by the client and is not obligated to verify any information received from the client or from the client’s other professionals and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying PanthRex in writing of any material changes to the client’s financial situation, investment objectives, time horizon, or risk tolerance. When PanthRex is notified by the client of such a change, the Firm will review such changes and after a period of analysis is completed a recommendation of any necessary changes to the client’s portfolio will be offered. PanthRex offers ongoing portfolio management services based on the client’s goal, objectives, time horizon, and risk tolerance. Generally, PanthRex will generate an Investment Policy Statement for each client, which outlines the client’s current financial situation and then constructs a plan to assist in the selection of a portfolio that matches the client’s situation. PanthRex uses a variety of third party services to assist in the creation of the Investment Policy Statement.

For its discretionary asset management services, PanthRex receives a limited power of attorney (aka Advisor Authorization) to effect securities transactions on behalf of its clients. PanthRex generally limits its investment advice and/or money management to mutual funds, exchange traded funds, equities, bonds, options, real estate investment trusts, equity-based options, insurance products, government securities, and cash or cash equivalents. PanthRex, when appropriate, reserves the rights to expand its use of other securities or investment products to help diversify a portfolio.

PanthRex clients are offered portfolios, which are managed by third-party money managers, separate account managers, or through a sub-adviser that PanthRex engages on its behalf. Such arrangements are described in further sections and supplemental disclosure documents.

### TAILORED SERVICES

PanthRex will tailor its advisory services to its clients' individual needs based on meetings, conversations and completion of client profiles (as applicable). If a client wishes to impose certain restrictions on investing in certain securities or types of securities, PanthRex will address those restrictions with the client to have a clear understanding of the client’s requirements.

## **FEES**

PanthRex's management fee is based on a percentage of assets under management. The annual management fee schedule is:

### **Biblically Responsible Models (Wrap)**

PanthRex Fee	Up to 1.35%
Fusion Fee	Up to 0.15%
Money Manager Fee	Up to 0.20%
Custodial Wrap Fee	0.15%
Maximum Total Fee	1.85%

### **All Other Models (Wrap)**

PanthRex Fee	Up to 1.35%
Fusion Fee	Up to 0.15%
Money Manager Fee	Up to 0.45%
Custodial Wrap Fee	0.15%
Maximum Total Fee	1.95%

The exact fee totals will be disclosed and agreed upon by the client on the PanthRex Fee Agreement form. The management and IAR fees are collected monthly in arrears. The fees are based on the custodian reported average daily account value as of the previous month. The initial month's fee is prorated for the number of days remaining in the month.

PanthRex's advisory fee may vary among different portfolios, and therefore PanthRex has a conflict of interest in selecting portfolios for which it receives a higher advisory fee than for portfolios with lower advisory fees. Investment advisory representatives do not receive direct compensation from the management fee portion of the advisory fee. Please note that the client may be able to obtain comparable services elsewhere at more favorable pricing. PanthRex assesses an annual per account technology fee of up to \$100. This fee is to offset the cost of providing account aggregation, online reports, and similar functionality.

The client authorizes the qualified custodian to automatically deduct the advisory fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for any unpaid balance and to establish a suitable cash balance in the account, as determined by advisor and manager. PanthRex reserves the right to modify the advisory fee at any time upon 30 days written notice to the client. In the event the client has an ERISA-governed plan, the fee modification must be approved in writing by the client.

Mutual funds and exchange-traded funds also charge internal management fees, as disclosed in a fund's prospectus, which are separate and distinct from PanthRex's fee. The custodian may also impose a charge for certain administrative services (e.g. wire request, overnight charges, etc) as outlined in custodian's disclosed fee schedule.

**Important Disclosure – Custodian Investment Solutions:** Please be advised that PanthRex utilizes TD Ameritrade (TDA) as its primary custodian, which is described in detail under in this brochure. Under this arrangement we can access certain investment solutions offered by TDA that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. As an example, these types of compensation and fee structures are sometimes referred to as “soft dollars” and/or 12b-1 fees.

