

# Innealta

## C A P I T A L

### Item 1 Cover Page

## Form ADV Part 2 Brochure

This Brochure (the “Brochure”) provides information about the qualifications and business practices of Innealta Capital, LLC (“Innealta,” the “Adviser,” the “Firm,” “we,” “us” or “our”). If you have any questions about the contents of this Brochure, please contact us at (737) 808-4637 or via e-mail at [compliance@innealtacapital.com](mailto:compliance@innealtacapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Additional information about Innealta also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Innealta is 292158.

*Innealta is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Recipients of this Brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise or training in providing advisory services to its clients.*

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**Brochure prepared on October 29, 2024**

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## Item 2 Material Changes

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This Brochure contains updated information about Innealta’s business since the last annual updating amendment dated March 27, 2024. This section of the Brochure will address only those “material changes” that have been incorporated since the last annual delivery of this document on the SEC’s public disclosure website (IAPD) to assist and make you aware of certain information that has changed since the last annual delivery of the Brochure. The following material changes have been made to this Brochure:

Item 4: Innealta updated Item 4: Advisory Business. to amend the ownership structure. There have been no additional, material changes to this Brochure since the date of the last filed Brochure.

Innealta will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, Innealta’s Brochure may be requested by contacting Ms. Carla A. Fava Quiroga, Chief Compliance Officer (the “CCO”) at (737) 808-4637 or [cfava@innealtacapital.com](mailto:cfava@innealtacapital.com). Each year, we will ensure that you receive a summary of any material changes to this and subsequent brochures by April 30th.

Additional information about Innealta is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Innealta is 292158. The SEC’s web site also provides information about any persons affiliated with Innealta who are registered, or are required to be registered, as investment adviser representatives of Innealta.

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## Item 4 Advisory Business

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### **Background and Ownership Structure**

Innealta is a Texas limited liability company, formed on November 2, 2017, for the purpose of providing discretionary investment advisory services to U.S. open-end management investment companies registered under the Investment Company Act of 1940, as amended, and to separately managed accounts whose investors include large institutions and high net worth individuals, including but not limited to, state and local pensions, corporate pensions, endowments and foundations, regional banks, and family offices. Innealta's principal office and place of business is located in Austin, Texas. Innealta filed its initial registration as an investment adviser with the SEC on January 10, 2018 and was granted effective registration by the SEC on February 13, 2018, under the Investment Advisers Act of 1940, as amended (the "Advisers Act").<sup>1</sup> Pursuant to an agreement and strategic reorganization of the Innealta Capital division (the "Innealta Division") of AFAM Capital, Inc. ("AFAM"), Innealta acquired substantially all the assets of the Innealta Division, on April 1, 2018. As a result of such reorganization and pursuant to an affirmative proxy vote by the shareholders, on March 27, 2018, Innealta became the investment adviser to two diversified series of a U.S. open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), previously advised by AFAM's Innealta Division.

The two primary principal indirect owners of Innealta are Dr. Vito A. Sciaraffia, through Riomaggiore Investments, LLC as its sole member, and Dr. Gonzalo E. Maturana, through Alsacia Investments, LLC, as its sole member. Dr. Sciaraffia has an eighty-four percent (84%) indirect ownership, Dr. Maturana has an eleven percent (11%) indirect ownership, and certain employees of Innealta collectively have a five percent (5%) ownership of Innealta. Innealta is managed and controlled under the direction of its Board of Managers, which is comprised of Dr. Vito A. Sciaraffia and Dr. Gonzalo E. Maturana (collectively, the "Board of Managers"). Innealta's officers and senior management team is comprised of Dr. Vito A. Sciaraffia, as Chief Investment Officer, Dr. Gonzalo E. Maturana, as Head of Strategy, and Ms. Carla A. Fava Quiroga, Chief Operating Officer and Chief Compliance Officer (collectively, the "Senior Management Team").

### **Advisory Services**

Innealta's portfolio management and investment advisory services are offered (directly or indirectly through a sub-advisory arrangement with the client's primary investment adviser) to individuals, high net worth individuals, banking or thrift institutions, registered investment companies, pooled investment vehicles, single-investor funds, discretionary and non-discretionary advisory programs, commingled investment vehicles, charitable and endowment organizations, pension and profit sharing plans, foundations, corporations and other businesses, government agencies, government chartered corporations, quasi-governmental agencies, state or municipal government entities and other investment advisers.

Innealta currently provides discretionary portfolio management and investment advisory services to: (i) investment companies registered under the 1940 Act (the "Funds"); (ii) separately managed accounts (the "Separate Accounts"); (iii) separately-managed account wrap programs ("Wrap Fee Programs") offered by unaffiliated investment advisers or broker-dealers ("Sponsors"); and (iv) other proprietary accounts. The

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<sup>1</sup> Registration of an investment adviser does not imply any level of skill or training.

Funds, Separate Accounts and Wrap Fee Programs are each, a “Client” and collectively, the “Clients”<sup>2</sup>. The types of Clients to which Innealta provides investment management services are more fully disclosed in Innealta’s Form ADV Part 1 and summarized in *Item 7 – Types of Clients* of this Brochure.

Innealta offers several investment strategies to Clients and in doing so may invest in a wide range of securities and other financial instruments, including: equity securities of domestic and foreign issuers (both publicly and privately traded); corporate debt securities of domestic and foreign issuers (both publicly and privately traded); derivative securities, including, but not limited to, futures, options, swaps, and forward contracts; warrants; commercial paper; foreign currency contracts; registered investment company securities, including exchange-traded funds (“ETFs”); and U.S. government securities. As financial markets and products evolve, Innealta may invest in other instruments or securities, whether currently existing or developed in the future, when consistent with the Client’s investment guidelines, objectives, and policies. Generally, Innealta invests for long-term growth of capital and income. Within that framework, a Client’s objectives and unique circumstances may dictate that short-term positions be taken. See *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* of this Brochure for more information on Innealta’s investment strategies philosophy, context and process, including portfolio construction.

Innealta’s investment advisory (or sub-advisory) services consist of managing a Client’s portfolio of investments, pursuant to an investment management agreement or other similar governing agreement (the “Management Agreement”), by providing origination, acquisition, asset management, and other administrative services to each respective Client in accordance with each Client’s respective Management Agreement, prospectus and statement of additional information (e.g., registration statement), private placement memorandum, offering memorandum, offering circular, limited partnership agreement, or other similar disclosure and governing documents (collectively, the “governing documents”). Innealta’s investment advisory services consist of, but are not limited to, managing each Client’s portfolio of investments, including sourcing, selecting, and determining investments in each Client’s portfolio, monitoring investments by each Client and executing transactions on behalf of each Client, including investing and re-investing the assets of each Client’s portfolio in accordance with the investment objectives, policies and guidelines set forth in each respective Client’s governing documents. Accordingly, Innealta’s investment advisory services to the Funds is not tailored to the individualized needs or objectives of any particular Fund shareholder. An investment in a Fund by a shareholder does not, in and of itself, create an advisory relationship between the shareholder and Innealta. Shareholders are not permitted to impose restrictions or limitations on the management of any Fund.

Except for certain Wrap Fee Programs discussed below, when Innealta serves as investment adviser, it enters into a written Management Agreement with each of its advisory Clients, as described herein above. Such Management Agreements include provisions related to each Client’s management fees, investment strategy, investment guidelines, termination rights, proxy voting and sub-adviser, if applicable. Innealta’s standard Management Agreement contract generally permits either party to terminate the contract at the end of any calendar quarter following thirty (30) days’ written notice or at any time following sixty (60) days written notice for the Funds and other pooled investment vehicles. Upon termination, Clients are billed only for the *pro-rata* portion of the management period. Clients do not pay a termination fee.

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<sup>2</sup> As an SEC-registered investment adviser, Innealta owes a fiduciary duty to all of its Clients. An investment in a Fund by an investor or shareholder does not, in and of itself, create an advisory relationship between the investor or shareholder and Recurrent. Investors or shareholders are not permitted to impose restrictions or limitations on the management of any Fund. In 2006, the decision by the Court of Appeals for the D.C. Circuit in *Goldstein v. SEC*, 451 F.3d 873 (D.C. Cir. June 23, 2006), with respect to funds, clarified that the “client” of an investment adviser to a fund is the fund itself and not an investor in the fund.

When Innealta serve as a sub-adviser, Innealta enters into a sub-advisory agreement with an unaffiliated investment adviser. These sub-advisory agreements typically include information related to Innealta's sub-advisory fee, investment strategy, investment guidelines, termination rights and proxy voting. The unaffiliated investment adviser enters into an investment management agreement with the end client.

### **Tailored Advice and Client-Imposed Restrictions**

As stated herein above, Innealta's investment advisory (or sub-advisory) services consist of managing a Client's portfolio of investments, pursuant to the agreed upon terms of a Management Agreement. Each Management Agreement is separately negotiated and designed to suit the needs of each particular Client and their respective investment objectives, policies, and guidelines as set forth in each respective Client's governing documents. Innealta works with Clients to formulate appropriate and agreed-upon investment guidelines. Innealta offers several investment strategies to Clients and Clients may select a particular investment strategy that meets their investment goals and objectives, or a Client may tailor a particular investment strategy to meet their investment goals and objectives. Accordingly, Innealta can tailor its investment advisory services to the individual needs of each respective Client and is subject to applicable investment objectives, policies, and guidelines set forth in the governing documents for each respective Client. Such Management Agreements may impose restrictions on Innealta's ability to invest in certain securities or types of securities. Additional portfolio restrictions may also include exposure limits, concentration limits, industry and sector limits, geographical limits, and liquidity limits. Additionally, Innealta works with Clients to determine the feasibility of monitoring proposed restrictions and limitations. Clients who restrict their investment portfolios may experience potentially worse performance results than Clients with unrestricted portfolios even for Clients with similar objectives. Innealta reserves the right to reject or terminate any Client that seeks restrictions which Innealta is unable to implement, or which may fundamentally alter the investment objective of the strategy selected by the Client. Investors who participate in pooled investment vehicles, such as Funds, generally may not tailor investment guidelines.

Prospective clients and prospective client investors must consider whether a particular Innealta advisory relationship is appropriate for their own circumstances based on all relevant factors including, but not limited to, the prospective client's own investment objectives, liquidity requirements, tax situation, and risk tolerance. Prospective clients are strongly encouraged to undertake appropriate due diligence including, but not limited to, a review of governing documents relating to the proposed investment program for the prospective client and to investigate additional details about Innealta's investment strategies, methods of analysis, and related risks, before making an investment decision or committing to a service provided by Innealta. See *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* of this Brochure for a more detailed discussion on investment strategies and the risks involved with such strategies.

**ALL DISCUSSION OF A FUND IN THIS BROCHURE, INCLUDING BUT NOT LIMITED TO ITS INVESTMENTS, THE STRATEGIES USED IN MANAGING A FUNDS, AND CONFLICTS OF INTEREST FACED BY INNEALTA IN CONNECTION WITH THE MANAGEMENT OF A FUNDS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE RESPECTIVE FUND'S GOVERNING DOCUMENTS.**

## **Wrap Fee Programs**

Innealta offers certain of its investment strategies to Clients invested in three different types of Wrap Fee Programs:

- “Single Contract Programs” in which Innealta enters into a contract with a Sponsor to provide discretionary advisory services to the Sponsor’s Clients;
- “Dual Contract Programs” where Innealta enters into a contract directly with the Client to provide discretionary advisory services and the Client enters into a separate contract with the Sponsor, custodian and other service providers; and
- “Model Programs” where Innealta provides a model portfolio to the Sponsor or overlay manager who typically retains the ultimate authority to execute investment transactions. In most Model Programs, Innealta treats the Sponsor or overlay manager as its Client. As of December 31, 2023, Innealta provided model portfolios to Sponsors or overlay managers with respect to approximately \$211,101,504 in assets under advisement. As discussed below, Innealta generally does not have investment discretion or trading authority for these assets. As such, these assets are generally not included in Innealta’s assets under management provided below.

In Single and Dual Contract Programs, Sponsors introduce Clients to Innealta and generally provide Clients a package of services which may include any or all of the following: discretionary investment management, trade execution, account custody, performance monitoring and manager evaluation. Sponsors receive a (“Wrap Fee”) from Clients for providing this package of services and Innealta receives a portion of the Wrap Fee from the Sponsor for its investment management services. Sponsors typically: (i) assist Clients in defining their investment objectives based on information provided by the Clients; (ii) determine whether the given Wrap Fee arrangement is suitable for each Client; (iii) aid in the selection and monitoring of investment advisers (whether Innealta or another adviser) to manage accounts (or a portion of account assets); and (iv) periodically contact Clients to ascertain whether there have been any changes in Clients’ financial circumstances or objectives that warrant changes in the arrangement or the manner in which Clients’ assets are managed.

Innealta generally receives Client information through Sponsors and relies on Sponsors to forward current and accurate Client information on a timely basis to assist in Innealta’s day-to-day management of Clients’ accounts. Single and Dual Contract Program Clients may also contact Innealta directly concerning their accounts.

Under the typical Model Program, Innealta provides Sponsors or overlay managers with initial model portfolios at the inception of the arrangement and then provides updates of the model portfolio on a regular basis as part of Innealta’s trade rotation procedures or at such other intervals agreed to by Innealta and the Sponsor. See *Item 12 – Brokerage Practices* for more information on trade rotation. Investors in Model Programs do not have direct access to Innealta. In these programs, Sponsors or overlay managers have investment discretion to accept, reject or modify Innealta’s trade recommendations and apply them to their clients’ accounts. As a result, Innealta generally does not consider these assets as discretionary assets. In certain cases, Innealta may enter Model Programs and retain investment discretion; however, Innealta may not have the responsibility to place orders for the execution of trades for Clients. In these instances, the Sponsors (or the broker-dealer affiliated with the Sponsors) are solely responsible to execute transactions for such trades and are solely responsible for providing best execution for such trades.



Clients investing in Wrap Fee Programs generally may invest in Innealta strategies with lower account minimums than other account types; however, Wrap Fee Programs may not be suitable for any given Client. Suitability depends on a number of factors, including the applicable Wrap Fee, account size, anticipated account trading activity, the Client's financial needs, circumstances and objectives, and the value of the various services provided. Clients should consult with their Sponsor to determine whether investing through a Wrap Fee Program is suitable for their circumstances. Innealta's suitability responsibility is limited to ensuring that investments chosen for an account are appropriate in light of the investment strategy selected by a Client or the Sponsor.

Smaller Wrap Fee Program accounts may not receive or be able to fully implement all of Innealta's investment recommendations for a particular strategy depending on the price of securities and the size of the account. Innealta may also be restricted from investing in certain securities due to operational constraints or limitations set by the Sponsor.

Clients investing in Wrap Fee Programs should receive a brochure from the Sponsor detailing all aspects of the Wrap Fee Program prior to selecting Innealta as an investment manager. Clients should review program documentation carefully and discuss with their financial adviser whether these programs, and Innealta's strategies, are appropriate for their investment needs and circumstances.

### **Regulatory Assets Under Management**

As of December 31, 2023, Innealta managed \$305,410,697.62 of advisory assets, of which all were on a discretionary basis, and none were on a non-discretionary basis. The SEC has adopted a uniform method for advisers to calculate assets under management for regulatory purposes which it refers to as an adviser's "regulatory assets under management." Regulatory assets under management are generally an adviser's gross assets, *i.e.*, assets under management without deduction for outstanding indebtedness or other accrued but unpaid liabilities. Innealta reports its regulatory assets under management in Item 5 of Part 1 of Form ADV which you can find at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



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## Item 5 Fees and Compensation

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In consideration for Innealta's investment advisory and other services, Innealta generally is entitled to receive management fees, and may in the future receive performance allocations, with respect to certain Clients. While the fees and compensation applicable to each Client are described in detail in the applicable governing documents and/or Management Agreements, an overview of Innealta's basic fee schedule is summarized below. A potential investor should read and review all governing documents in their entirety before making any investment decisions.

### **Advisory Services Compensation**

Innealta's fees generally depend on the services being provided and vary from product to product based on a variety of factors, including but not limited to, the investment mandate or strategy, investment vehicle, degree of servicing required, account/relationship size, market-place conditions, and other factors Innealta deems relevant. For investment management services, fees typically are expressed as a percentage of the assets under management. To the extent permitted under the Advisers Act, or the applicable provisions of the 1940 Act, in the case of investment companies registered under the 1940 Act, Innealta may negotiate and charge performance fees or special allocations, as well as asset-based fees. Clients who negotiate performance-based fees typically pay a lower base management fee. In addition, fees and allocations may be fixed, fixed plus performance, or performance only. See *Item 6 – Performance-Based Fees and Side-By-Side Management* of this Brochure for more information about performance-based fees.

Innealta's investment management fees are typically calculated as a percentage of the market value of a Client's assets under management in accordance with its contractual agreements. Fee breakpoints may be available for certain strategies and product types. Innealta's standard fee schedules, which are subject to change and may be negotiated, are described below under "Fee Schedules". Existing Clients may have different fee arrangements from those described in under Fee Schedules. To the extent Innealta engages a sub-adviser, it will pay the sub-adviser a portion of the management fee that Clients pay to Innealta. Innealta's Clients do not pay any fees, commissions, or expenses directly to sub-advisers.

Innealta may, in its sole discretion, charge lower management fees or waive account minimums based on certain criteria including product type, investment strategy, client type, client domicile, services provided, the client's historical relationship with Innealta, number of related investment accounts, account composition or size, anticipated future earning capacity, current and anticipated future assets under management, marketplace considerations, early adoption of an investment strategy or investment in a particular vehicle, client's operational or investment limitations or restrictions, level of client servicing required, and other factors Innealta deems relevant. Innealta, in its sole discretion, may also waive or charge lower management and/or performance fees and waive account minimums for employees, including portfolio managers, affiliates, or relatives of such persons. Assets from related accounts in similar investment vehicles may be aggregated for fee calculation purposes according to Innealta's policies and procedures.

Innealta may be limited in its ability to negotiate fees due, in part, to existing Client contracts, which require equivalent pricing. Under the terms of these agreements, Innealta is generally required to charge the same fee schedule to similarly-situated Clients. Generally, Innealta considers Clients to be similarly-situated if they are domiciled in the same country, are in the same investment vehicle managed as a component of the same investment composite, are of the same client type, require a similar level of client servicing, and have a similar account size, among other factors Innealta deems relevant.

To the extent fees are negotiable, certain Clients may pay more or less than other Clients for the same management services. In cases where a consulting or referral arrangements are in place in which broker-dealers, investment advisers, trust companies, and other providers of financial services typically provide Clients with services that complement or supplement Innealta's services, Innealta may charge lower management fees for accounts managed.

In addition to Innealta's investment management fee, Clients may incur operating and transaction fees, costs and expenses associated with maintaining their accounts imposed by custodians, brokers, futures commission merchants, prime brokers, and other third-parties. Examples of these charges include but are not limited to custodial fees, margin, deferred sales charges, "mark-ups" and "mark-downs" on trades, odd-lot differentials, transfer taxes, handling charges, exchange fees (including foreign currency exchange fees), interest to cover short positions, wire transfer fees, electronic fund fees, conversion fees for American Depository Receipts ("ADRs"), and other fees and taxes on brokerage accounts and securities transactions. Innealta does not receive any portion of these commissions, fees, or costs. See, however, *Item 12 – Brokerage Practices* of this Brochure for more information about soft-dollars. See also *Item 12 – Brokerage Practices* of this Brochure for more information about conversion fees for ADRs. To the extent Innealta should acts as a sub-adviser, Innealta will receive a portion of the management fee the end Clients pay to the adviser; these Clients do not pay any fees, commissions, or expenses directly to Innealta.

Innealta may invoice Clients on a monthly, quarterly, or semi-annual basis in arrears or in advance for its investment management fees. In any partial billing period, Innealta pro-rates fees based on the number of days an account is open. If a Client requests that Innealta automatically deduct management fees from its accounts, Innealta will bill the Client's custodian directly in accordance with Rule 206(4)-2 (the "Custody Rule") under the Advisers Act. Innealta may invest Separate Account assets in unaffiliated pooled investment vehicles that charge fees described in the pooled investment vehicles' governing documents. Separate Account assets invested in these unaffiliated pooled investment vehicles may pay both Innealta's investment management fee and the unaffiliated pooled investment vehicles' fees and expenses. To the extent Innealta invests Separate Account assets in sponsored (affiliated) pooled investment vehicles (e.g., a Fund managed by Innealta), these assets generally will not be included as Separate Account assets for purposes of calculating or charging the Client's management fee.

## **Fee Schedules**

The following sets forth a basic description of certain advisory fee arrangements, including information on Innealta's standard fee schedules. However, fees and other compensation are negotiated in certain circumstances, and arrangements with any particular Client may vary.

## ***Funds***

In consideration for its portfolio management and investment advisory services to the Funds, Innealta receives a management fee (accrued daily) that range from 0.35% to 1.00% annually and payable monthly in arrears from each respective Fund. The specific payment terms and other conditions of the management fees available to Innealta are set forth in the Funds' governing documents and/or Management Agreement. The management fee is based upon each Fund's average daily net assets, which may or may not be net of investment leverage (borrowed capital). Such management fee is deducted from the Fund's assets on a monthly basis. In addition to management fees, administrative fees, and brokerage and transaction costs, investors in the Funds will indirectly bear certain other fees and expenses paid by the Fund, including, but not limited to expenses of the independent trustees of the Fund, fees and expenses for legal, fund accounting,

transfer agency, custodial, and auditing services, interest expense, taxes, and other investment-related costs, insurance premiums, extraordinary and non-recurring, and certain other unusual expenses. For additional detail on these fees and expenses, please refer to the Funds' governing documents (*i.e.*, prospectus and statement of additional information). Additionally, Innealta will occasionally waive a portion of the fees payable by the Funds, which could result in a benefit to shareholders in the Funds.<sup>3</sup>

As of the date of this Brochure, Innealta manages four (4) Funds for which it receives management fees. The Funds comprise of the Dynamic International Opportunity Fund, the Dynamic U.S. Opportunity Fund, the Acclivity Small Cap Value Fund and the Acclivity Mid Cap Multi-Style Fund, each a diversified series of the Northern Lights Fund Trust II (the "Trust"), an open-end management investment company registered under the 1940 Act and organized as a Delaware statutory trust on August 26, 2010. The Funds each seek capital appreciation. The Dynamic International Opportunity Fund and the Dynamic U.S. Opportunity Fund commenced operations on December 31, 2011, the Acclivity Small Cap Value Fund commenced operations on December 31, 2018, and the Acclivity Mid Cap Multi-Style Fund commenced operations on December 31, 2019. The Trust is responsible for the overall management of the Funds' business affairs.

### ***Separate Accounts***

In consideration for its portfolio management and investment advisory services to Separate Accounts, Innealta typically charges a quarterly management fee in advance for services to be rendered during the following calendar quarter. Such quarterly management fees applicable to Separate Accounts, is based on the total value of the assets (including cash) of the Separate Account(s) at the beginning of the calendar quarter. Separate Accounts are billed on a quarterly basis, and unless otherwise agreed in writing, management fees are debited directly from the cash balance of the account Separate Account(s). Separate Account Clients with multiple portfolios are aggregated to effect fee savings to the Client. Initial management fees are *pro-rated* to the extent the period from that date of the Management Agreement is less than a full calendar quarter period, and in the event a Management Agreement is terminated during the calendar quarter period, Innealta will refund on a *pro-rated* basis any management fees paid in advance.

The fee-schedule for Separate Accounts is as follows:

- 1.00 percent per annum (0.25% per quarter) of the first \$1,000,000, and
- 0.75 percent per annum (0.1875% per quarter) of the next \$9,000,000, and
- 0.5 percent per annum (0.125% per quarter) for any amount above \$10,000,000.

Innealta's management fee for managing a Separate Account are determined through negotiation with each Client and are set forth in the Management Agreement with the Client. Innealta may also collect performance-based fees, which are generally based on an adjustment based on investment performance compared to an established benchmark index over a specified period of time and generally payable quarterly, annually or more frequently in arrears. Separate Accounts who negotiate performance-based fees may pay a lower base management fee. See *Item 6 – Performance-Based Fees and Side-By-Side Management* of this Brochure for more information

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<sup>3</sup> Innealta has contractually agreed to waive its fees and/or pay for operating expenses of the Funds to ensure that total annual fund operating expenses (excluding any taxes, leverage interest, brokerage commissions, dividend and interest expenses on short sales, acquired fund fees and expenses, expenses incurred in connection with any merger or reorganization, and extraordinary expenses such as litigation expenses) do not exceed the Fund's expense cap. For additional detail please refer to the Funds' prospectus.

about performance-based fees. Separate Accounts generally are responsible for brokerage commissions, transfer taxes, and other brokerage fees and investment expenses relating to investment instrument transactions in the Separate Account. Separate Accounts may incur operating and transaction fees, costs, and expenses associated with maintaining their accounts imposed by custodians, brokers, futures commission merchants, prime brokers, and other third-parties. Innealta does not receive any portion of these commissions, fees, or costs.

As of December 31, 2023, Innealta manages one hundred and fifty-five (155) Separate Account Clients for which it receives management fees. Of the one hundred and fifty-five (155) Separate Account Clients, one hundred forty-five (145) are Separate Accounts, and ten (10) are Dual Contract Wrap Fee Programs. Such Separate Account Clients comprise two hundred twenty-nine (229) Client accounts, of which ten (10) are Wrap Fee Program accounts.

### ***Single Contract, Dual Contract and Model Programs***

In consideration for its asset allocation services in providing model portfolios to Sponsor's, Innealta typically charges an asset-based fee, payable quarterly in arrears, ranging from 0.20% to 0.40% annually on assets under advisement. Generally, the Sponsor calculate and administer payment directly to Innealta, the Sponsor's clients do not pay Innealta directly for Innealta's Model Programs. Innealta's asset-based fee for providing such model portfolios to Sponsors are determined through negotiation with each Sponsor and are set forth pursuant to a portfolio consulting agreement with the Sponsor.

In Single Contract and Model Programs, Sponsors' clients receive and pay for a package of services. Each of these programs varies and generally includes one or more of the following fees: program fee, custodial fee, trading expenses and an investment management Fees. Fees for these bundled programs vary and Clients may pay fees which in the aggregate may be as high as 3.0%. Clients in these programs pay fees to their Sponsors and the Sponsors pay Innealta a portion of its fee for Innealta's services. In Dual Contract Programs, Innealta's fee is typically "unbundled," meaning that Clients pay Innealta's fee directly to Innealta and other program fees to their Sponsors. Clients who participate in Wrap Fee Programs should be aware that services similar or comparable to those provided to them as a participant in a Wrap Fee Program may be available at a lower aggregate cost elsewhere separately or on an unbundled basis.

In certain circumstances, Single and Dual Contract Program Clients may be charged fees, commissions or expenses in addition to their bundled fee. For example, if a Sponsor or another broker-dealer executes a trade as a principal, the Client will pay "mark-ups" and "mark-downs" on these trades. Sponsors typically receive no commissions from trades effected on an agency basis and as a result, may have an incentive to effect trades as principal in order to obtain "mark ups" and "mark-downs." Single and Dual Contract Program Clients also may pay commissions if Innealta "trades away" or uses "step-out" transactions in trading on behalf of the Client's account and for offering concessions and related fees for purchases of unit investment trusts, mutual funds and other public offerings of securities. See *Item 12 – Brokerage Practices* of this Brochure for more information about Wrap Fee Program Brokerage Practices.

Clients invested in Dual Contract Programs typically pay Innealta's management fees in advance on a quarterly basis. Innealta also receives payment in advance on a quarterly basis with respect to certain Single Contract and Model Programs. To the extent Innealta receives fees in advance, all accounts that terminate before the end of a billing period receive a refund for the *pro-rata* portion

of the fee attributable to the remaining time in the billing period after the effective date of the termination of the account. Innealta calculates and refunds the unearned, prepaid fee directly to the Client or to the Sponsor on the Client's behalf for Dual Contract Program Clients. Sponsors calculate and administer refunds of the unearned, prepaid amount to Single Contract Program Clients and Model Programs.

### **Other Fees and Expenses**

In addition to the fees described above, Clients may bear other costs associated with investments or accounts including but not limited to: (i) custodial charges, brokerage fees, commissions, and related costs; (ii) interest expenses; (iii) taxes, duties, and other governmental charges; (iv) transfer and registration fees or similar expenses; (v) costs associated with foreign exchange transactions; (vi) other portfolio expenses; and (vii) costs, expenses, and fees (including investment advisory and other fees charged by the investment advisers of funds in which the Client's account invest) associated with products or services that may be necessary or incidental to such investments or accounts. With respect to such services (which may include, but are not limited to, custodial, securities lending, brokerage, futures, banking, consulting, or third-party advisory or legal services) each Client may be required to establish business relationships with relevant service providers or other counterparties based on the Client's own credit standing. Innealta will not have any obligation to allow its credit to be used in connection with the establishment of such relationships, nor is it expected that such service providers or counterparties will consider or rely on Innealta's credit in evaluating the Client's creditworthiness.

Funds also generally bear their own operating and other expenses including, but not limited to, in addition to those listed above: (i) sales expenses; (ii) legal expenses; (iii) internal and external accounting, audit, and tax preparation expenses; (iv) insurance; and (v) organizational expenses. Generally, series funds bear a *pro-rata* share of the expenses associated with the related trust. Funds may bear the cost of investments in funds, including affiliated funds and ETFs. Further details on these expenses may be found in the Funds governing documents (*i.e.*, prospectus and statement of additional information). For an additional discussion of brokerage and other transaction costs, please refer to *Item 12 – Brokerage Practices* of this Brochure.

### **Other Compensation**

Should Innealta provide investment management services, as investment sub-adviser to an unaffiliated investment adviser, Innealta would generally receive a monthly sub-advisory fee on the average daily value of assets in which it manages, pursuant to a sub-advisory agreement. When Innealta enters into a sub-advisory relationship with an unaffiliated investment adviser, the fee schedule is generally individually negotiated. Innealta is paid by the unaffiliated investment adviser not the fund or portfolio of assets. Innealta is generally required to pay its own expenses incurred in connection with providing investment sub-advisory services.

Innealta nor any of its supervised persons accepts compensation for the sale of securities or other investment products. This practice would present a conflict of interest and give Innealta or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on a particular Client's needs. For an additional discussion of other compensation, please refer to *Item 14 – Client Referrals and Other Compensation* of this Brochure.

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

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Currently, Innealta does not charge, nor receive, any performance-based fees (*e.g.*, carried interest or incentive fees) in connection with the management of Clients' portfolios. In the event Innealta should charge any performance-based fees in the future, such performance-based fees would be structured to comply with Section 205(a)(1) of the Advisers Act, in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, which requires that performance-based fees only be charged to "qualified clients" as defined in Rule 205-3(d)(1) of the Advisers Act. With respect to accounts subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Innealta would comply with relevant U.S. Department of Labor advisory opinions regarding the circumstances in which an investment manager may receive performance-based compensation.



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## Item 7 Types of Clients

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As discussed in Items 4 and 5 of this Brochure, Innealta currently provides discretionary portfolio management and investment advisory services to (i) open-end management investment companies registered under the 1940 Act (*i.e.*, the Funds); (ii) high-net worth individuals, trusts, estates, individual retirement accounts, and corporations or other business (*i.e.*, Separate Accounts); and (iii) Sponsors. In the future Innealta may provide discretionary (or non-discretionary) portfolio management and investment advisory services (directly or indirectly through a sub-advisory arrangement with the client's primary investment adviser) to other types of clients or separately managed accounts whose investors may include large institutions and high net worth individuals, including but not limited to, state and local pensions, corporate pensions, endowments and foundations, regional banks, family offices, and other sophisticated and qualified investors. Innealta may advise both U.S. and non-U.S. Clients. Innealta provides its portfolio management and investment advisory services to Clients pursuant to a Management Agreement between Innealta and each respective Client.

The Funds comprise of the Dynamic International Opportunity Fund, the Dynamic U.S. Opportunity Fund, the Acclivity Small Cap Value Fund and the Acclivity Mid Cap Multi-Style Fund, each a diversified series of the Northern Lights Fund Trust II, an open-end management investment company registered under the 1940 Act and organized as a Delaware statutory trust on August 26, 2010. The Funds each seek capital appreciation. The Dynamic International Opportunity Fund and the Dynamic U.S. Opportunity Fund commenced operations on December 31, 2011, the Acclivity Small Cap Value Fund commenced operations on December 31, 2018 and the Acclivity Mid Cap Multi-Style Fund commenced operations on December 31, 2019. Information about the Funds, and the particular investment objectives, strategies, restrictions, guidelines, and risks associated with an investment, is described in the respective Funds' prospectus and statement of additional information, which are made available to investors by contacting Innealta at (737) 808-4640 or [consulting@innealtacapital.com](mailto:consulting@innealtacapital.com). Information is also available by calling (toll-free) 1-855-994-2326, or by visiting [www.innealtafunds.com](http://www.innealtafunds.com) or [www.acclivityfunds.com](http://www.acclivityfunds.com).

To help the U.S. Government fight the funding of terrorism and money laundering activities, Innealta may seek to obtain, verify, and record information that identifies each investor who invests in product advised by Innealta. In this regard, when an investor seeks to open an account with Innealta or invest in a Fund managed by Innealta (including a separately managed account), Innealta may ask for a completed Form W-8/W-9, as applicable, which includes the name, address, Tax ID/Employer ID number (or any other registration number issued in the jurisdiction of location or incorporation) and other reasonably required information that will allow Innealta to identify the investor. Innealta may ask for information and documentation regarding source of funds to be invested. Innealta also reserves the right to ask for more information regarding the individuals who are beneficial owners of the investor and/or exercise control over the investor. Innealta may ask for the names of such beneficial owners and may also ask for address, date of birth, and other information that will allow Innealta to identify such beneficial owners. Innealta may also request such other information as may be necessary to comply with applicable law. Furthermore, Innealta may verify any of the aforementioned information using third-party sources and may share that information as required by applicable law or in connection with the execution of trades on behalf of that investor. For certain investors, Innealta may rely on the investor's broker-dealer, administrator, transfer agent, custodian or placement agent to obtain, verify and record the required information.



## **Minimums**

For new accounts, Innealta generally requires:

- \$50,000 to \$500,000 to establish a new Separate Account depending on the strategy, and
- \$50 to \$100 million to establish a non-sponsored Fund relationship.

Innealta may waive or reduce these requirements in its discretion, including based on certain criteria as described in *Item 5 – Fees and Compensation* of this Brochure, and reserves the right to decline any account in its sole discretion. Innealta also reserves the right to close any account which falls below the minimum requirements to establish an account due to Client activity or as a result of market movement. Smaller-sized accounts may not receive or be able to fully implement Innealta's investment recommendations for a particular strategy depending on the price of securities and the size of the accounts.

With respect to the Funds, the minimum investment is expected to be \$5,000 or \$20,000, depending upon the share class acquired by the investor. Innealta may waive or reduce these requirements in its discretion. Each Fund's minimum investment amount is stated in each respective Fund's governing documents. A potential investor in a Fund should read and review all governing documents in their entirety for specific investor qualifications and before making any investment decisions.

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

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Investing in securities involves risk of loss that Clients should be prepared to bear.

### **Methods of Analysis**

Innealta's investment strategies employ ETPs, primarily ETFs, and stocks to construct portfolio strategies that seek to outperform their benchmarks on a risk-adjusted basis through diversification, active management, style integrity, minimized security selection risk, trading and cost efficiency.