Please note the following: **Limitation on Mutual Fund Universe for Custodian Investment Solutions:** Please note that as a matter of policy we prohibit the receipt of revenue share fees from any mutual funds utilized for our advisory clients' portfolios. Nonetheless, if the firm decides to take these 12b-1 fees in the future, please note the following: There are certain programs offered by our custodian in which the firm participates that limit the types of mutual funds and mutual fund share classes to those in which our custodian has negotiated the receipt of 12b-1 and/or other revenue sharing fee payments from the mutual fund issuer or sponsor. As such, a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client. Such fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances

- (i) where our adviser representative is also licensed as a registered representative of a broker-dealer and receives a portion of 12b-1 and or revenue sharing fees as compensation – such compensation creates an incentive for the investment adviser representative to use programs which utilize funds that pay such additional compensation; and
- (ii) where the broker-dealer receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

#### **Selection of Other Advisers Fees**

PanthRex may use third-party money managers as sub-advisers or direct clients to third-party money managers. PanthRex will be compensated via a fee share from these advisers and this relationship will be memorialized in each contract between PanthRex and each third-party adviser. The fees shared will not exceed any limit imposed by any regulatory agency. The

payment of fees for third-party investment advisers will depend on the specific sub-adviser/third-party adviser selected.

#### TERMINATION OF SERVICES

A client may terminate any Investment management services for any reason within the first five (5) business days after signing the contract and receive a 100% refund of any fees paid without any cost or penalty. Thereafter, investment management agreements may be terminated by either party by giving ten (10) days written notice. All client-initiated termination notices must be presented to PanthRex in writing. Upon receipt of the written notice, PanthRex will process a prorated refund of any unearned fees. The written notice of termination and refund request must be sent to PanthRex Asset Management, LLC, 100 Plaza Carmona Place Hot Springs Village, AR 71909. Advisor initiated notices will be sent to the client's address of record. Until instructions are received by PanthRex if during the ten-day notice period or by the Custodian if after the ten-day notice period; the account will be held at the custodian and will not be managed by the Advisor or its sub-advisors. Client will be directly responsible for any custodial fees or expenses assessed by the custodian.

#### CLIENT PAYMENT OF FEES

PanthRex requires a limited power of attorney (aka Advisor Authorization) to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing. Upon withdrawing from direct billing, the client agrees to be billed directly for their fees. PanthRex will deduct advisory fees directly from the client's account provided that

- (i) the client provides written authorization to the qualified custodian, and
- (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

#### External Compensation for the Sale of Securities to Clients

PanthRex's investment adviser representatives (IARs) are compensated primarily by PanthRex in the form of a percentage of fees calculated on assets under management they direct to PanthRex's available investment models. As an outside business activity (OBA), PanthRex's IARs, that are properly licensed to offer insurance products, may receive commission-based compensation for the sale of insurance products. This and other potential conflicts of interest are described in this brochure. PanthRex does not directly supervise an IARs OBA.

In addition, PanthRex reserves the right to initiate incentive programs for IARs. These programs may include, but are not limited to, cost sharing of expenses to attract and promote investment advisory service to existing and new clients. PanthRex may also initiate programs that participate

in advanced training and/or improve client service. IARs who participate in these incentive programs may be rewarded with cash and/or non-cash compensation, such as deferred compensation, bonuses, training symposiums, or marketing assistance. PanthRex's activities do not increase the Firm's fee to the client.

PanthRex may subsidize to prospective IARs or a third-party the cost incurred to transition their current clients to the Firm. Prospective clients should be aware this practice may constitute a conflict of interest in that the recommendation to transition their advisory relationship to PanthRex may be viewed as being in the best interest of PanthRex and its investment adviser representative as opposed to the client's. PanthRex recommends the client review their current investment performance, fee schedule, and services offered under their current investment agreement in comparison to the proposed investment options, fee schedule, and services offered to determine if a transition is in the client's best interest.

### **Other Types of Fees and Charges**

The client may pay fees for trades executed away from the custodian, 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 management fee that is charged by PanthRex.

There are other fees and charges that are imposed by other third-parties that apply to investments in program accounts. Some of these fees and charges are described below:

- If a client's assets are invested in mutual funds or other pooled investment products, clients should be aware that there will be two layers of advisory fees and expenses for those assets. Client will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. Client will also pay us the wrap management fee with respect to those assets. Most of the mutual funds available in the program may be purchased directly. Therefore, clients could generally avoid the second layer of fees by not using our management services and by making their own investment decisions.
- Certain mutual funds impose fees and charges such as contingent deferred sales charges, early redemption fees and charges for frequent trading. These charges may apply if the client transfers into or purchases such a fund with the applicable charges in a program account.
- Although only no-load and load-waived mutual funds can be purchased in a program account, clients should understand that some mutual funds pay asset-based sales charges or service fees (e.g., 12b-1 fees) to the custodian with respect to account holdings.