As discussed in *Item 4 – Advisory Business* of this Brochure, Innealta offers several investment strategies to Clients and in doing so may invest in a wide range of securities and other financial instruments, including: equity securities of domestic and foreign issuers (both publicly and privately traded); corporate debt securities of domestic and foreign issuers (both publicly and privately traded); derivative securities, including, but not limited to, futures, options, swaps, and forward contracts; warrants; commercial paper; foreign currency contracts; registered investment company securities, including ETFs; and U.S. government securities. As financial markets and products evolve, Innealta may invest in other instruments or securities, whether currently existing or developed in the future, when consistent with the Client's investment guidelines, objectives, and policies. Generally, Innealta invests for long-term growth of capital and income. Within that framework, a Client's objectives and unique circumstances may dictate that short-term positions be taken.

As a quantitative asset manager focusing on risk-managed, global investment solutions, Innealta's core principle behind its investment approach is to construct portfolio strategies that seek capital appreciation on a risk-adjusted basis through diversification, active management, style integrity, minimized security selection risk, trading and cost efficiency.

Innealta's investment strategies are based on a proprietary quantitative framework ("Quantitative Framework"). The Quantitative Framework assists Innealta's investment committee (the "Investment Committee") in determining a portfolio allocation to equities, direct or indirect country-representative ETFs, fixed income, or alternative asset classes under specific investment parameters. Although the Quantitative Framework provides various economic, fundamental, and risk insights, each investment strategy incorporates the Quantitative Framework differently based on the idiosyncratic opportunities within the strategy's investable universe.

In addition to evaluating the risk and reward of each potential investment within a strategy, Innealta analyzes which vehicle is likely to minimize the tracking error relative to the desired investment and which vehicle offers the cheapest direct and indirect expenses. To make these decisions, Innealta reviews the underlying assets within the ETF, the explicit liquidity within the ETF, the implicit liquidity in the ETF from the ETF's underlying holdings and the desired position size.

Additionally, Innealta will use a set of investment factors, which in some peer-reviewed academic journals have been linked to higher expected returns, to over- or underweight securities in a Client's portfolio of investments, relative to their market weight. Some of the factors considered include market capitalization, book-to-market, profitability, re-investment of earnings, and momentum. Furthermore, Innealta will use a set of investment variables, that Innealta believes are linked to higher expected returns, during the strategy implementation stage (e.g., trading), to further over- or underweight securities in a Client's portfolio of investments, relative to their multi-factor adjusted weight. Some of the variables considered include stock-specific market interest rate in security lending markets, market liquidity, and price reversals. From time to

time, Innealta may consider additional factors or investment variables as deemed appropriate by the Investment Committee.

The Investment Committee monitors each Client's portfolio relative to Innealta's proprietary Quantitative Framework. As the framework changes its view about any investment within the investable universe, the Investment Committee reviews the portfolio and potentially rebalances the portfolio.

### **Investment Strategies**

Innealta currently offers the following strategies as part of the "Innealta ETF Portfolio Series", which are rebalanced at regular intervals:

- The Dynamic Global Diversified Strategies, also known as the Global All Asset Strategies, comprise eight strategies each with a differentiated risk preference. Each strategy distinguished by a unique longer-term secular asset allocation to a broad range of asset class exposures utilizing exchange-traded products ("ETPs"). The Dynamic Global Diversified Strategy may contain ETPs that reference equity, commodity, real estate investment trust ("REIT"), fixed income, and currency asset classes. The strategies employ a shorter-term cyclical asset allocation framework against the initial secular allocation, which reallocates portfolio assets between equity and fixed income, based on the Investment Committee's review of prospective risk-relative returns for each equity asset class versus fixed income. The portfolios may shift equity allocations on an individual basis within a range of plus or minus ten percent (+/-10%) relative to the target initially defined by the secular allocation. The Dynamic Global Diversified Strategies consist of eight different allocations, ranging from 30% equity/other and 70% fixed income to 100% equity/other::
  - 30% equity/other and 70% fixed income
  - 40% equity/other and 60% fixed income
  - 50% equity/other and 50% fixed income
  - 60% equity/other and 40% fixed income
  - 70% equity/other and 30% fixed income
  - 80% equity/other and 20% fixed income
  - 90% equity/other and 10% fixed income
  - 100% equity/other
- The Dynamic Global Diversified Tax Managed Strategies aim to optimize after-tax performance by utilizing the same framework as the Dynamic Global Diversified Strategies with consideration of taxes. These strategies have a similar asset class exposure as the Dynamic Global Diversified Strategies, but with an increased focus on after-tax returns. The strategies employ a shorter-term cyclical asset allocation framework against the initial secular allocation, which reallocates portfolio assets between equity and fixed income, based on the Investment Committee's review of prospective risk-relative returns for each equity asset class versus fixed income. The portfolios may shift equity allocations on an individual basis within a range of plus or minus ten percent (+/-10%) relative to the target initially defined by the secular allocation. The Dynamic Global Diversified Tax Managed Strategies consist of eight different allocations, ranging from 30% equity/other and 70% fixed income to 100% equity/other:

- 30% equity/other and 70% fixed income
- 40% equity/other and 60% fixed income
- 50% equity/other and 50% fixed income
- 60% equity/other and 40% fixed income
- 70% equity/other and 30% fixed income
- 80% equity/other and 20% fixed income
- 90% equity/other and 10% fixed income
- 100% equity/other
- The Dynamic Global Diversified Enhanced Strategies, also known as the Global All Asset Opportunity Strategies, utilize the same framework as the Dynamic Global Diversified Strategies; however, incorporate leveraged ETPs, where relevant ETFs are available and appropriate, into the strategy in specific equity asset classes to obtain similar equity exposure as the Dynamic Global Diversified Strategies, but with a lower capital commitment to an equity allocation. In an effort to improve the overall investment characteristics of each portfolio strategy, the remaining capital is deployed. The Dynamic Global Diversified Enhanced portfolios are available as Conservative, Moderate and Growth products. The use of leverage can magnify gains and losses in a portfolio.
- The Dynamic Allocation Strategies, also known as the Rotation Strategies, utilize a disciplined quantitative approach that enables the Investment Committee to determine investment exposures to equities, fixed income, and/or alternative asset classes. The Dynamic Allocation Strategies seek exposure to specific equity markets when the Investment Committee believes the prospective risk-relative return for a given market is favorable. The Dynamic International Allocation Strategy, also known as the Country Rotation Strategy, considers investment in over forty (40) international equity markets and the Dynamic Sector Allocation Strategy, also known as the Sector Rotation Strategy, considers investment in U.S.-sector equity markets and sub-markets as defined by Global Industry Classification Standard (“GICS”).<sup>4</sup> The Dynamic Allocation Portfolios may utilize leveraged, inverse and inverse leveraged ETPs, which can magnify gains and losses.
- The Dynamic Fixed Income Strategy deploys an approach which offers the Investment Committee an objective and disciplined framework to allocate optimally across a range of fixed income sectors. The strategy seeks to generate above-average yield with strict risk controls by consistently investing in those fixed income sectors that have strong risk-adjusted performance potential and eligible exchange-traded fund representation.
- The Balanced Momentum Strategy utilizes a disciplined quantitative approach that enables the Investment Committee to determine investment exposures to the momentum factor in the equity asset class. The Balanced Momentum Strategy seeks broad diversification and aims to temper the high volatility and turnover ratio of the momentum factor. The Balanced Momentum Portfolio may utilize leveraged, inverse and inverse leveraged ETPs, which can magnify gains and losses.

In addition to the Innealta ETF Portfolio Series, Innealta currently offers the following strategies as part of the “Acclivity Portfolio Series”, which are rebalanced at regular intervals:

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<sup>4</sup> GICS is a four-tiered, hierarchical industry classification system developed in 1999 by MSCI and Standard & Poor’s for use by the global financial community; it consists of 11 sectors, 24 industry groups, 68 industries and 157 sub-industries.

- The Small Cap Value Strategy employs a quantitatively driven, factor-based investment strategy. Particularly, Innealta selects, from the U.S. publicly traded stock universe, securities that Acclivity Investment Research (“Acclivity”), an affiliate of Innealta, considers to be small capitalization value stocks. The two requirements for companies to be considered as small capitalization value stocks are: (i) be in the lowest 8% of U.S. aggregate market capitalization; and (ii) exhibit a low market value relative to its book value. Within the defined universe, the strategy aims to systematically exploit select academically proven and empirically tested sources of higher expected returns in the market. The factor premia targeted by the strategy include market, size, value, profitability, investment, and momentum.
- The Mid Cap Multi-Style Strategy employs a quantitatively driven, factor-based investment strategy. Particularly, Innealta selects, from the U.S. publicly traded stock universe, securities that Acclivity considers to be mid-capitalization stocks. The requirement for companies to be considered as mid-capitalization stocks is any company that is neither in the highest 80% of U.S. aggregate market capitalization nor in the lowest 8% of U.S. aggregate capitalization. Within the defined universe, the strategy aims to systematically exploit select academically proven and empirically tested sources of higher expected returns in the market. The factor premia targeted by the strategy include market, size, value, profitability, investment, and momentum.
- The Small Cap Growth Strategy employs a quantitatively driven, factor-based investment strategy. Particularly, Innealta selects, from the U.S. publicly traded stock universe, securities that Acclivity considers to be small capitalization growth stocks. The two requirements for companies to be considered as small capitalization growth stocks are: (i) be in the lowest 8% of U.S. aggregate market capitalization; and (ii) exhibit a high market value relative to its book value. Within the defined universe, the strategy aims to systematically exploit select academically proven and empirically tested sources of higher expected returns in the market. The factor premia targeted by the strategy include market, size, value, profitability, investment, and momentum.
- The Consumer Staple Strategy employs a quantitatively driven, factor-based investment strategy. Particularly, Innealta selects, from the U.S. publicly traded stock universe, securities in the U.S. consumer staples sector. Within the defined universe, the strategy aims to systematically exploit select academically proven and empirically tested sources of higher expected returns in the market. The factor premia targeted by the strategy include market, size, value, profitability, investment, and momentum.
- The US REIT Strategy employs a quantitatively driven, factor-based investment strategy. Particularly, Innealta selects publicly traded real estate investment trusts (REITs) from the U.S. publicly traded stock universe. Within the defined universe, the strategy aims to systematically exploit select academically proven and empirically tested sources of higher expected returns in the market. The factor premia targeted by the strategy include market, size, value, profitability, investment, and momentum.

Innealta’s primary objective is to seek consistent positive absolute returns while employing an investment strategy appropriate to the Client’s investment goals and objectives. These investment goals and objectives are written in each respective Client’s governing documents and are followed when making investment decisions for the Client’s account.

### *Temporary and Defensive Investment Strategies*

Each of Innealta's investment strategies may, from time to time, take temporary or defensive positions in attempting to respond to adverse market, political, or other conditions. For temporary defensive purposes, a portfolio may invest up to 100% of its total assets in securities issued or guaranteed by the U.S. government, its agencies, instrumentalities, or sponsored enterprises ("U.S. Government Securities"), commercial paper rated at least A-2 by Standard & Poor's Rating Group, P-2 by Moody's Investors Service, Inc., or having a comparable rating by another nationally recognized statistical rating organization (or if unrated, determined by Innealta to be of comparable credit quality), certificates of deposit, bankers' acceptances, repurchase agreements, non-convertible preferred stocks, and non-convertible corporate bonds with a remaining maturity of less than one year, investment companies, and cash items. When a portfolio's assets are invested in such instruments, the portfolio may not be achieving its investment objective.

As noted in *Item 4 – Advisory Business* of this Brochure, Innealta manages Client's accounts in accordance with the terms, conditions, investment objectives and guidelines, and limitations set forth in the Client's governing documents and/or Management Agreement. Innealta will generally utilize and pursue the same or similar investment strategies, processes, and methods of analysis with respect to Separate Accounts as are utilized and pursued for the Funds.

Innealta maintains risk management policies and procedures in connection with its advisory and management services with respect to Client accounts. Such policies and procedures are discussed periodically and considered in connection with ongoing investment advisory and trading activities. Innealta considers a variety of risks that may affect Client accounts, including margin to equity ratios, liquidity issues, and counterparty risk, among others. Such risk assessment and management efforts will relate to both equity and commodity-related positions. The Investment Committee works to identify these and other risks and monitor the materiality of these risks with respect to portfolios managed by Innealta on a periodic basis as part of Innealta's general compliance program.

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The methods of analysis and investment strategies summarized above are not intended to be comprehensive. For more information regarding the investment objective and strategies of each, please carefully review its applicable governing documents.

### **Certain Risk Factors**

**Clients should understand that all investment strategies and the investments made when implementing those investment strategies involve risk of loss and Clients should be prepared to bear the loss of assets invested. There can be no assurance that Clients will achieve their investment objectives or that investments will be successful or profitable. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a Client's investments fluctuates due to market conditions and other factors. Nothing in this Brochure is intended to imply, and no one is or will be authorized to represent, that Innealta's investment strategies and services are low risk or risk free. The investment decisions made and the actions taken for Clients accounts are subject to various market, liquidity, currency, economic, and political risks, and will not necessarily be profitable. Past performance of Clients accounts is not indicative of future performance. Investors and advisory Clients are urged to consult with their own independent financial, legal, and tax advisors before making any investment decisions. This Brochure does not include every potential risk associated with an investment strategy, or all of the risks applicable to a particular Client account. Rather, it is a general description of the nature and risks**



**of the strategies and securities and other financial instruments in which Client accounts may invest. The following risks may apply to strategies managed by Innealta:**

Investing with Innealta involves a high degree of risk for the Client and is suitable only for persons having substantial financial resources who understand the long-term nature, the consequences, and the risks associated with the investment strategy. There can be no assurance that Innealta's investment program will be profitable or that any particular Client will not incur losses in its account. The material risks include the limited trading history of the investment strategy, the risk that the strategy may be based on assumptions and premises that will not prove to be correct over any particular market cycle or in the long term, the unpredictability of financial markets and investor reactions to significant market events and the risk of technological glitches in the strategy and hardware or software systems failures, including, but not limited to, technology performance risks, communication errors and other risks inherent in computer driven trading that is dependent on technology for timely information and trade implementation.

**Brokers and Custodians.** Client's assets may be held in accounts maintained for the Client by certain banks, broker-dealers and other financial institutions. These financial institutions are subject to various laws and regulations in various jurisdictions, some of which are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and regulations and their application to the Client's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved, and the range of possible factual scenarios involving the insolvency of one of these financial institutions, their agents or affiliates, it is impossible to generalize about the effect of their insolvencies on the Client and its assets. Investors should assume that the insolvency of any one of the Client's service providers could result in the loss of all or a substantial portion of the Client's assets held by or through such entity.

**Business and Market Risks.** Investments may involve a high degree of business and financial risk, which could result in substantial loss to a Client. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies, or political conditions of countries in which investments are made, including the risks of war and the effects of terrorist attacks on security operations. The possibility of partial or total loss of capital will exist.

**Business and Regulatory Risks.** The regulatory environment is evolving, and changes in the regulation of investment advisers may adversely affect the value of investments in client accounts and the ability of Client accounts to obtain the leverage they might otherwise obtain or to pursue Innealta's trading strategies. In addition, securities markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of any future regulatory change on client accounts could be substantial and adverse.

**Concentration Risk.** The increased risk of loss associated with not having a diversified portfolio (*i.e.*, Client accounts concentrated in a geographic region, industry sector or issuer are more likely to experience greater loss due to an adverse economic, business or political development affecting the region, sector or issuer than an account that is diversified and therefore has less overall exposure to a particular region, sector or issuer).

**Counterparty Credit Risk.** Innealta may invest Client assets in financial instruments and over-the-counter ("OTC")-traded derivatives involving counterparties to gain exposure to a particular group of securities, index, asset class or other reference asset without actually purchasing those securities or investments, or to



hedge a position. Through these investments, the Client is exposed to credit risks that the counterparty may be unwilling or unable to make timely payments to meet its contractual obligations. If the counterparty becomes bankrupt or defaults on (or otherwise becomes unable or unwilling to perform) its payment obligations to the Client, the Client may not receive the full amount that it is entitled to receive or may experience delays in recovering the collateral held by, or on behalf of, the counterparty.

**Cyber-Security Risk.** Investment advisers, including Innealta, increasingly rely on information and technology systems to conduct their business. Such systems might in some circumstances be subject to cybersecurity incidents or similar events that could potentially result in damage or interruption to these systems, unauthorized access to sensitive transactional and personal information, intentional misappropriation, corruption or destruction of data, or operational disruption. Innealta maintains an information technology security policy and has implemented certain technical and physical safeguards intended to protect the integrity of its information and technology systems. Nonetheless, despite reasonable precautions, cybersecurity incidents could potentially occur, and might in some circumstances result in the failure to maintain the security, confidentiality or privacy of sensitive data. Cybersecurity incidents experienced by third party vendors or service providers may indirectly affect Clients. Cybersecurity risks can disrupt the ability to engage in transactional business, cause direct financial loss and affect the value of assets in which Clients invest, harm Innealta's reputation, lead to violations of applicable laws, result in ongoing prevention, risk management and compliance costs, and otherwise affect business and financial performance.

The computer systems, networks and devices used by Innealta and its various service providers to carry out routine business operations (including investment advisory services) employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. Clients could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to Clients; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting companies or issuers of securities in which a Client invests; trading counterparties and prime brokers utilized by Clients; exchange and other financial market operators; administrators; auditors; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

**Derivatives Risk.** Derivatives may pose risks in addition to and greater than those associated with investing directly in securities, currencies or other investments, including risks relating to leverage, imperfect correlations with underlying investments or the Client's other portfolio holdings, high price volatility, lack of availability, counterparty credit, liquidity, valuation and legal restrictions. Their use is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. The Client's use of derivatives to obtain short exposure may result in greater volatility of the Client's net asset value. If Innealta is incorrect about its expectations of market conditions, the use of derivatives could also result in a loss, which in some cases may be unlimited. In addition, the Client's use of derivatives may cause the Client to realize higher amounts of short term capital gains (generally taxed at ordinary income tax rates) than if the Client had not used such instruments. Some

of the derivatives in which the Client invests may be traded (and privately negotiated) in the OTC market. OTC derivatives are subject to heightened credit, liquidity and valuation risks. Certain risks also are specific to the derivatives in which the Client invests.

*Swap Agreements Risk.* Swap agreements are contracts among the Client and a counterparty to exchange the return of the pre-determined underlying investment (such as the rate of return of the underlying index). Swap agreements may be negotiated bilaterally and traded OTC between two parties or, in some instances, must be transacted through a futures commission merchant and cleared through a clearinghouse that serves as a central counterparty. Risks associated with the use of swap agreements are different from those associated with ordinary portfolio securities transactions, due in part to the fact they could be considered illiquid and many swaps trade on the OTC market. Swaps are particularly subject to counterparty credit, correlation, valuation, liquidity and leveraging risks. Certain standardized swaps are subject to mandatory exchange trading and central clearing. Exchange trading and central clearing are intended to reduce counterparty credit risk and increase liquidity but do not make swap transactions risk-free. Additionally, applicable regulators have adopted rules imposing certain margin requirements, including minimums, on OTC swaps, which may result in the Client and its counterparties posting higher margin amounts for OTC swaps.

*Futures Contracts Risk.* Futures contracts are exchange-traded contracts that call for the future delivery of an asset at a certain price and date, or cash settlement of the terms of the contract. Risks of futures contracts may be caused by an imperfect correlation between movements in the price of the instruments and the price of the underlying securities. In addition, there is the risk that the Client may not be able to enter into a closing transaction because of an illiquid market. Exchanges can limit the number of positions that can be held or controlled by the Client or Innealta, thus limiting the ability to implement the Client's strategies. Futures markets are highly volatile and the use of futures may increase the volatility of the Client's assets. Futures are also subject to leverage risks and to liquidity risk.

*Options Risk.* Options or options on futures contracts give the holder of the option the right, but not the obligation, to buy (or to sell) a position in a security or in a contract to the writer of the option, at a certain price. They are subject to correlation risk because there may be an imperfect correlation between the options and the securities markets that cause a given transaction to fail to achieve its objectives. The successful use of options depends on Innealta's ability to predict correctly future price fluctuations and the degree of correlation between the options and securities markets. Exchanges can limit the number of positions that can be held or controlled by the Client or Innealta, thus limiting the ability to implement the Client's strategies. Options are also particularly subject to leverage risk and can be subject to liquidity risk.

***Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues.*** Innealta's business activities as well as the management and operations of Clients' accounts and their investments, could be materially adversely affected by pandemics, epidemics and outbreaks of disease in Asia, Europe, North America and/or globally or regionally, such as novel coronavirus, or COVID-19, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, and/or other epidemics, pandemics, outbreaks of disease, viruses and/or public health issues. Specifically, novel coronavirus, or COVID-19, has spread (and is currently spreading) rapidly around the world since its initial emergence in China in December 2019 and has severely negatively affected (and may continue to materially adversely affect) the financial markets and global economies and markets (including, in particular, financial markets in Asia, Europe and the United

States). Although the long-term effects or consequences of novel coronavirus (or COVID-19) and/or other epidemics, pandemics and outbreaks of disease cannot currently be predicted, previous occurrences of other pandemics, epidemics and other outbreaks of disease, such as H5N1 flu, H1N1 flu, SARS and the Spanish flu, had a material adverse effect on the economies and markets of those countries and regions in which they were most prevalent. Any occurrence or recurrence (or continued spread) of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally (or cause the global economy to enter into a recession or depression), which would adversely affect the business, financial condition and operations of Innealta and Clients' accounts. Should these or other major public health issues, including pandemics, arise or spread farther (or continue to spread or materially impact the day to day lives of persons around the globe), Innealta and Clients could be adversely affected by more stringent travel restrictions, additional limitations on Innealta's operations or business and/or governmental actions limiting the movement of people between regions and other activities or operations (or to otherwise stop the spread or continued spread of any disease or outbreak).

### *International Conflicts*

Wars and other international conflicts, such as the Israeli-Palestinian conflict and the ongoing military conflict between Russia and Ukraine, have caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place sanctions and other severe restrictions or prohibitions on certain activities of the countries involved, as well as related individuals and businesses. The ongoing conflict and the rapidly evolving measures in response could be expected to have a negative impact on the economy and business activity globally, and therefore could adversely affect the performance Investments. It may also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. The severity and duration of the conflict and its impact on global economic and market conditions are impossible to predict. As a result, reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital may occur. Similar risks will exist to the extent that any Portfolio Entities, service providers, vendors or certain other parties have material operations or assets in various countries and regions worldwide.

***Equity Risks.*** The market price of securities owned by Clients may go up or down, sometimes rapidly or unpredictably. The equity securities in Clients' portfolios may decline in value due to factors affecting equity securities markets generally or the energy sector. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, including the basic minerals sector, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which Innealta believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame we anticipate. As a result, Clients may lose all or substantially all of their investments in any particular instance.

***Exchange Traded Funds.*** Innealta may invest Client assets in ETFs as an efficient means of carrying out its investment strategies. The value of an investment in an ETF may vary depending upon the performance of the underlying pool of investments held by the ETF, the fees and expenses charged by the ETF, and other

factors. ETFs are traded on exchanges or on the over-the counter market, and the shares may trade at, above, or below their net asset value. Investors typically pay only customary brokerage fees to buy and sell shares. When shares are traded on an exchange, an active trading market for shares may not develop or be maintained, and trading of the shares may be halted if the listing exchange's officials deem such actions appropriate, the shares are delisted from the exchange or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. An investment in an ETF by Innealta on behalf of Clients generally will have the same primary risks as the investment strategy that Innealta is utilizing to manage the Client's account for which an ETF is purchased by Innealta. The risks of investing in ETFs are described fully in their prospectuses and other offering documents. Like other investments, it is possible to lose money by investing in an ETF.

***Foreign Securities and Currency Risk.*** Innealta may invest Client assets in foreign securities. Foreign securities carry unique or additional risks when compared to U.S. securities, including currency fluctuations, adverse political and economic developments, unreliable or untimely information, less liquidity and more volatility, limited legal recourse and higher transactional costs. The Client may hold the securities of non-U.S. companies in the form of ADRs. The underlying securities of the ADRs in the Client's portfolio are subject to risks common to foreign securities as well as fluctuations in foreign currency exchange rates that may affect the value of the Client's portfolio. In addition, the value of the securities underlying the ADRs may change materially when the U.S. markets are not open for trading.

***General Economic and Market Conditions.*** The success of Innealta's Clients is affected by general economic and market conditions, including, among others, interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and trade barriers. These factors may affect the level and volatility of securities prices and the liquidity of investments. Volatility or illiquidity could impair profitability or result in losses. These factors also may affect the availability or cost of leverage, which may result in lower returns.

***General Market Risks.*** Recent legal and regulatory changes, and additional legal and regulatory changes that could occur during a Client's applicable term, may adversely impact Clients. The regulation of the US and non-US securities and futures markets and investment funds has undergone substantial change in recent years and such change may continue. The effect of such new regulations on Clients, while impossible to predict, could be substantial and adverse and may, directly or indirectly, subject Clients to increased capital requirements, fees and expenses, as well as limits on the types of investors they may solicit. The full effect of recent and future legislation cannot yet be known.

Laws and regulations, particularly those involving taxation, investment and trade, applicable to the activities of a Client can change quickly and unpredictably, and may at any time be amended, modified, repealed or replaced in a manner adverse to the Client's interests. It is impossible to predict what, if any, changes in regulation applicable to Clients or Innealta, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Clients and/or Innealta may be or may become subject to unduly burdensome and restrictive regulation.

In recent years, due to events in the financial markets, the financial services industry generally, and the activities of private pooled investment vehicles and their managers in particular, have been subject to intense and increasing regulatory scrutiny in the United States and in other jurisdictions. Such scrutiny and accompanying regulatory changes may increase the exposure of Clients to potential liabilities and to legal, compliance and other related costs and may have an adverse effect on private pooled investment vehicles generally, and in particular, on the ability of Clients to achieve their investment objectives. The private

pooled investment vehicle industry may continue to be adversely affected by the recent developments in the financial markets in the U.S. and abroad going forward, and any future legal, regulatory, or governmental action and developments in such financial markets and the broader global economy could have an adverse effect on the business of Clients, operations and performance.

The entire market or particular instruments traded on a market may decline even if earnings or other factors improve inasmuch as the prices of such instruments are subject to numerous economic, political, psychological and other factors that have little or no correlation to the performance of a particular company. A Client may elect to hedge against market movements or the credit or other risks of any particular portfolio investment, whether by means of a derivative or other financial product or instrument. To the extent that Clients engage in certain hedging transactions, there can be no assurances that such hedging will insulate such Client from risks, and hedging techniques, whether via a derivative or other product or instrument, may give rise to certain costs and additional risks, including a risk of the total loss of any amounts invested in hedging instruments.

***Hedging Policies/Risks.*** In connection with certain investments, Clients may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, commodities prices, currency exchange rates, as well as other risks. While such transactions may reduce certain risks, hedging transactions themselves entail other risks. Thus, while Clients may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, commodities prices, currency exchange rates or other factors may result in a poorer overall performance for Clients that enter into hedging transactions.

***Highly Volatile Markets.*** The prices of financial instruments in which Innealta may invest Client assets can be highly volatile. Price movements of the financial instruments in which Client assets are invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. In addition, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

***Illiquid Investments.*** Under certain market conditions, such as during volatile markets or when trading in an interest or market is otherwise impaired, the liquidity of Client investments may be reduced. In addition, a Client may from time to time hold large positions with respect to a specific type of investment, which may reduce the Client's liquidity. During such times, the Client may be unable to dispose of certain assets, which would adversely affect the Client's ability to rebalance its portfolio or to meet withdrawal requests. In addition, such circumstances may force the Client to dispose of assets at reduced prices, thereby adversely affecting the Client's performance. If there are other market participants seeking to dispose of similar assets at the same time, the Client may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if a Client incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, the Client's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Client's credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for Client investments.



**Information Technology Security Risk.** Innealta employs information technology systems, consisting of end-user computers and devices, infrastructure, internal and external applications and communications networks to support Innealta's business operations. Systems, networks and devices can nevertheless be breached and Innealta, its Clients and investors could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes or website access, functionality or cause corruption of sensitive and confidential information. Cybersecurity breaches will cause disruptions and impact Innealta's business operations potentially resulting in a financial loss to Clients due to interference with Innealta's ability to initiate or close out positions and monitor Client portfolios, violations of privacy law, regulatory fines and penalties, reputational damage or additional compliance costs. Innealta seeks to mitigate attacks on its systems; *however*, such measures cannot provide absolute security. Innealta will not be able to directly control the risks of third-party systems to which Innealta relies upon or connects. Any breach in security of the systems that Innealta relies upon could disrupt its business and its ability to provide services to Clients and will cause Clients to suffer, among other things, financial losses, disruption of business, liability to third parties, regulatory intervention and/or reputational damage. Any of the foregoing can have a material adverse effect on Innealta, its Clients and Client portfolios.

**Investment and Trading Risks Generally.** All investments risk the loss of capital. No guarantee or representation is or can be made that Innealta's investment program will be successful. Innealta's investment program may involve, without limitation, risks associated with limited diversification, short-selling, commodity interest trading, equity risks, distressed issuers, interest rates, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in Innealta's activities. Certain investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which Innealta's Clients may be subject. In addition, Client investments may be materially affected by conditions in the financial markets and U.S. and worldwide economic conditions. Innealta's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

**Investments in Distressed Issuers.** Innealta may invest Client assets in equity securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems and "below investment-grade" debt securities, including companies involved in covenant or payment default or in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business

and financial difficulties is high, and there is no assurance that Innealta will analyze such investments correctly.

***IPO Risk.*** The market value of IPO shares will fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited information about the issuer. The purchase of IPO shares may involve high transaction costs. IPO shares are subject to market risk and liquidity risk.

***Large-Cap Company Risk.*** Larger, more established companies may be unable to attain the high growth rates of successful, smaller companies during periods of economic expansion.

***Leveraged, Inverse and Inverse-Leveraged ETF Risk.*** Clients that select the Global All Asset Opportunity Strategy, also known as the Dynamic Global Diversified Enhanced Strategy, may invest in leveraged, inverse and inverse-leveraged ETFs in order to gain exposures to the referenced equity, fixed income and alternative asset classes, and/or where relevant ETFs are available and appropriate. Leveraged, inverse and inverse-leveraged ETFs are unique and involve additional risks and considerations not present in traditional investments. This includes the risk that an increase in the daily performance of an index corresponding to a leveraged, inverse and inverse-leveraged ETF will be leveraged. This means that a Client's investment in such ETF may be reduced by an amount equal to 3% for every 1% daily increase, not including the cost of financing the portfolio and the impact of operating expenses, which would further lower a Client's investment. On any given day, an investment in a leveraged or inverse product may produce a return very similar to the stated objective. However, because of the structure of these products, their rebalancing methodologies, and the math of compounding, extended holdings beyond one day or month, depending on the investment objective, can lead to results very different from a simple doubling, tripling, or inverse of the benchmark's average return over the same period of time. This difference in results can be magnified in volatile markets. Further, investments in leveraged, inverse and inverse-leveraged ETFs that are held for longer periods, may have performance higher or lower than the index return times the fund multiple, due to compounding.

***Liquidity Risk.*** The risk that a Client may not be able to monetize investments and may have to hold to maturity or may also only be able to obtain a lower price for investments either because those investments have become less liquid or illiquid in response to market developments or adverse investor perceptions. Investments that are illiquid or that trade in lower volumes may be more difficult to value.

***Low Trading Volume Risk.*** The risk that a Client may not be able to monetize his/her investment or will have to do so at a loss as a result of generally lower trading volumes of the securities compared to other types of securities or financial instruments.

***Management and Strategy Risk.*** The value of a Client's investment depends on the judgment of Innealta about the quality, relative yield, value or market trends affecting a particular security, industry, sector or region, which may prove to be incorrect. Investment strategies employed by Innealta in selecting investments for a Client may not result in an increase in the value of the Client's investment or in overall performance equal to other investments.

***Market/Volatility Risk.*** The risk that the value of the assets in which a Client invests may decrease (potentially dramatically) in response to the prospects of individual companies, particular industry sectors or governments, changes in interest rates and national and international political and economic events due to increasingly interconnected global economies and financial markets.



**Micro-Cap Companies Risk.** Stock prices of microcap companies are significantly more volatile, and more vulnerable to adverse business and economic developments, than those of larger companies. Microcap stocks may also be thinly traded, making it difficult for a Client's portfolio to buy and sell them.

**Momentum Investing; Online Investor Forums.** Momentum investing by groups of individual retail investors and/or investment professionals could adversely impact the value of one or more of a Client's holdings. In 2020 and early 2021, retail investors' participation in U.S. equity order flows significantly increased as a result of numerous factors, including lockdowns during the COVID-19 pandemic, receipt of policy stimulus checks, low interest rates, and a proliferation of trading apps that allow smartphone users to buy or sell stocks for little or no fees. The impact of retail participation in the stock market is compounded by several factors. First, many retail investors buy and sell options on stocks and/or use margin made available by retail trading platforms, which has the effect of leverage and increases the volatility of the stock prices when trading occurs in large aggregate volumes. Second, online discussions about stocks on social media platforms such as Reddit, Twitter and Facebook have served as a venue for retail traders and analysts to collaborate and form collective views about specific issuers and trading, resulting in significant share price volatility that is not based on fundamental news or traditional valuation metrics. This momentum trading has been disruptive to traditional market operations (including market participants, such as brokers that may be required by clearing and settlement companies to post additional capital to settle trades) and is contrary to investments driven by fundamental research and valuation metrics generally and has significantly affected the trading prices of stocks of several companies in early 2021, most notably, GameStop and AMC. Moreover, these forums appear to be gaining influence among retail traders, leading to a greater likelihood that additional securities in the future will be the subject of collective momentum trading based on the populist consensus in the forums. A portion of such trading appears to have an "anti-Wall Street" sentiment pursuant to which investors take contrary positions to those of asset managers often in an attempt to cause a "short squeeze." A short squeeze occurs when a stock price jumps sharply higher, forcing investors that had bet that its price would fall by holding a short position, to buy it long in order to forestall even greater losses. A market requirement that short sellers must post additional capital to cover the declining value of their short positions or to close out their short positions by buying such securities long adds to the upward momentum of the stock's price. In turn, this may lead to investors (including retail momentum traders collaborating on social media platforms) to continue to buy the stock long, further increasing the price of the stock while open short positions further decline in value. "Anti-Wall Street" and contrarian investors attempt to anticipate a short squeeze and buy stocks that demonstrate a strong short interest. However, there is no way to predict what issuers, if any, will become the subject of such trading. Third, the impact of such retail participation may or may not also be accompanied by participation by investment professionals, further increasing the effect of such trading.

The share price swings resulting from retail momentum trading have caused, and could continue to cause, losses to longer-term and fundamental investors as well as investors that trade stocks based on historic market patterns or behavior, including Clients. Clients could suffer substantial losses if they were short a stock that is the subject of retail momentum trading, as in the case of a short squeeze. Additionally, because these retail momentum trading patterns are not based on fundamental analysis or traditional valuation metrics, Clients could suffer losses on long positions it holds as a result of momentum driven sales. More generally, the significant volatility resulting from these retail trading platforms could cause uncertainty and disruption in the markets that impairs a Client's ability to execute its investment strategy and limits the effectiveness of a Client's trading strategies or results in losses to the Client.

**Monetary Policy and Governmental Intervention.** As part of the response to the 2008 global financial crisis, the U.S. Federal Reserve (the "Federal Reserve") and global central banks, including the European

Central Bank, have – in addition to other governmental actions to stabilize markets and seek to encourage economic growth – acted to hold interest rates to historic lows. It cannot be predicted with certainty when, or how, these policies will change, but actions by the Federal Reserve and other central bankers may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of the investments of Clients. Further financial crises may result in additional governmental intervention in the markets. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.