Further information regarding fees assessed by a mutual fund is available in the appropriate prospectus, which is available upon request from us or from the product sponsor directly.

### **Other Important Considerations**

- The wrap management fee is an ongoing wrap fee for investment advisory services, the execution of transactions and other administrative and custodial services. The wrap management fee may cost the client more than purchasing the program services separately,



because the client could pay an advisory fee plus trading cost for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the type and size of the account, historical or expected size or number of trades for the account, and number and range of supplementary advisory and client-related services provided to the client.

- The wrap management fee also may cost the client more than if assets were held in a traditional brokerage account. In a brokerage account, a client is charged a trading cost for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a brokerage account rather than a program account.
- The investment products available to be purchased in the program can be purchased by clients outside of a program account, through broker-dealers or other investment firms not affiliated with us.
- As PanthRex absorbs certain transaction costs in wrap fee accounts, it may have a financial incentive not to place transaction orders in those accounts since doing so increases our transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement.
- PanthRex does not charge its clients higher advisory fees based on their trading activity, but clients should be aware that PanthRex may have an incentive to limit its trading activities in client accounts because it is charged for executed trades.

## **ITEM 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

PanthRex offers services to individuals, trusts, estates, charitable organizations, corporations or other business entities. PanthRex does not require a minimum account size to become a client; however certain models may require a minimum account balance.

## **ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **SELECTION OF PORTFOLIO MANAGER**

PanthRex has relationships with multiple sub-advisers and separate account managers. A detailed summary of available sub-advisers and separate account managers may be found in PanthRex's Additional Information document, as stated above in Item 4, clients complete a risk profile questionnaire to determine which portfolio is in his or her best interest. Please see Item 4 for additional details. These sub-advisers and separate account managers are reviewed annually. However, neither PanthRex, nor any third-party, reviews their performance information and the performance information may not be calculated on a uniform and consistent basis.

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

PanthRex does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or perform side-by-side management.

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

PanthRex uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by asset managers, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

PanthRex and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria. PanthRex may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

Depending on the portfolio selected, PanthRex typically uses one of the following methods of analysis:

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative can be done for a number of reasons such as measurement, performance evaluation or valuation of a financial instrument. It can also be used to predict real world events such as changes in a share price. In broad terms, quantitative analysis is simply a way of measuring things. Examples of quantitative analysis include everything from simple financial ratios such as earnings per share, to something as complicated as discounted cash flow, or option pricing. Although quantitative analysis is a powerful tool for evaluating investments, it may not tell a complete story without the help of its opposite - qualitative analysis.
  - Technical analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. The risk associated with technical analysis is that there is no broad consensus among technical traders on the best method of identifying future price movements.
- Tactical Asset Allocation is an active management portfolio strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors. This strategy is designed to allow portfolio managers to create extra value by taking advantage of certain situations in the marketplace. It is as a moderately active strategy because portfolio managers return to the portfolio's original strategic asset mix when desired short-term profits are achieved. The risk associated with tactical asset allocation is that each class has different levels of risk

and return, so each will behave differently over time. There is no guarantee that moving additional assets into an asset class will grow a portfolio.

- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

The securities held in various portfolios may be held for longer than a year or in some instances, less than one year.

- Long-term securities purchases are completed when there is an expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. The risk associated with using a long-term purchase strategy is that it 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 the client is invested in or perhaps just that client's particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.
- Short-term securities purchases are completed 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. The risk associated with using a short-term purchase strategy is that it generally assumes that the firm or quantitative model can predict how financial markets will perform in the short-term, which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

PanthRex may assist the client in selecting one or more appropriate third-party money manager(s) and/or sub-advisers for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that PanthRex will take into account when recommending managers to clients. A description of the criteria to be used in formulating a recommendation of a manager is set forth below. PanthRex has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform trading
- perform or distribute research of individual securities and portfolio analysis
- perform billing and certain other administrative tasks

PanthRex may utilize additional independent third parties to assist it in recommending and monitoring managers to clients as appropriate under the circumstances. PanthRex reviews certain

quantitative and qualitative criteria related to managers and to formulate investment recommendations to its clients.

Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending managers include

- the investment objectives
  - management style and philosophy
  - manager's consistency of investment style
  - employee turnover and efficiency and capacity

Quantitative and qualitative criteria related to managers are reviewed by PanthRex on a regular basis as appropriate under the circumstances. In addition, managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the manager by PanthRex (both of which are negative factors in implementing an asset allocation structure).

PanthRex may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. PanthRex will endeavor to obtain equal treatment for its clients with funds or managers but cannot assure equal treatment. PanthRex will regularly review the activities of managers utilized for the client. Clients that engage managers should first review and understand the disclosure documents of those managers, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

#### RECOMMENDED SECURITIES AND INVESTMENT RISKS

PanthRex primarily uses exchange-traded funds and mutual funds in its portfolios. Other securities may be held in accounts at the client's request.

All investments contain different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to accept.** While PanthRex uses investment strategies that are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates of return on investments entails accepting higher levels of risk. Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. A client needs to ask questions about risks that he or she does not understand. The firm would be pleased to discuss them.

PanthRex strives to render its best judgment on behalf of its clients. Still, it cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser but is not a reliable predictor of future performance. The firm continuously strives to provide outstanding long-term investment performance, but many economic and market variables beyond its control can affect the performance of an investment portfolio.

An investment could lose money over short or even long periods. A client should expect his or her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. A client's account performance could be hurt by:

- **Credit risk:** This is the risk that an issuer of a bond could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation.
- **Inflation Risk:** This is the risk that inflation will undermine the performance of an investment and/or the future purchasing power of a client's assets.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates.
- **International investing risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, as well as regulatory and financial reporting standards, that differ from those of the U.S.
- **Liquidity risk:** One common risk associated with private placements and REITs is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns is often not realized until maturity. Because of this, these products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.
- **Manager risk:** The chance that the proportions allocated to the various securities will cause the client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.
- **Portfolio Concentration:** Accounts that are not diversified among a wide range of types of securities, countries or industry sectors may have more volatility and are considered to

have more risk than accounts that are invested in a greater number of securities because changes in the value of a single security may have more of a significant effect, either negative or positive. Accordingly, portfolios are subject to more rapid changes in value than would be the case if the client maintained a more diversified portfolio.

- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

Each strategy offered through PanthRex invest in one or more of the following classes of securities. Each has unique risk features that should be understood.

### Equity Securities

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### Mutual Fund Securities

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund 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, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### Exchange-Traded Funds ("ETFs")

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, streetTRACKS®, DIAMONDSSM, NASDAQ 100 Index Tracking StockSM ("QQQs SM") iShares® and VIPERs®. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses. Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral. Further, the use of leverage (i.e., employing the use of

margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### Fixed Income Securities

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### Corporate Debt, Commercial Paper and Certificates of Deposit

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk. Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### Municipal Securities

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

## Corporate Debt Obligations

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

## Variable Annuities

PanthRex offers a variable annuity model through Jefferson National. The investment selections for the variable annuity may be limited to the choices offered through the specific product. Specifics regarding the annuity are found in the annuity prospectus and application documents. Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

Certain strategies offered through PanthRex may employ certain financial strategies as part of their investment strategy. Each of these strategies has unique risk associated with them.

## Margin Leverage

Although PanthRex, as a general business practice, does not utilize leverage, please be advised that if a client instructs PanthRex to utilize margin leverage please review the following: The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of margin leverage entails borrowing, which results in additional interest costs to the investor. Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral



securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above. Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### Short-Term Trading

Although PanthRex, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following: There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### Short Selling

PanthRex generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is affected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be affected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### Technical Trading Models

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance. Some market timing strategies that are employed are designed to be reactive indicators and therefore are not designed to avoid all losses.

### Option Strategies

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is generally worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and

option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

PanthRex as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading

#### Covered Call Writing

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### Long Call Option Purchases

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### Long Put Option Purchases

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the “long put” option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### Option Spreading

Call option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of

implementing the spread. This is a long call spread position that represents a bullish posture on the underlying security. Put option spreading usually involves the purchase of a put option and the sale of a put option at a lower contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to purchase protection on the underlying security and to partially offset the cost by selling the put option with a lower contract strike price. In this type of transaction, the spread holder has protection on the underlying that goes in to the money at the higher strike and provides protection all the way down to the lower strike. This is a “long put” spread position that represents a bearish posture on the underlying security. Short Options spreads involve the sale of a call or put and the purchase of a corresponding call or put at a strike price that is further from the money than the call or put that was sold, both having the same expiration month. This transaction is called a ‘credit spread’ because it produces a net credit to the account of the investor. The maximum profit is the credit that was collected by the investor. The maximum loss is the difference in contract prices reduced by the net proceeds collected by the investor when implementing the spread. This is a bullish position when selling a spread with puts and a bearish position when selling a spread with calls.