***No Assurance of Investment Returns.*** Innealta cannot give Clients assurance that investments will generate returns or that returns will be commensurate with the risks of investing in the type of companies and transactions that fall within such Clients' individual investment objectives.

***Non-Diversification Risk.*** Innealta's investment strategy is typically considered non-diversified because it may invest a large portion of its Clients assets in a small number of issuers. As a result, the Client is more susceptible to risks associated with those issuers and the Client may experience greater losses and volatility than a more diversified portfolio.

***Pay-to-Play Laws, Regulations and Policies.*** A number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives, employees or agents makes a contribution to certain elected officials or candidates. If any of Innealta's employees or affiliates or any service provider acting on their behalf fail to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on Clients.

***Portfolio Turnover.*** Innealta's investment strategy typically involves active trading in Client accounts, and as a result, turnover and brokerage commission expenses incurred by Clients may significantly exceed those incurred in other types of investment strategies.

***Position Limits.*** Position limits imposed by various regulators may also limit Innealta's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if Innealta does not intend to exceed applicable position limits, it is possible that different accounts managed by Innealta may be aggregated. To the extent that Client position limits were collapsed, the effect on Clients and resulting restriction on their investment activities may be significant. If at any time positions managed by Innealta were to exceed applicable position limits, Innealta would be required to liquidate positions of its Clients to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, Innealta might have to forego or modify certain of Client contemplated trades.

***Possibility of Fraud and Other Misconduct of Employees and Service Providers.*** Misconduct by employees of Innealta, service providers to Clients and/or their respective affiliates could cause significant losses to such Clients. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Clients, the improper use or disclosure of confidential or material

non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Clients, and non-compliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Clients. Innealta has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that Innealta will be able to identify or prevent such misconduct.

***Real Estate Investments Risk.*** Innealta will invest Client assets in securities of real estate companies and companies related to the real estate industry, which are subject to the same risks as direct investments in real estate. These risks include, among others: changes in national, state or local real estate conditions; obsolescence of properties; changes in the availability, cost and terms of mortgage funds; changes in the real estate values and interest rates; and the generation of sufficient income. Real estate companies tend to have micro-, small- or mid-capitalization, making their securities more volatile and less liquid than those of companies with larger-capitalizations. Real estate companies may use leverage (and some may be highly leveraged), which increases investment risk and the risks normally associated with debt financing and could adversely affect a real estate company's operations and market value in periods of rising interest rates. These risks are especially applicable in conditions of declining real estate values, such as those experienced during 2007 through 2009.

***Regulation and Enforcement; Litigation.*** Clients may be subject to regulation by laws at local and national levels and in multiple jurisdictions, including foreign countries. Specific and general regulations addressing capital markets, including tax laws and regulations, whether in the United States or abroad, could increase the cost of acquiring, holding, or divesting portfolio investments, the profitability of investments, and the costs of operating the Clients. Additional regulation could also increase the risk of third-party litigation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), among other things, granted regulatory authorities such as the Commodity Futures Trading Commission (the "CFTC"), the SEC and the Consumer Financial Protection Bureau (the "CFPB") broad rulemaking and enforcement authority to implement and oversee various provisions of the Dodd-Frank Act, including comprehensive regulation of the over-the-counter derivatives and consumer finance markets. These expanded powers have resulted in rules that could adversely affect Clients or investments made by Clients.

In addition, there can be no assurance that Clients, Innealta or any of their respective affiliates will avoid regulatory examination or enforcement actions. Even if an investigation or proceeding does not result in a sanction being imposed against Innealta or any of its affiliates, or such sanction is small in monetary amount, the Clients, Innealta and/or their respective affiliates may be subject to adverse publicity relating to the investigation, proceeding or imposition of such sanctions. There is also a risk that regulatory agencies in the United States and abroad will continue to adopt, change or enhance new or existing laws or regulations, which may result in additional regulatory scrutiny.

Clients may also indirectly be affected by regulation of banks and other financial services firms with which the Clients do business, from which they obtain financing or other services, or to which they seek to sell interests in securities. The regulatory regimes applicable to financial services firms with which Clients do business may increase borrowing costs or limit the terms or availability of credit, affect the terms or pricing of securities or have other indirect effects.

***REIT Risk.*** In addition to the risks pertaining to real estate investments more generally, REITs are subject to additional risks. The value of a REIT can depend on the structure of and cash flow generated by the REIT. REITs whose investments are concentrated in a limited number or type of properties, investments or

narrow geographic area are subject to the risks affecting those properties or areas to a greater extent than a REIT with less concentrated investments. REITs are also subject to certain provisions under federal tax law. In addition, REITs may have expenses, including advisory and administration expenses, and the Client will incur its pro rata share of the underlying expenses.

***Risk Control Framework.*** No risk control system is fail-safe, and no assurance can be given that any risk control framework employed by Innealta will achieve its objective. Target risk limits developed by Innealta may be based upon historical trading patterns for the securities and financial instruments in which it invests. No assurance can be given that such historical trading patterns will accurately predict future trading patterns.

***Short Sales.*** Short selling is the practice of selling securities, commodities or other underlying investments or derivative investments that are not owned by the seller, generally when the seller anticipates a decline in the price of the underlying investment or for hedging purposes. To complete a short sale, Clients generally must borrow the underlying investments from a third party in order to make delivery to the buyer. Innealta generally will be required to pay a brokerage commission that will increase the cost to Clients of selling such underlying investments. The proceeds of the short sale plus additional cash or underlying investments must be deposited as collateral with the lender of the underlying investments to the extent necessary to meet margin requirements. The amount of the required deposit will be adjusted periodically to reflect any change in the market price of the underlying investments that a Client is required to return to the lender. The Client generally will be entitled to receive payments from the lender with respect to the short sale proceeds and additional cash on deposit with the lender at negotiated interest rates. The Client will be obligated to return the applicable underlying investments equivalent to those borrowed at any time on demand of the lender of the underlying investments borrowed by purchasing them at the market price at the time of replacement. Until the underlying investments are replaced, the Client will be required to pay to the lender amounts equal to any dividends or interest that accrue during the period of the loan of the underlying investments. An increase in the value of any underlying investment that is the subject of short selling by a Client may, as a result of the foregoing, have a material adverse effect on the assets of the Client, and therefore the return on investment of the Client.

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the performance of Client accounts. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

***Small-Cap and Mid-Cap Company Risk.*** The securities of small-capitalization and mid-capitalization companies may be subject to more abrupt or erratic market movements and may have lower trading volumes or more erratic trading than securities of larger, more established companies or market averages in general. In addition, such companies typically are more likely to be adversely affected than large capitalization companies by changes in earning results, business prospects, investor expectations or poor economic or market conditions.

***Systems and Operations Risk.*** Innealta developed a quantitative strategy that incorporates assumptions based upon variables abstracted from complex financial markets or instruments. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. The outputs of Innealta's strategy may differ substantially from the reality of the markets, resulting in major losses. Innealta relies on computer programs and systems to trade, clear and settle securities transactions,

to evaluate certain investments based on real-time trading information, to monitor its Client's portfolios and to generate risk management and other reports that are critical to oversight of its activities. In addition, certain of Innealta's operations interface with or depend on systems operated by third parties, including custodians, prime brokers and other service providers. Innealta may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by worms, viruses and power failures. Any such defect or failure could have a material adverse effect on the performance of Innealta's Client accounts. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect Innealta's ability to monitor its Client portfolios and risks and may cause Client accounts to suffer losses.

***Terrorist Attacks, War and Natural Disasters.*** Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad and natural disasters may adversely affect the United States, its financial markets and global economies and markets and could prevent Innealta and its Clients from meeting their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and recent natural disasters have created many economic and political uncertainties, which may adversely affect the United States and world financial markets and Innealta's Clients for the short or long-term in ways that cannot presently be predicted.

***Trading Decisions Based on Technical Analysis.*** Many of the trading decisions made by Innealta on behalf of Client accounts will be based on technical, rather than fundamental, analysis. The best trading method or strategy, whether based on technical and/or fundamental analysis, will not be profitable if there are not price moves or trends of the kind the trading method or strategy seeks to identify and follow. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Any factor which would lessen the prospect of major trends occurring in the future may reduce the prospect that a particular trading method or strategy, whether technical and/or fundamental, will be profitable in the future. Moreover, any factor which would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. No assurance can be given that Innealta's strategies will be successful under all or any market conditions.

A limiting factor in the use of technical analysis is that such an approach requires price movement data that can be translated into price patterns sufficient to dictate a market entry or exit decision. Any trading method that is based upon such technical concepts may inaccurately forecast price patterns, which may result in losses.

***Uncertain Economic, Social and Political Environment.*** Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Client to execute their respective strategies and to receive an attractive return. There can be no assurance that such emerging events will not cause a Client to suffer a loss of any or all of its investments or interest thereon.

***Uncertainty of Financial Projections.*** As part of its due diligence of a potential investment, Innealta for a Client investing in securities or interests in a company generally may do so on the basis of the company's financial projections. Projected operating results normally will be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections and the performance of any investment in such company.

***Use of Leverage.*** Depending on the specific arrangement with each Client, Innealta may use leverage which would result in a Client account controlling substantially more assets than the amount of equity in the account. Leverage increases the returns if the Client account earns a greater return on investments purchased with borrowed funds than the cost of borrowing such funds. However, the use of leverage would expose the Client's account to additional levels of risk, including (i) greater losses from investments than if the Client account had not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the assets in a Client account, Innealta might not be able to liquidate assets quickly enough to repay the borrowings, further magnifying the losses.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE INVESTMENT RISKS INNEALTA AND ITS CLIENTS ARE EXPOSED TO AS A PART OF INNEALTA'S BUSINESS.**



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## Item 9 Disciplinary Information

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This Item requests information relating to legal and disciplinary events in which Innealta or any supervised persons, as defined by the Advisers Act, have been involved that are material to Client's or prospective Client's evaluations of Innealta's advisory business or management. There are no reportable material legal or disciplinary events related to Innealta or any of its supervised persons. In the ordinary course of Innealta's business, Innealta, its affiliates, and employees have not in the past been subject to any formal or informal regulatory inquiries, subpoenas, investigations, legal or regulatory proceedings involving the SEC, or any other regulatory authorities, including private parties and self-regulatory organizations ("SRO").



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

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### **Affiliated Broker-Dealers and Associations with Unaffiliated Broker-Dealers**

Innealta and its management persons are neither registered, nor have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. However, certain supervised persons of Innealta are registered representatives of Northern Lights Distributors, LLC (“NLD”), an unaffiliated broker-dealer registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and a registered broker-dealer member with the Financial Industry Regulatory Authority (“FINRA”). These supervised persons are registered with NLD as a result of them wholesaling the Funds’ shares to other financial intermediaries. Innealta does not execute transactions for any of its Clients through NLD. NLD is not affiliated with Innealta.

Innealta addresses the conflict of interest of having certain supervised persons of Innealta as registered representatives of NLD or any other registered broker-dealer by providing in its Code of Ethics that all supervised persons have a duty to act in the best interests of the Clients, including the Funds and their shareholders, providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Innealta’s written policies and procedures.

### **Affiliated CPO and/or CTA**

Innealta and its management persons are neither registered, nor have an application pending to register, as a futures commission merchant, commodity pool operator (“CPO”), a commodity trading advisor (“CTA”), or an associated person of the foregoing entities. Innealta has no existing or pending affiliations with a futures commission merchant, commodity pool operator, a commodity trading advisor.

### **Investment Companies**

As stated herein above in *Item 4 – Advisory Business* and in *Item 5 – Fees and Compensation*, Innealta is the investment adviser to the Dynamic International Opportunity Fund, the Dynamic U.S. Opportunity Fund, the Acclivity Small Cap Value Fund and the Acclivity Mid Cap Multi-Style Fund, each a diversified series of the Northern Lights Fund Trust II, an open-end management investment company registered under the 1940 Act and organized as a Delaware statutory trust on August 26, 2010. Innealta manages each respective Fund and other advisory Clients’ portfolios *pari passu* to the investment strategies for which they follow. Innealta believes that it has reasonable controls in place to mitigate potential and actual conflicts of interest. These controls include trade allocation procedures that govern allocation of securities, including limited offerings and average pricing of executed trades among similar accounts, and analysis of performance achieved by accounts managed in a similar strategy. Innealta’s procedures generally require accounts with similar investment strategies to be managed similarly, subject to a variety of exceptions, such as particular investment restrictions or policies apply only to certain accounts, differences in cash flows and account sizes, and other similar factors. Please see *Item 11 – Code of Ethics, Allocation of Investment Opportunities* of this Brochure for additional information about Innealta’s trade allocation procedures and for a discussion of other potential conflicts of interest.

### **Relationship or Arrangements with Affiliates and/or Related Persons**

Innealta does not select or recommend non-affiliated investment advisers to Clients or prospective Clients. There are inherent conflicts of interest when a related person provides services to an investment adviser

and its clients, in that such arrangements may not be conducted at “arm’s length” and that Innealta may have an incentive to favor a related person over an independent third party.

### ***Acclivity Investment Research, LLC***

Through common control, Innealta is affiliated with Acclivity Investment Research, LLC. Acclivity is the factor-based investment division of Innealta. Acclivity is not engaged in the business of advising others and only advises Innealta as the factor-based investment division of Innealta. Innealta and Acclivity currently share the same physical location and supervised persons. Pursuant to a partnership agreement (the “Acclivity Agreement”) between Innealta and Acclivity, Acclivity provides Innealta’s investment team academic research services that assist Innealta in the development, management, and distribution of strategic beta strategies for Innealta’s advisory Clients. Such services also include providing Innealta certain investment, marketing, and sales related intellectual property, such as strategy algorithms, trading models, simulations, code, and market research (collectively, “Acclivity Intellectual Data”). Acclivity possesses extensive capabilities in the design and implementation of quantitative strategies, which together with Innealta’s experience constructing factor-based portfolios, allows Innealta to offer unique institutional-quality investment solutions previously not broadly available in the marketplace. The two primary principal indirect owners of Acclivity are Dr. Vito A. Sciaraffia, through Riomaggiore Investments, LLC as its sole member, and Dr. Gonzalo E. Maturana, through Alsacia Investments, LLC, as its sole member. Dr. Sciaraffia has a seventy (77%) indirect ownership, Dr. Maturana has a nine percent (10%) indirect ownership, and certain supervised persons of Innealta collectively have a sixteen percent (13%) ownership of Acclivity. Acclivity’s officers and senior management team is comprised of the same individuals as Innealta’s Senior Management Team.

Pursuant to a partnership agreement between Acclivity and Syntax Advisors, LLC (“Syntax”), an investment adviser registered with the SEC, Syntax provides Acclivity classification technology data (*i.e.*, code) that when combined with Acclivity’s academic research data enables Acclivity the ability to further measure company related business risk that assists Acclivity in designing quantitative driven, factor-based models that are stratified, diversified, or powered utilizing a diversification overlay. Additionally, Acclivity and Syntax collaborate on the design, launch, management, and marketing of certain factor-based investment strategies.

Certain inherent conflicts of interest arise from the fact that: (i) Acclivity provides Innealta Acclivity Intellectual Data that assist Innealta in the development, management, and distribution of strategic beta strategies for Innealta’s advisory Clients; (ii) Acclivity and Syntax collaborate on the design, launch, management, and marketing of certain factor-based investment strategies; (iii) Innealta and Syntax are both engaged in the business of providing investment advisory services; (iv) the investment strategies employed by Innealta for its current and future Clients and by Syntax for its current and future advisory clients could conflict with the strategies employed by Innealta for current and future Clients, and may affect the prices and availability of the securities and other assets in which such Clients invest.

In general, Innealta expects to conduct its activities in a manner that is separate and independent from the activities of Acclivity. However, as stated above, Innealta’s principals and supervised persons, including Innealta’s Investment Committee, provide services and engage in various activities with respect to Acclivity and its business activities. Such activities could conflict with the transactions and strategies employed by Innealta and its supervised persons in managing Clients and could raise various other actual or potential conflicts of interest. Moreover, the time and effort of Innealta’s principals, Investment Committee members and other investment personnel and various other employees will not be devoted exclusively to Innealta’s

business or the business of its Clients but will be allocated among Innealta, its Clients and Acclivity and its business.

Innealta address these and other conflict of interest by providing in its Code of Ethics that all supervised persons have a duty to act in the best interests of each Client and by providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Innealta's written policies and procedures.

#### **Conflicts Related to Affiliations and Other Legal Restrictions**

Innealta may be restricted by law, regulation, or contract as to how much of a particular security it may invest in on behalf of a Client, and as to the timing of a purchase or sale. For example, holdings of a security on behalf of Innealta's Clients may, under some SEC or state regulations, be aggregated with the holdings of that security by its affiliates. These holdings on an aggregate basis, could exceed certain regulatory reporting thresholds unless Innealta, as well as its affiliates, monitors and restricts additional purchases.

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## Item 11 Code of Ethics

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Innealta maintains a policy of strict compliance with the highest standards of ethical business conduct and the provisions of applicable federal securities laws, including rules and regulations promulgated by the SEC, and has adopted policies and procedures described in its code of ethics. The code of ethics has been adopted by Innealta in compliance with Rule 17j-1 under the 1940 Act and Section 204A of the Advisers Act. The code of ethics applies to each employee of Innealta and any other “access person” as defined under the Advisers Act. It is designed to ensure compliance with legal requirements of Innealta’s standard of business conduct.

A complete copy of Innealta’s code of ethics (“Code of Ethics”) is available upon request to Clients or prospective clients by contacting Innealta’s CCO at (737) 808-4637 or cfava@innealtacapital.com.

The Code of Ethics is based upon the premise that all Innealta personnel have a fiduciary responsibility to render professional, continuous, and unbiased investment advisory services. The Code of Ethics requires all personnel to: (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of Innealta; (3) observe Innealta’s personal trading policies so as to avoid “front-running” and other conflicts of interests between Innealta and its Clients; (4) ensure that all personnel have read the Code of Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by Innealta’s CCO, and that personnel who violate the Code of Ethics are subject to sanctions by Innealta, up to and including termination.