### Security-Specific Material Risks

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

### VOTING CLIENT SECURITIES

PanthRex does not take discretion with respect to voting proxies on behalf of its clients. PanthRex will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of PanthRex supervised and/or managed assets. In no event will PanthRex take discretion with respect to voting proxies on behalf of its clients. Except as required by applicable law, PanthRex will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies. From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. PanthRex has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. PanthRex also has no duty to evaluate a client’s eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, PanthRex has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients. Where PanthRex receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

PanthRex obtains various information about the client prior to opening an account including, without limitation: client name, type of client, social security number, investment objectives, investment strategy, and investment restrictions. PanthRex also sends the portfolio managers certain information regarding the client including, but not limited to: client account number, account name, whether the account is taxable or non-taxable, investment guidelines and restrictions. PanthRex sends updates to the portfolio manager on an as needed basis.

Clients are encouraged to contact their investment adviser representative if there have been any changes in their financial situation or investment objectives. They should also contact their investment adviser representative if they wish to impose any reasonable restrictions on the management of the account or modify existing restrictions. Clients should be aware that the investment objective selected for the wrap program is an overall objective for the entire account and may be inconsistent with a holding and the account's performance at any time. Clients should further be aware that achievement of the stated investment objective is a long-term goal for the account.

## **ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Clients should contact their investment adviser representative regarding any questions they might have for the portfolio managers.

## **ITEM 9 - ADDITIONAL INFORMATION**

### **DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events within the past 10-years that would be material to a client's evaluation of us or the integrity of our management. We have no information applicable to this Item because we have not been the subject of any administrative, civil, criminal or regulatory proceedings.

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

Neither PanthRex nor its representatives are registered as a broker/dealer, commodity firm, commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

#### **PanthRex Advisors**

Michael R. Wallin, CFP®, Managing Member and Investment Adviser Representative, is the owner of Mountain Brooke Wealth Management LLC, through which he markets investment advisory and financial planning services. Mr. Wallin is also the owner of Financial Architects & Consultants, LLC a firm that provides financial planning design for independent financial advisors and investment advisers. Additionally, Mr. Wallin is a licensed insurance agent and may recommend insurance products offered by such carriers for whom he functions as an agent and receives a commission for doing so. Some of PanthRex's advisory clients may also purchase insurance products from Mr. Wallin. Please be advised there is a potential conflict of interest in

that there is an economic incentive to recommend insurance and other investment products of such carriers. Please also be advised that he strives to put clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire. However, individuals employed in the capacity of clergy services are limited in the carriers and products available to maintain their favorable tax privileges.

Allen P. Hargis, Member, is a Certified Public Accountant, Investment Advisor Representative, and a licensed insurance agent. He markets investment advisory and financial planning services and may recommend insurance products offered by such carriers for whom he functions as an agent and receives a commission for doing so. Some of PanthRex's advisory clients may also purchase insurance products from Mr. Hargis. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Please also be advised that although Mr. Hargis strives to put clients' interests first and foremost, there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Clients may utilize any insurance carrier or insurance agency they desire. However, individuals employed in the capacity of clergy services are limited in the carriers and products available to maintain their favorable tax privileges. Mr. Hargis is also an owner of Hargis and Stevens PA, a Certified Public Accounting firm. Any compensation derived from his tax and accounting services are separate and apart from any activity performed through or with PanthRex.

PanthRex is partially owned and supported by Coppel Advisory Solutions, LLC, an SEC registered investment adviser (CRD# 156549). Certain owners and Management Persons of Coppel Advisory Solutions, LLC are also employed by PanthRex in various capacities.

PanthRex is affiliated with Precision Capital Management, LLC (CRD#174239), a SEC registered investment adviser, through common control and ownership. Certain owners and Management Persons of Precision Capital Management, LLC are also employed by PanthRex in various capacities.

Additionally, PanthRex has retained Coppel Advisory Solutions, LLC as a sub adviser to manage its clients' portfolios and will share in the compensation received by these entities for managing your account. The compensation arrangement presents a conflict of interest due to a financial incentive to recommend the services of affiliated firms. In order to address this conflict, PanthRex has adopted a code of ethics that obliges all associated persons to deal fairly with all clients when making investment decisions, to uphold their fiduciary duty at all times, and to put the client's interest first. Clients are not required to use the services of any third party advisers we recommend.