**Standards of Conduct:** Innealta and its access persons are expected to comply with all applicable federal and state laws and regulations. Access persons are expected to adhere to the highest standards of ethical conduct and maintain confidentiality of all information obtained in the course of their employment and bring any risk issues, violations, or potential violations to the attention of the CCO. Access persons are expected to deal with Clients fairly and disclose any activity that may create an actual or potential conflict of interest between them and Innealta or a Client.

**Ethical Business Practices:** Falsification or alteration of records or reports, also known as a prohibited financial practice, or knowingly approving such conduct is prohibited. Payments to government officials or government employees are prohibited except for political contributions approved by Innealta’s CCO. Innealta seeks to outperform its competition fairly and honestly and seeks competitive advantages through superior performance not illegal or unethical dealings. Access persons are strictly prohibited from (i) participating in online blogging and communication with the media, unless approved by the CCO and (ii) spreading false rumors pertaining to any publicly traded company.

**Confidentiality:** Employees must maintain the confidentiality of Innealta’s proprietary and confidential information and must not disclose that information unless the necessary approval is obtained. Innealta has a particular duty and responsibility, as an investment adviser or sub-adviser, to safeguard Client information. Information concerning the identity and transactions of Clients is confidential, and such information will only be disclosed to those employees and outside parties who may need to know it in order to fulfill their responsibilities.

**Gift and Entertainment Policy:** Access persons are permitted, on occasion, to accept gifts and invitations to attend entertainment events. When doing so, however, employees should always act in Innealta’s best interests and that of its Clients and should avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of Innealta’s business relationship. Under no circumstances may (i)

gifts of cash or cash equivalents be accepted or (ii) may any gifts be received in consideration or recognition of any services provided to or transactions entered into by, Client accounts.

### **Personal Trading**

**Personal Trading Policy:** In general, no access person may acquire, directly or indirectly, any beneficial ownership in any “reportable security” without first obtaining the prior written approval of the CCO or her appointed designee. Access persons who violate the personal trading policy are reprimanded in accordance with the sanctions provisions outlined in the Code of Ethics. Personal securities transactions are reviewed by the CCO or her appointed designee for compliance with the personal trading policy and applicable SEC rules and regulations.

Innealta’s principals and employees and certain of their affiliates may, from time to time, purchase or sell for their own personal accounts financial instruments that are recommended to or purchased or sold on behalf of Clients’ accounts. Innealta’s principals and employees may also take investment positions in their personal accounts that are different from, or contrary to, those taken by Client accounts; however, they generally are not permitted to trade ahead of Client accounts. Innealta’s principals and employees may frequently engage in the purchase and sale of public and private securities and other financial instruments for their own personal accounts, including financial instruments that are recommended to, owned by or purchased or sold on behalf of Client accounts. The personal trading activities of Innealta’s principals, employees and affiliates may raise various actual and potential conflicts of interest. Innealta has implemented various compliance policies and procedures, including personal trading and reporting policies, in an attempt to reduce, mitigate, or address any such actual or potential conflicts of interest. For example, as noted above, all access persons generally are required to obtain the prior written consent of the CCO before buying or selling any “reportable security.”

Whenever the CCO determines that one of Innealta’s affiliates or employees is in possession of material non-public information regarding an issuer, such issuer may either be placed on a restricted list or a watch list. When a company is placed on a watch list or restricted list, all employees are prohibited from personal trading in securities of those companies.

**Prohibition against Insider Trading:** Innealta forbids any access person from trading, either personally or on behalf of others, including Clients advised by Innealta, on material non-public information or communicating material non-public information to others in violation of the law or duty owed to another party. This conduct is frequently referred to as “insider trading”. The concepts of material non-public information, penalties for insider trading, and processes for identifying insider trading are addressed in detail in the Compliance Manual and Code of Ethics.

**Reporting Requirements:** In compliance with SEC rules, access persons are required to disclose all of their personal brokerage accounts and holdings within 10 days of initial employment with Innealta, within 10 days after the end of each calendar quarter of opening a new account, and annually thereafter. Additionally, the last day of the month following each quarter-end, all access persons must report all transactions in reportable securities over which the access person had any direct or indirect beneficial ownership. Access persons are also required annually to affirm all reportable transactions from the prior year.

**Privacy Policy:** Innealta has adopted a privacy policy that explains the manner, in which Innealta collects, utilizes, and maintains nonpublic personal information about Clients. Innealta recognizes and respects the privacy concerns of their potential, current, and former Clients. Innealta is committed to safeguarding this

information. As a member of the financial services industry, Innealta will provide this Privacy Policy for informational purposes to Clients and employees and will distribute and update it as required by law. The Privacy Policy is also available to upon request.

**Collection of Information and Disclosure of Nonpublic Personal Information:** To provide Clients with effective service, Innealta may collect several types of nonpublic personal information about Clients, including: (i) information from forms that Clients may fill out, such as subscription forms, questionnaires, and other information provided by Clients in writing, in person, by telephone, electronically, or by any other means. This information includes name, address, nationality, tax identification number, and financial and investment qualifications; (ii) information Clients may give orally; (iii) information about transactions within Innealta, including account balances, investments, and withdrawals; (iv) information about the amount Clients have invested, such as initial investment and any additions to and withdrawals from an investment in the Clients; and (v) information about any bank accounts Clients may use for transfers to or from separately managed accounts (if applicable).

**Disclosure of Nonpublic Personal Information:** Innealta does not sell or rent Client information. Innealta uses this information to conduct business with its Clients: (i) to develop or enhance its products and services; (ii) to understand the financial needs of its Clients so that Innealta can provide such Clients with quality products and superior service; and (iii) to protect and administer its Clients' records, accounts, and funds. Innealta does not disclose nonpublic personal information about its Clients to nonaffiliated third parties or to affiliated entities, except as permitted or required by law. For example, Innealta may share nonpublic personal information in the following situations: (i) to service providers in connection with the administration and servicing of Innealta; this may include attorneys, accountants, auditors, and other professionals. Innealta may also share information in connection with the servicing or processing of Client transactions; (ii) to affiliated companies in order to provide Clients with ongoing personal advice and assistance with respect to the products and services Clients have purchased through Innealta and to introduce Clients to other products and services that may be of value to such Clients; (iii) to respond to a subpoena or court order, judicial process, or regulatory authorities; (iv) to protect against fraud, unauthorized transactions (such as money laundering), claims, or other liabilities; and (v) upon consent of a Client to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the Client.

**Protection of Client Information:** Innealta's policy is to require that all employees, financial professionals, and companies providing services on its behalf keep Client information confidential. Innealta maintains safeguards that comply with federal standards to protect Client information. Innealta restricts access to the personal and account information of Clients to those employees who need to know that information in the course of their job responsibilities. Third parties with whom Innealta shares Client information must agree to follow appropriate standards of security and confidentiality. Innealta's privacy policy applies to both current and former Clients. Innealta may disclose nonpublic personal information about a former Client to the same extent as for a current Client.

**Changes to Privacy Policy:** Innealta may make changes to its privacy policy in the future. Innealta will not make any change affecting any Client without first sending to that Client a revised privacy policy describing the change.



## **Potential Conflicts**

Innealta, its affiliates, and their respective officers, directors, trustees, stockholders, members, partners, and employees and their respective assets and investment accounts (collectively, the “Related Parties”) engage in a broad range of activities, including activities for their own account and for the accounts of Clients. This section describes various potential conflicts that may arise in respect of the Related Parties, as well as how Innealta addresses such conflicts of interest. The discussion below does not describe all conflicts that may arise.

Any of the foregoing potential conflicts of interest will be discussed and resolved on a case by case basis. Innealta’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using its best judgment, but in Innealta’s sole discretion. In resolving conflicts, Innealta will take into consideration the interests of the relevant Clients, the circumstances giving rise to the conflict, and applicable laws. Certain procedures for resolving specific conflicts of interest are set forth below.

**Allocation of Investment Opportunities:** Innealta acts as investment adviser to more than one Client that may have similar investment objectives and pursue similar strategies. Certain investments identified by Innealta may be appropriate for multiple Clients. When it is determined by Innealta that it would be appropriate for more than one Client to participate in an investment opportunity, Innealta will generally allocate such investment *pro rata* among the participating Clients in proportion to the relative total market value of each participating Client’s portfolio on a pre-trade basis, taking into account such other factors as it may, in its sole discretion determine appropriate. Such factors in determining how an investment opportunity is allocated may include, but are not limited to, the following considerations: (i) investment objectives, guidelines, and restrictions of the Client, including any limitations and restrictions on a Client’s portfolio that are imposed by such Client’s governing documents, which may include, among other things, direct brokerage; (ii) regulatory restrictions or legal contractual requirements; (iii) the size, nature and type of investment; (iv) current holdings, targeted asset mix, or diversification requirements; (v) the availability of capital for investment (*i.e.*, cash position) or the size of a Client’s portfolio; (vi) pre-determined plan of a Client or Clients and corresponding capital commitments; (vii) minimum trade denominations; (viii) target investment return; (ix) risk-return considerations; (x) risk tolerance of the Client; (xi) relative exposure to market trends; (xii) tax consequence; (xiii) targeted leverage level; (xiv) strategic objectives; (xv) specific liquidity requirements or liquidity needs or constraints of the Client; (xvi) determination by the Investment Committee that the investment or sale opportunity is inappropriate, in whole or in part, for one or more of the Clients; or (xvii) other considerations that Innealta deems necessary or appropriate in light of the circumstances at such time. In addition, if it is fair and reasonable that certain Clients are fully filled of their appetite before others (*e.g.*, for tax considerations, to avoid *de minimis* partial allocations, to cover or close out an existing position to mitigate risk or losses, etc.), then these Clients may receive full or disproportionate allocations, with the remaining amounts allocated in accordance with normal procedures among the other participating Clients. One or more of the foregoing considerations in this paragraph may (and are often expected to) result in allocations among accounts other than on a *pari passu* basis. Accordingly, particular investment may be bought or sold for only one Client or in different amounts and at different times for more than one but less than all Clients, even though it could have been bought or sold for other Clients at the same time. Likewise, a particular investment may be bought for one or more Clients when one or more other Clients are selling the investment. In addition, purchases or sales of the same investment may be made for two or more Clients on the same date. There can be no assurance that a Client will not receive less (or more) of a certain investment than it would otherwise receive if Innealta did not have a conflict of interest among Clients.

In effecting transactions, it is not always possible, or consistent with the investment objectives of Innealta's various Clients, to take or liquidate the same investment positions at the same time or at the same prices. Certain investment restrictions may limit Innealta's ability to act for a Client and may reduce performance. Regulatory and legal restrictions (including restrictions on aggregated positions) may also restrict the investment activities of Innealta and result in reduced performance.

Innealta seeks to manage and/or mitigate these potential conflicts of interest described by following procedures with respect to the allocation of investment opportunities for its Clients, including the allocation of limited investment opportunities. Innealta's allocation policy is based on a fundamental desire to treat each Client account fairly over time.

It is Innealta's general policy to allocate investments among its Clients in a manner which it believes to be fair and equitable. Allocations of investment opportunities should not be based on any of the following, or similar, reasons: (i) to generate higher fees paid by one account over another, or to produce greater fees to Innealta; (ii) to develop a relationship with a Client or prospective Client; or (iii) to compensate a Client for past services or benefits rendered to Innealta or any employee of Innealta or to induce future services or benefits to be rendered to Innealta or any employee of Innealta.

For Client accounts that do not direct brokerage or participate in a Wrap Fee Program, it is Innealta's policy, where an opportunity to purchase or sell the same securities contemporaneously for multiple Clients that have similar investment objectives and pursue similar strategies, to aggregate Client trade orders when doing so is likely to result in a better overall price or reduced cost for the Client trade. Consistent with its fiduciary duties, Innealta allocates trades to its Clients on a fair and equitable basis as set forth in its written allocation policy. Each Client who participates in an aggregated order participates at the average share price with all transaction costs shared on a *pro rata* basis pursuant to Innealta's written procedures. It is Innealta's policy that in the event an aggregated trade order for a specific security on any given day cannot be fully executed under prevailing market conditions (*i.e.*, partially filled), then the security traded should be allocated among each participating Client *pro rata* in a manner Innealta deems to be fair and equitable, by taking into account the size of the trade order placed for each participating Client and any other relevant factors. Please see Trade Aggregation of herein below for more information regarding Innealta's trade aggregation procedures.

Client directed or other restrictions may affect the allocation of an order. If a Client directed restriction is placed on a particular security or group of securities, the order will be allocated to the other participating accounts as described above.

Innealta formulates written allocation plans in the form of order memoranda based on the investment guidelines, current exposure levels of each Client, and other factors set forth above across the various Client accounts, including any ERISA accounts. When a new investment is being made, Innealta allocates investment opportunities among those Clients based upon the percentages determined by the plan.

**Investment Negotiation:** In order to ensure compliance with Section 17(d) under the 1940 Act whenever an investment professional proposes to negotiate a term other than price for an investment (including any amendments), he/she must check to see if the investment (or any other position in the issuer's capital structure) is held (or proposed to be invested) in any Innealta managed pooled investment vehicle that is a registered investment company (*e.g.*, the Funds). If the investment is held in any Innealta managed pooled investment vehicles that is a registered investment company, that person must contact the CCO for guidance. The transaction is generally permitted if all accounts are in the same part of the capital structure and participate in the investment *pro rata*. Alternatively, Innealta may impose a "Chinese Wall" between

retail/institutional investment decision-making. One person can negotiate, provided final investment decision is still made separately. Innealta may also consult outside counsel for guidance.

**Position Conflicts:** Another type of conflict may arise if Innealta causes one Client account to buy a security and another Client account to sell or short the same security. Currently, such opposing positions are not permitted within the same account or within any accounts managed by the same portfolio manager without prior trade approval by the CCO. In addition, transactions in investments by one or more affiliated Client accounts may have the effect of diluting or otherwise disadvantaging the values, prices, or investment strategies of other Client accounts.

Generally, Innealta does not purchase, sell, or hold securities on behalf of Clients contrary to the current recommendations made to other affiliated Client accounts. However, because certain Client accounts may have investment objectives, strategies, or legal, contractual, tax, or other requirements that differ (such as the need to take tax losses, realize profits, raise cash, diversification, etc.), Innealta may purchase, sell or continue to hold securities for certain Client accounts contrary to other recommendations. In addition, Innealta may be permitted to sell securities or instruments short for certain Client accounts and may not be permitted to do so for other affiliated Client accounts.

**Cross Trading:** In an effort to reduce transaction costs, increase execution efficiency, and capitalize on timing opportunities, Innealta may execute cross trades or sell a security for one affiliated Client to another affiliated Client, without interposing a broker-dealer. All cross trades are subject to the cross-trade procedures set forth in Innealta's written policies and procedures. Cross trades, however, may present an inherent conflict of interest because Innealta and/or its affiliates represent the interest of the buyer and seller in the same transaction. As a result, Clients involved in a cross-trade bear the risk that the price obtained from a cross-trade may be less favorable than if the trade had been executed in the open market. In addition, see *Item 12 – Brokerage Practices, Cross Trades* of this Brochure for more information.

Innealta addresses these conflicts of interest by providing in its Code of Ethics that all supervised persons have a duty to act in the best interests of each Client, providing training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Innealta's written policies and procedures, and through the implementation of cross-trade policies and procedures.

**Trade Aggregation:** In some circumstances, Innealta may seek to buy or sell the same securities contemporaneously for multiple Client accounts. Innealta may, in appropriate circumstances aggregate securities trades for a Client with similar trades for other Clients but are not required to do so. In particular, Innealta may determine not to aggregate transactions that relate to portfolio management decisions that are made independently for different accounts or if Innealta determines that aggregation is not practicable, not required, or inconsistent with Client direction. When transactions are aggregated, and it is not possible, due to prevailing trading activity or otherwise, to receive the same price or execution on the entire volume of securities purchased or sold, the various prices may be averaged or allocated on another basis deemed to be fair and equitable. In addition, under certain circumstances, the Clients will not be charged the same commission or commission equivalent rates in connection with a bunched or aggregated order. The effect of the aggregation may therefore, on some occasions, either advantage or disadvantage a particular Client.

From time to time, aggregation may not be possible because a security is thinly traded or otherwise not able to be aggregated and allocated among all Client accounts seeking the investment opportunity or a Client may be limited in, or precluded from, participating in an aggregated trade as a result of that Client's specific brokerage arrangements (*i.e.*, directed brokerage or Wrap Fee Program). Also, an issuer in which Clients wish to invest may have threshold limitations or aggregate ownership interests arising from legal or

regulatory requirements or company ownership restrictions, which may have the effect of limiting the potential size of the investment opportunity and thus the ability of the applicable Client to participate in the opportunity.

There are instances when circumstances specific to individual Clients will limit Innealta's ability to aggregate or allocate trades. For example, if a Client request directed brokerage or if a Client is invested in a Wrap Fee Program in which the Sponsor executes trades, Innealta may not be able to aggregate or allocate these trades. Additionally, as stated above, there may be times when there is limited supply or demand for a particular security or investment. In such instances, a Client may not be able to realize the efficiencies which might exist for larger transactions. In some cases, trade aggregation and/or allocation may adversely affect the price paid or received by an account or the size of the position obtained or liquidated for an account, which could cause performance divergence from similar accounts. In other cases, an account's ability to participate in volume transactions may produce better executions and prices for the account. Innealta may adjust allocations to eliminate fractional shares or odd lots, or to account for minimum trade size requirements and has the discretion to deviate from its allocation procedures in certain circumstances.

**Conflicts Related to Valuation:** Innealta may have a role in determining asset values with respect to Client accounts and may be required to price an asset when a market price is unavailable or unreliable. This may give rise to a conflict of interest because Innealta may be paid an asset-based fee on certain Client accounts. In order to mitigate these conflicts, Innealta determines asset values in accordance with valuation procedures, which are set forth in Innealta's Compliance Manual. In addition, see *Item 12 – Brokerage Practices, Security Valuation* of this Brochure for more information about Valuation.

**Conflicts Related to Investments in Affiliated Fund:** Innealta may purchase for its Clients interests in other pooled investment vehicles, including Funds, offered by Innealta. An investment by a Client in such a vehicle means Innealta would receive an advisory, or other fees, from the Client in addition to the advisory fees charged for managing the Client's account. In choosing between vehicles managed by Innealta and those not affiliated with Innealta, Innealta may have a financial incentive to choose affiliated vehicles over third part vehicles by reason of additional investment management, advisory or other fees or compensation Innealta may earn. To the extent Innealta invests a Client's assets in sponsored (affiliated) pooled investment vehicles (e.g., the Funds), these assets generally will not be included as the Client's assets for purposes of calculating or charging the Client's management fee. The potential for fee offsets, rebates, or other reduction arrangements may not necessarily eliminate this conflict, and Innealta may nevertheless have a financial incentive to favor investments in an affiliated vehicle. If Innealta invest in an affiliated vehicle, a Client should not expect Innealta to have better information with respect to that vehicle than other investors may have (and if Innealta does have better information, they may be prohibited from acting upon it in a way that disadvantages other investors). Additionally, Innealta's affiliates may sponsor and manage funds and accounts that compete with Innealta or make investments with funds sponsored or managed by third-party advisers that would reduce capacity otherwise available to Innealta's Clients.

**Conflicts Related to Information Possessed by or Provided by Innealta:** Certain Related Parties may receive or create information (e.g., proprietary technical models) that is not generally available to the public. Innealta has no obligation to provide such information to Clients or effect transactions for Clients on the basis of such information and in many cases Innealta will be prohibited from trading for the same Clients based on the information. Similarly, some Clients may have access to information, regarding Related Parties' transactions or views, that is not available to other Clients, and may act on that information through accounts managed by persons other than Related Parties. Such transactions may negatively impact other Clients (e.g., through market movements or decreasing availability or liquidity of securities).

**Information Barriers and the Restricted List:** Innealta currently operates without ethical screens or information barriers that other firms implement to separate persons who make investment decisions from others who might possess material non-public information that could influence such decisions. In an effort to manage possible risks from Innealta's decision not to implement such screens, Innealta maintains a Code of Ethics, as described herein above, and provides training to supervised persons with respect to conflicts of interest and how such conflicts are resolved under Innealta's policies and procedures. In addition, Innealta's CCO maintains a list of restricted securities as to which Innealta or its affiliates may have access to material non-public information and in which Clients are not permitted to trade without prior approval from the CCO. In the event that any employee of Innealta or its affiliates obtains such material non-public information, Innealta may be restricted in acquiring or disposing of investments on behalf of Clients, which could impact the returns generated for Clients.

Notwithstanding the maintenance of restricted lists and other internal controls, it is possible that the internal controls relating to the management of material non-public information could fail and result in Innealta, or one of its investment professionals, buying or selling a security while potentially in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on the reputation of Innealta, result in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact Innealta's ability to perform investment management services on behalf of Clients. In addition, while Innealta currently operates without information barriers on an integrated basis, Innealta could be required by certain regulations, or decide that it is advisable, to establish information barriers. In such event, Innealta's ability to operate as an integrated platform could also be impaired, which would limit Innealta's access to affiliate's personnel and impair their ability to manage Clients' investments in the manner in which they currently manage investments.

**Conflicts Related to Relationships with Third Parties:** Innealta may advise third parties regarding valuation, risk management, transition management, and potential restructuring or disposition activities in connection with proprietary or Client investments, which may create an incentive to purchase securities or other assets from those third parties or engage in related activities to bid down the price of such assets, which may have an adverse effect on a Client.

Innealta may work with pension or other institutional investment consultants and such consultants may also provide services to Innealta. Consultants may provide brokerage execution services to Related Parties, and Related Parties may attend conferences sponsored by consultants. Innealta also may be hired to provide investment management or other services to a pension or other institutional investment consultant that works with a Client, which may create conflicts.

Related Parties may in-source or out-source to a third-party certain processes or functions, which may give rise to conflicts. There may be conflicts when negotiating with third-party service providers if Related Parties bear operational expenses of various Clients to the extent that a given fee structure would tend to place more expense on Clients for which Related Parties have a greater entitlement to reimbursement or less expense on Clients for which Related Parties have lesser (or no) entitlement to reimbursement. Related Parties may provide information about a Client's portfolio positions to unrelated third parties to provide additional market analysis and research to Related Parties and they may use such analysis to provide investment advice to other Clients.

Related Parties may purchase information (such as periodicals, conference participation, papers, or surveys) from professional consultant firms, and such firms may have an incentive to give favorable evaluations of Related Parties to their Clients.



As of the date of this Brochure, Innealta does not engage in soft-dollar arrangements, including participating in any soft-dollar relationships with other firms for research or any other service. Neither Innealta nor any of its Related Persons receive research or other products or services other than execution from a broker-dealer or a third-party (*i.e.*, soft-dollar benefits) in connection with Client transactions. Specifically, no portion of the commissions generated on Clients' brokerage transactions generate "soft dollar" credits that Innealta is authorized to use to pay for research and other non-research related services and products used by Innealta or its Related Persons. However, should Innealta use soft-dollar benefits in the future, Innealta in selecting broker-dealers that provide research or other products or services that are paid with soft dollars, conflicts may arise between Innealta and a Client because Innealta may not produce or pay for these benefits but may use brokerage commissions generated by Client transactions. Soft dollar arrangements may also give Innealta an incentive to select a broker-dealer based on a factor other than Innealta's interest in receiving the most favorable execution. Conflicts of interest related to soft dollar relationships with brokerage firms may be particularly influential to the extent that Innealta uses soft dollars to pay expenses it might otherwise be required to pay itself. Furthermore, research or brokerage services obtained using soft dollars or that are bundled with trade execution, clearing, settlement, or other services provided by a broker-dealer may be used in such a way that disproportionately benefits one Client over another (*e.g.*, economics of scale or price discounts). For example, research or brokerage services paid for through one Client's commission may not be used in managing that Client's account. Additionally, where a research product or brokerage service has a mixed-use, determining the appropriate allocation of the product or service may create conflicts. See *Item 12 – Brokerage Practices* of this Brochure for information regarding Innealta's use of soft dollars.

Conflicts may arise where Innealta has the responsibility and authority to vote proxies on behalf of its Clients. Please refer to *Item 17 – Voting Client Securities* of this Brochure for information regarding the policies and procedures governing Innealta's proxy voting activities.

Innealta may conduct business with institutions such as broker-dealers or investment banks that invest, or whose clients invest, in pooled investment vehicles sponsored or advised by Innealta, or may provide other consideration to such institutions or recognized agents, and as a result Innealta may have a conflict of interest in placing its brokerage transactions.

**Investment Activity by Innealta and Affiliates:** From time to time, various potential and actual conflicts of interest arise from the overall advisory, investment and other activities of Innealta, its affiliates, and their personnel. Innealta will endeavor to resolve conflicts with respect to investment opportunities in a manner they deem equitable to the extent possible under the prevailing facts and circumstances. Innealta and its affiliates invest, on behalf of themselves, in securities and other instruments that would be appropriate for, are held by, or may fall within the investment guidelines of a Client. Innealta and its affiliates give advice or take action for their own accounts that may differ from, conflict with, or be averse to, advice given to or action taken for Clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for, one or more Clients. Potential conflicts also arise due to the fact that Innealta and its affiliates may have investments in some Clients but not in others or may have different levels of investments in the various Clients, and that each of the Clients may pay different levels of fees.

Innealta and its affiliates engages in a broad range of business activities and invests in the same or similar securities in which Clients have invested. The investment and performance of such securities could conflict with and adversely affect the performance and operation of Clients' portfolio and may adversely affect the prices and availability of investment opportunities or transactions available to such securities.



**Other Accounts and Relationships:** As part of Innealta's regular business, Innealta and its Related Parties hold, purchase, sell, trade, or take other related actions both for their respective accounts and for the accounts of their respective Clients, on a principal or agency basis, subject to applicable law including Section 206(3) of the Advisers Act, with respect to loans, securities, and other investments and financial instruments of all types. The Related Parties also provide investment advisory services, among other services, and engage in private equity, real estate, and capital markets-oriented investment activities. The Related Parties will not be restricted in their performance of any such services or in the types of debt, equity, real estate, or other investments which they may make. The Related Parties may have economic interests in or other relationships with respect to investments made by Clients. In particular, but subject to Innealta's personal trading policy the Related Parties may make and/or hold an investment, including investments in securities, that may compete with, be *pari passu*, senior or junior in ranking to an, investment, including investments in securities, made and/or held by Clients or in which partners, security holders, members, officers, directors, agents, or employees of such Clients serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in restrictions on transactions by Clients and otherwise create conflicts of interest for Clients. In such instances, the Related Parties may in their discretion make investment recommendations and decisions that may be the same as or different from those made with respect to Client investments. In connection with any such activities described above, but subject to Innealta's personal trading policy the Related Parties may hold, purchase, sell, trade, or take other related actions in securities or investments of a type that may be suitable for Clients. Subject to Innealta's personal trading policy, the Related Parties will not be required to offer such securities or investments to Clients or provide notice of such activities to Clients. In addition, in managing Client portfolios, Innealta may take into account its relationship or the relationships of its affiliates with obligors and their respective affiliates, which may create conflicts of interest. Furthermore, in connection with actions taken in the ordinary course of business of Innealta, in accordance with its fiduciary duties to its Clients, may take, or be required to take, actions which adversely affect the interests of its Clients.

The Related Parties have invested and may continue to invest in investments that would also be appropriate for Clients. Such investments may be different from those made on behalf of Clients. No related advisor nor any Related Party has any duty, in making or maintaining such investments, to act in a way that is favorable to Clients or to offer any such opportunity to Clients, subject to Innealta's allocation policy and personal trading policy. The investment policies, fee arrangements, and other circumstances applicable to such other parties may vary from those applicable to Clients. Any Related Party may also provide advisory or other services for a customary fee with respect to investments made or held by Clients, and no stockholders nor Clients shall have any right to such fees except to the extent the governing documents of the applicable Client expressly provide otherwise. Any Related Party may also have ongoing relationships with, render services to, or engage in transactions with other Clients, who make investments of a similar nature to those of Clients, and with companies whose securities or properties are acquired by Clients and may own equity or debt securities issued by Clients. In connection with the foregoing activities any Related Party may from time to time come into possession of material nonpublic information that limits the ability of Innealta to effect a transaction for Clients, and Client investments may be constrained as a consequence of Innealta's inability to use such information for advisory purposes or otherwise to effect transactions that otherwise may have been initiated on behalf of its Clients.

Although the professional staff of Innealta will devote as much time to Clients as they deem appropriate to perform their duties, the staff may have conflicts in allocating its time and services among Client accounts.

The directors, officers, employees, and agents of the Related Parties may, subject to applicable law, serve as directors (whether supervisory or managing), officers, employees, partners, agents, nominees, or

signatories, and receive arm's length fees in connection with such service, for Clients or any Related Party, or for any Client joint ventures or any affiliate thereof, and no Clients nor their stockholders shall have the right to any such fees except to the extent the governing documents of the applicable Client expressly provide otherwise.

The Related Parties serve or may serve as officers, directors, or principals of entities that operate in the same or a related line of business as Clients, or of other investment funds managed by Innealta. In serving in these multiple capacities, they may have obligations to other Clients or investors in those entities, the fulfillment of which may not be in the best interests of Clients or their stockholders. Clients may compete with other entities managed by Innealta for capital and investment opportunities.

There is no limitation or restriction on Innealta with regard to acting as investment manager (or in a similar role) to other parties or persons. This and other future activities of Related Parties may give rise to additional conflicts of interest. Such conflicts may be related to obligations that Innealta or its affiliates have to other Clients.

**Approach to Other Potential Conflicts:** Various parts of this Brochure discuss potential conflicts of interest that arise from Innealta's asset management business model. Innealta discloses these conflicts due to the fiduciary relationship with its investment advisory Clients. As a fiduciary, Innealta owes its investment advisory Clients a duty of loyalty. This includes the duty to address, or at minimum disclose, conflicts of interest that may exist between different Clients; between Innealta and Clients; or between its employees and its Clients. Where potential conflicts arise, Innealta will take steps to mitigate, or at least disclose, them. Conflicts that Innealta cannot avoid (or chose not to avoid) are mitigated through written policies that Innealta believes protect the interests of its Clients as a whole. In these cases – which include issues such as personal trading and Client entertainment – regulators have generally prescribed detailed rules or principles for investment firms to follow. By complying with these rules, through the use of robust compliance practices, Innealta believes that it has handled these conflicts appropriately. These interactions are not static; Innealta's business is continually evolving, and changes in Innealta's activities can lead to new potential conflicts. Innealta reviews its policies and procedures on an ongoing basis to evaluate their effectiveness and update them as appropriate.

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## Item 12 Brokerage Practices

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As a general rule, Innealta receives discretionary investment authority from its Clients at the outset of an advisory relationship. Depending on the terms of the applicable Management Agreement, Innealta's authority may include the ability to select broker-dealers through which to execute transactions on behalf of its Clients, and to negotiate the commission rates, if any, at which transactions are effected. Innealta may also have the authority to enter into International Swap and Derivatives Association ("ISDA"), repurchase clearing, trading brokerage, margin future, options, or other types of agreements on behalf of Innealta's Clients. In making decisions as to which securities are to be bought or sold and the amounts thereof, Innealta is guided by the mandate selected by the Client and any Client-imposed guidelines or restrictions. Unless Innealta and the Client have entered into a non-discretionary arrangement, Innealta generally is not required to provide notice to, consult with, or seek the consent of its Clients prior to engaging in transactions. Innealta generally selects broker-dealers for Clients as part of its discretionary responsibilities. Clients may, in limited circumstances, select their own broker-dealers subject to Innealta's "Directed Brokerage Policy" described below. Innealta's Investment Committee and Chief Operations Officer ("COO") will periodically review the quality of execution that it receives from broker-dealers and will continuously evaluate traditional brokers and other venues for execution capabilities. Innealta does not consider a broker-dealer's sale of shares of its sponsored Funds, gifts and entertainment received from registered representatives of broker-dealers or research or other products or services received from broker-dealers when choosing a broker-dealer to effect transactions.

### **Brokerage Selection**

The overriding consideration in allocating Client orders for execution is the maximization of Client profits (or minimization of losses) through a combination of controlling transaction costs (including market impact) and seeking the most effective uses of a broker's capabilities. When Innealta has the authority to select broker-dealers to execute transactions for its Clients, it seeks to obtain the best execution reasonably available under the circumstances (which may or may not result in paying the lowest available brokerage commissions or spread). In so doing, Innealta considers all factors it deems relevant. Such factors may be either venue specific or transaction specific and may include, but are not limited to: *(A) for venues*: (i) execution capability including speed of execution, quality of communication links to Innealta, clearance and trade settlement history, and capability and ratio of complete versus incomplete trades; (ii) ability to handle large trades in securities having limited liquidity without undue market impact and ability to provide liquidity (as principal, agent, or otherwise); (iii) access to market liquidity and quotation sources; (iv) financial condition of the counterparty, including reputation and creditworthiness; (v) responsiveness and reliability in executing trades, keeping records, and accounting for and correcting administrative errors; (vi) ability to maximize price improvement opportunities, including the ability to provide ad hoc information or services; and (vii) ability to comply with all regulatory requirements; and *(B) for transactions*: (i) price and overall cost of the transaction, including any related credit support; (ii) the size, type, and timing of the transaction; (iii) existing and expected activity in the market for the security, including any trading patterns of the security and the particular marketplace; (iv) nature and character of the security or instrument and the markets on which it is purchased or sold; (v) fund or portfolio objectives or Client requirements (if permissible), as may be applicable; (vi) if applicable, Client-directed brokerage arrangements or any Client restrictions associated with brokers or asset types; and (vii) applicable execution venue factors.

As stated herein above, Innealta does not consider a broker-dealer's sale of shares of its sponsored Funds, gifts and entertainment received from registered representatives of broker-dealers or research or other

products or services received from broker-dealers when choosing a broker-dealer to effect transactions. Innealta may also enter into over-the-counter derivatives transactions generally on stocks, indices, interest rates, debt securities, or currencies to seek to enhance the Client's portfolio return and attempt to limit downside risk. Counterparties to these derivatives transactions are selected based on a number of factors, including credit rating, execution prices, execution capability with respect to complex derivative structures, and other criteria relevant to a particular transaction.

Innealta's endeavor is to be aware of current charges assessed by relevant broker-dealers and to minimize the expense incurred for effecting portfolio transactions, to the extent consistent with the interests and policies of Client accounts. However, Innealta will not select broker-dealers solely on the basis of "posted" commission rates nor always seek in advance competitive bidding for the most favorable commission rate applicable to any particular transaction. Although Innealta generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent, as transactions that involve specialized services on the part of a broker-dealer generally result in higher commission rates or equivalents than would be the case with more routine transactions. Innealta may pay higher commission rates to those brokers whose execution abilities, brokerage, or research services or other legitimate and appropriate services are particularly helpful in seeking good investment results.

Unless inconsistent with Innealta's duty to seek best execution, Innealta may direct a broker to execute a trade and use "step out" transactions in fulfilling a Client-directed brokerage arrangement, to allow for an order to be aggregated, or for regulatory or other purposes. However, Innealta does not enter into agreements with, or make commitments to, any broker-dealer that would bind Innealta to compensate that broker-dealer, directly or indirectly, for Client referrals or sales efforts through placement of brokerage transactions; nor will Innealta use step out transactions or similar arrangements to compensate selling brokers for their sales efforts. Innealta's sponsored Funds have adopted procedures pursuant to Rule 12b-1(h) under the 1940 Act which provide that neither the Funds nor Innealta may direct brokerage in recognition of the sale of fund shares. Consistent with those procedures, Innealta does not consider sales of shares of its Funds, as a factor in the selection of brokers or dealers to execute portfolio transactions. However, whether or not a particular broker or dealer sells shares of Innealta's sponsored Funds neither qualifies nor disqualifies such broker or dealer to execute transactions for those Funds.