We will only recommend sub advisers with whom we have executed a written agreement and we will provide all clients with a written disclosure that includes our firm name, the sub adviser's

name, the nature of the relationship, including any affiliation between our firm and the sub adviser; A statement that our firm will be compensated by the sub adviser; The terms of such compensation arrangement, including a description of the compensation paid to our investment adviser representatives; and compensation differentials, if any, charged to clients above the sub adviser's normal fee, as a result of the cost of obtaining clients by compensating our firm and investment adviser representatives.

Certain Associated Persons of PanthRex may also offer physical gold and silver for clients to purchase through designated third parties and receive a commission for these activities. Clients are advised that any fees paid to the firm for advisory services are separate and distinct from commissions earned by the Associated Person for any gold or silver that the client may purchase through the Associated Person. Clients are under no obligation or requirement to purchase these products from an Associated Person associated with PanthRex.

PanthRex and TD Ameritrade (TDA) have entered into an agreement whereby TDA provides trading, operational, and back office support for PanthRex's investment management services. Although TDA is an investment adviser, it neither provides investment advice nor refers clients to PanthRex. However, PanthRex client information may be provided to TDA in order for them to fulfill their contractual obligations to PanthRex.

**Many of PanthRex's investment adviser representatives are licensed independent insurance agents. From time to time, representatives will offer clients advice or products from this activity. PanthRex always acts in the best interest of the client. Clients are in no way required to implement a plan through any representative of PanthRex in their capacity as an insurance agent. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products. Please also be advised that PanthRex strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to agents that are licensed to offer both securities and insurance products.**

## **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### DESCRIPTION

PanthRex's Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. PanthRex will provide a copy of the Code of Ethics to any client or prospective client upon request.

PanthRex's Code of Ethics covers all supervised persons and it describes our high standard of business conduct and fiduciary duty to clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. The owners and all other supervised persons who work for PanthRex must acknowledge the terms of the Code of Ethics annually, or as amended.

### MATERIAL INTEREST IN SECURITIES

PanthRex does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, PanthRex does not recommend any securities to advisory clients in which it has some proprietary or ownership interest

### INVESTING IN AND RECOMMENDING THE SAME SECURITIES

PanthRex, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which PanthRex specifically prohibits. PanthRex has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefiting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions

- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow PanthRex's procedures when purchasing or selling the same securities purchased or sold for the client.

PanthRex, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may affect securities transactions for their own accounts that differ from those recommended or affected for other PanthRex clients. PanthRex will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of PanthRex to place the clients' interests above those of PanthRex and its employees.

### **REVIEW OF ACCOUNTS**

Accounts are reviewed by the account's advisor and PanthRex's Chief Compliance Officer, or designee. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macroeconomic climate.

Financial planning clients receive their financial plans and recommendations at the time service is completed. Financial plans are reviewed by the Chief Compliance Officer, or designee, prior to delivery to clients. There are no post-plan reviews unless engaged to do so by the client.

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any Orion statements or reports created on behalf of the client by PanthRex.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

**Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest** PanthRex may enter into contractual agreements to act as a solicitor permitted by Rule 206(4)-3 of the Investment Advisers Act of 1940 ("Act"). Pursuant to these agreements, PanthRex receives compensation for referring prospective clients to third-party investment managers. Such arrangements will comply with the cash solicitation requirements under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with the referral partner. The solicitor must provide the client with a disclosure document describing the fees it receives from the referral partner, whether those fees represent an increase in fees that the referral partner would otherwise charge the client, and whether an affiliation exists between PanthRex and the referral partner. PanthRex will provide



prospective clients with all applicable written disclosures required by the Act or as otherwise required by state or federal securities regulatory authorities.

#### **Advisory Firm Payments for Client Referrals**

PanthRex may enter into agreements with solicitors who will refer prospective advisory clients to PanthRex in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with PanthRex. The solicitor must provide the client with a disclosure document describing the fees it receives from PanthRex, whether those fees represent an increase in fees that PanthRex would otherwise charge the client, and whether an affiliation exists between PanthRex and the solicitor.

#### **Expense Reimbursements**

PanthRex may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing, such as advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

#### **FINANCIAL INFORMATION**

We do not have any financial impairment that will preclude us from meeting our contractual commitments to our clients. We do not serve as a custodian for client funds or securities. At no time will wrap management fees of more than \$1200 be charged six or more months in advance by our firm or a client's representative. We have established policies and procedures designed to prevent the collection of fees greater than \$1200 six or more months in advance. As such, a balance sheet is not required to be provided at this time. We have not been the subject of a bankruptcy proceeding.