### **Soft-Dollar Arrangements**

As of the date of this Brochure, Innealta does not engage in soft-dollar arrangements, including participating in any soft-dollar relationships with other firms for research or any other service. Neither Innealta nor any of its Related Persons receive research or other products or services other than execution from a broker-dealer or a third-party (*i.e.*, soft-dollar benefits) in connection with Client transactions. Specifically, no portion of the commissions generated on Clients' brokerage transactions generate "soft dollar" credits that Innealta is authorized to use to pay for research and other non-research related services and products used by Innealta or its Related Persons. Although Innealta may use the research and services in making investment decisions for the applicable Clients, Innealta may use such research or services for other Clients; however, the applicable Clients will not pay more other than the lowest available commissions for execution of these transactions.

Section 28(e) of the Exchange Act is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. However, Innealta will not use "soft dollars" to obtain research and brokerage services to services within the meaning of Section 28(e).

## **Brokerage for Client Referrals**

Generally, Innealta does not consider, in selecting a broker-dealer, whether Innealta or its Related Persons receives Client or investor referrals from such broker-dealer. However, Innealta reserves the right to pay a fee or commission, in its sole discretion, to broker-dealers or other persons who introduce Clients to Innealta, provided that any such fee or commission will be paid solely by Innealta, or its Related Persons and no portion thereof will be paid by Clients. As a result, Innealta may have an incentive to select or recommend a broker-dealer based on Innealta's interest in receiving Client referrals rather than on Clients' interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit Innealta but will provide an insignificant (if any) benefit to Clients, Innealta will have a conflict of interest with Clients when allocating Client brokerage business to a broker-dealer who has introduced Clients to Innealta. To prevent Client brokerage commissions from being used to pay referral fees, Innealta will not allocate Client brokerage business to a referring broker unless Innealta determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to Clients.

## **Directed Brokerage**

Innealta does not routinely recommend, request or require that a Client direct Innealta to execute transactions through a specified broker-dealer. However, Clients may recommend Innealta uses their preferred broker-dealer(s). Innealta will use such broker-dealer(s) subject to its determination that said broker-dealer provides best execution of the Client transactions. In a situation where a Client directs Innealta to place trades with a particular broker-dealer, Innealta may not be free to seek the best price, volume discounts, or best execution by placing transactions with other broker-dealers. Additionally, as a result of directing Innealta to place trades with a particular broker-dealer, a disparity in commission charges may exist between the commissions charged to Clients who direct Innealta to use a particular broker-dealer and those Clients who do not direct Innealta to use a particular broker-dealer as well as a disparity among the broker-dealers to which different Clients have directed trades.

Additionally, Clients desiring to instruct Innealta to direct transactions to a particular broker-dealer should consider whether the commissions, execution, clearance and settlement capabilities, and fees for custodial or other services (as applicable) that will be provided to the Clients by its selected broker-dealers will be comparable to those otherwise obtainable by Innealta. Such Clients may lose the possible advantages, benefits and savings on execution that Innealta may be able to obtain for full discretionary accounts. For example, for full discretionary accounts, Innealta may be able to reduce transaction costs by aggregating orders for several Clients as a single transaction. All, or a portion of, a Client-directed transaction may not be able to be included in these aggregated orders and thus, not benefit from any transaction cost savings. In addition, such Clients may not be able to participate in an allocation of shares of a new issue if those shares are sold by a broker-dealer not selected by the Clients. Further, Clients that direct transactions to broker-dealers that are not on Innealta's approved broker list may also be subject to additional credit and/or settlement risk and may receive prices less favorable than Innealta is able to obtain. If a Client requests or instructs Innealta to direct a portion of the securities transactions for its account to a specified broker-dealer, Innealta may recommend other broker-dealers to such Client based upon the factors it considers when seeking best execution.

Innealta does not guarantee or represent that it will direct any transaction (including any commissions) to any particular broker-dealer, nor does it guarantee or represent that it will meet any specific targets or participation levels for direction of a Client's transactions. Innealta generally will not direct trades for fixed

income, derivative and program trades or for any strategy or account that Innealta deems to be unsuitable for directing trades.

Wrap Fee Program Clients should recognize that Innealta will execute their transactions through the Sponsor of the wrap account. Transactions executed through the Sponsor of the Wrap Fee Program may be more or less favorable compared to transactions that Innealta executes for other Clients because Innealta may have no ability to negotiate prices or take advantage of block orders.

### **Aggregation of Orders**

Orders of Clients may be combined (or “bunched”) when possible, to obtain volume discounts resulting in a lower per share commission. Please see *Item 11 – Code of Ethics, Trade Aggregation* of this Brochure for more information regarding Innealta’s trade aggregation procedures.

### **IPO/Limited Offering Allocations**

Clients may from time to time participate in an initial public offering (an “IPO”), or other types of limited offerings, if the portfolio manager managing the portfolio believes that the offering is an appropriate investment based on the portfolio's investment restrictions, risk profile, asset composition, and/or cash levels. Clients must be eligible to receive allocations of IPOs pursuant to relevant FINRA regulations (*i.e.*, FINRA Rules 5130 and 5131). In the event that Innealta reasonably determines that a Client is not eligible to receive IPO allocations pursuant to these regulations or does not have reasonable assurances that the Client is eligible to receive allocations, Innealta may prohibit the Client’s account from receiving any allocations of an available offering. Innealta’s IPO/limited offering allocation procedures generally require all shares to be allocated on a *pro-rata* basis to all participating eligible accounts based on the total assets of each account. In certain circumstances, Innealta may deviate from a *pro-rata* allocation to account for allocation sizes that are deemed by investment personnel to be *de minimis* for certain eligible accounts, to address market conditions or to address situations specific to individual accounts (*e.g.*, cash limitations, liquidity profiles of the investment, position weightings, etc.). Innealta cannot assure, in all instances, participation in IPOs or limited offerings by all eligible accounts. In the event an eligible account does not participate in an offering, Innealta does not reimburse for opportunity costs. Deviations from these procedures are permitted provided such deviations are documented and approved in writing by the Chief Investment Officer (“CIO”). A deviation could occur, for example, in order to allocate additional securities to ensure that accounts receive sufficient securities to satisfy specialized investment objectives or policies. Additionally, for secondary offerings of common stock or other limited offerings, additional shares may be allocated to a Client or Clients with a pre-existing position in that security. See *Item 11 – Code of Ethics, Allocation of Investment Opportunities* of this Brochure for more information regarding potential conflicts of interest.

### **Cross Trades**

In its discretion, Innealta may, but is not required to, engage in “cross trades”, whereby Innealta causes one of its Clients to sell a security and another of its Clients to purchase the same security at or about the same time, provided such transaction is in the best interests of both accounts and is consistent with Innealta’s best execution obligations. Cross trades may be used in an effort to obtain best execution because cross trades can potentially reduce transaction costs and increase execution efficiency. Cross trades present potential conflicts of interest. For example, there is a risk that the price of a security bought or sold in a cross trade may not be as favorable as it might have been had the trade been executed in the open market. Additionally, there is a potential conflict of interest when a cross trade involves a Client account on one



side of the transaction and an account in which Innealta has substantial ownership or a controlling interest (such as a newly formed sponsored Fund) or an account in which Innealta receives a higher management fee on the other side of the transaction.

To address these potential conflicts, Innealta maintains policies and procedures, which require that all cross trades are made at an independent current market price and are consistent with Section 206 of the Advisers Act. In addition, if one of the parties to the cross trade is a registered investment company, the transaction must comply with procedures adopted under Rule 17a-7 under the 1940 Act. Innealta does not permit cross trades with accounts subject to ERISA. While Innealta generally does not execute cross trades among its sponsored Funds and other Client accounts, Innealta may execute cross trades among Separate Accounts and/or other accounts managed by Innealta. See *Item 11 – Code of Ethics, Cross Trades* of this Brochure for more information regarding potential conflicts of interest.

### **Security Valuation**

Equity securities are generally valued on the basis of market quotations. Fixed-income securities are generally valued in accordance with an evaluated bid price supplied by a pricing service. The evaluated bid price supplied by the pricing service is an evaluation that reflects such factors as security prices, yields, maturities, and ratings. Certain short-term instruments maturing within 60 days or less are valued at amortized cost, which approximates market value. If a market quotation or evaluated price is not readily available or is deemed unreliable, or if an event that is expected to affect the value of a portfolio security occurs after the close of the principal exchange or market on which that security is traded, and before the close of the New York Stock Exchange, the fair value of a security will be determined in good faith under policies and procedures established by and under the supervision of Innealta's Investment Committee. Although Innealta is not generally the pricing agent for its Clients, Innealta, in certain cases and upon request, may provide a fair value price to a Client's pricing agent, solely for informational purposes, for a security in cases where market quotations or evaluated prices are not readily available or deemed unreliable due to significant events or other factors. In these instances, the Client's pricing agent makes the ultimate determination of the security's value. Because Innealta may be compensated based on the value of assets held in an account or based on the performance of the account, Innealta may have a potential incentive to set a high valuation for a security; however, Innealta does not intend to use valuations that are higher than fair value. Innealta believes that this potential conflict may be mitigated by its valuation policy and procedures.

There may be differences in prices for the same security held by Innealta's Clients because its provided price (for the situations described above) may not be accepted by the relevant pricing agent. In addition, certain Clients, such as Innealta's sponsored Funds, may utilize a third-party valuation model to value equity securities of non-U.S. issuers to adjust for stale pricing which may occur between the close of the non-U.S. exchanges and the New York Stock Exchange. These pricing models may not be used by the relevant pricing agent. Benchmark indexes generally do not use fair value pricing and use national and regional indices to value securities using unadjusted closing prices in local markets. In addition, the value of assets denominated in non- U.S. currencies is converted into U.S. dollars using exchange rates deemed appropriate by Innealta, which may also vary from the exchange rates used for calculation on any given index.

### **Trade Rotation**

To address the conflicts of interest and trading matters, Innealta maintains brokerage and trading policies, including policies and procedures for best execution discussed above and trade rotation. Innealta believes

its policies and procedures are consistent with its duties as a fiduciary to treat its Clients fairly in a manner that does not systematically favor one Client (or group of Clients) over another Client (or group of Clients).

Depending on the market capitalization, or market availability, of certain securities, trade orders may take multiple days to complete and may be executed as part of a rotation. If Innealta determines that there is not sufficient liquidity in the market to support an entire trade or order, Innealta will take steps to manage the liquidity profile of the order and minimize its impact on the market. In limited circumstances, this may include rotating trades between its Wrap Fee Program accounts and its other Clients. To the extent Innealta deems a trade highly illiquid, Innealta may split the trade into smaller orders and then rotate in the same manner as trades for illiquid securities would be rotated. Rotating trades may result in a longer delay in executing trades and/or a materially better or worse price for Clients that are traded in later rotations.

As discussed in *Item 4 – Advisory Business*, Innealta does not have responsibility or discretion to execute trades for Model Programs. Innealta provides information on the model portfolios at the times agreed to in the portfolio consulting agreement, which could be before or after Innealta executes trades on behalf of its other Clients' accounts. Sponsors may require Innealta to provide the model updates as part of Innealta's trade rotation procedures.

Innealta generally has limited information on whether, at what time, and to what extent, the Sponsor executes Innealta's recommendations. Further, Innealta generally may or may not wait for Sponsors to confirm execution before continuing its rotation when Model Programs are included in Innealta's trade rotation. As a result, Sponsors may initiate trading prior to, at the same time as, or after Innealta completes trading for its other Client accounts or other Model Programs.

Conflicts of interest can arise between Innealta best execution policies and procedures and trading instructions that Innealta may receive from Client agreements. In those cases, Innealta will act in a manner that it believes is consistent with the best interests of its Clients and its best execution policies and procedures.

### **Wrap Fee Program Brokerage Practices**

Wrap Programs Clients often receive a package of services, including trade execution from Sponsors (or their affiliated broker-dealers). Typically, in these instances both Innealta and the Sponsor have a duty to seek best execution for these Clients' trades.

There may be circumstances when Innealta, in seeking best execution, executes trades through broker-dealers or other security intermediaries other than the Sponsors (or their affiliated broker-dealers). This practice is often referred to as "trading away" or a "step-out" transaction. Innealta may trade away when a security is illiquid, when a Sponsor (or its affiliated broker-dealer) lacks the capacity or expertise to effectively execute a trade in a particular type of security or to execute a trade at a favorable price or in a timely manner or under other circumstances. In addition, Innealta may trade away or use step-out transactions when Innealta believes trading through the Sponsor (or its affiliated broker-dealer) will adversely impact the same or similar trades Innealta intends to execute for its other Clients. Whenever Innealta trades away or uses step-out transactions from Sponsors (or their affiliated broker-dealers), there may be additional commissions, spreads, transaction charges or other costs incurred by the Client that are not covered by the Wrap Fee. Innealta typically is not responsible for such additional commissions, spreads, charges or costs. These additional commissions, charges or costs typically are paid by the Sponsor or the Clients. With respect to Wrap Fee Programs where a Client directs trading to the Sponsor, even where another broker-dealer quotes a more favorable price than that quoted by such Sponsor in a given trade, that

lower price along with the added commission, may be on balance less favorable to the Client than the Sponsor's higher quoted price.

Sponsors may include provisions in their agreements with Clients to direct Innealta to execute all transactions or certain securities (for example, equity securities) through the Sponsor (or its affiliated broker-dealer). In those cases, Innealta generally requires the Sponsor's agreement to permit Innealta to trade away or use step-out transactions to execute transactions for Clients through broker-dealers other than the Sponsor (or its affiliated broker-dealer) in seeking best execution for these Clients.

Conflicts of interest can arise between Innealta's best execution policies and procedures and trading instructions that Innealta may receive from Client agreements. In those cases, Innealta will act in a manner that it believes is consistent with the best interests of its Clients and its best execution policies and procedures.

### **ADRs**

In certain circumstances, Innealta may invest Client assets in ADRs. When doing so, depending upon the existence and/or liquidity of the ADR and other factors, these trades may be executed in the U.S. or in a non-U.S. market. When trades are executed in non-U.S. markets, non-U.S. securities will be acquired, and broker-dealers or other securities intermediaries will convert these non-U.S. securities into U.S. ADRs (denominated in U.S. dollars). Broker-dealers or other securities intermediaries may charge commissions, conversion and/or other fees for converting the securities into ADRs, all of which will be included (*i.e.* netted) into the price of the securities. These conversion fees may be negotiable, may vary, and typically are paid by the Clients.

Additionally, Innealta may convert a non-U.S. security to an ADR that would be considered highly illiquid when traded in the U.S. This may make it difficult to liquidate a position when Clients close an account, transfer the assets to another firm, request a withdrawal, or initiate some other transaction that requires the security be traded domestically versus in the foreign security market. The liquidity, or lack thereof, of the converted ADRs in the U.S. market could result in a transaction price that differs substantially from the transaction price that could be obtained if that same security was transacted in the non-U.S. market.

### **Company Errors**

Trade errors may occur either in the investment decision-making process (*e.g.*, a purchase of a security or an amount of security that violates a Client's investment restrictions) or in the trading process (*e.g.*, a buy order executed as a sell, the purchase or sale of a security other than what was intended or trading an incorrect quantity of securities). Internal or clerical mistakes that affect the investment or trading process and have a financial impact to a Client will also be treated as trade errors.

A "trade error" will generally be defined as a transaction that is executed in a manner that was not intentional and results in a corrective action being taken. Any mistakes that do not affect the investment decision-making or trading process or cause a violation of a Client's investment policies or restrictions and do not cause gain or loss to the Client, will not be treated as trade errors.

Innealta's traders will be responsible for notifying the CCO promptly of the circumstances of any trade error. Traders will discuss any action taken to correct a trade error (*e.g.*, selling a security in the open market) and/or any other corrective action with the CCO prior to its implementation as to whether such action is appropriate.

If a third party creates the error, Innealta will look to the third party to take corrective action. Broker-dealers may be held responsible for a portion of any loss resulting from a trade error if actions of such broker-dealer contributed to the error or the loss. Innealta will require broker-dealers to assist in rectifying a trade error on favorable terms if their actions or inactions contributed to the error or the resulting loss. A broker may absorb the loss from a trade error caused by the broker. Innealta will not direct brokerage commissions to brokers or enter into other reciprocal arrangements with brokers, in order to induce a broker to absorb a loss from a trading error caused by Innealta. No soft dollars may be used to satisfy any trade errors. In addition, Innealta may not use the securities in one Client's account to settle the trade error in another Client's account.

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## Item 13 Review of Accounts

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Innealta's Investment Committee has the responsibility to exercise and maintain prudent supervision and control of the Client's investments and portfolios. The Investment Committee continuously reviews and ensures the investment policies, guidelines, and objectives for each Client's general investment strategy are achieved and attained per the Client's governing documents. The Investment Committee maintains prudence and effectiveness of each investment of the Client and formulates and oversees the investment policies and management of the Client's assets, and periodically reviews investment strategies and investment performance. In carrying out its duties the Investment Committee provides recommendations on investment opportunities through a stringent due diligence process to identify investment opportunities that meet the Client's stated investment objective and goals; reviews individual investment performance and recommends changes when appropriate; and works closely with staff to ensure that the investment objectives are being met as stated in the Client's governing documents. Generally, Clients' portfolios are rebalanced based on Innealta's proprietary quantitative model for the Clients' portfolios, whereby the aggregate signals are used to determine whether the model is bullish or bearish on each individual equity market. If the model indicates a change, the Clients' portfolios are reviewed and potentially rebalanced in accordance with the Investment Committee's analysis of the model. In monitoring the Client's portfolio of investments, the Investment Committee ensures (i) the management of investments and capital actions are in compliance and consistent with attainment of the Client's investment policy, financial objectives, and strategy goals, and (ii) the Client's portfolio is in compliance with legal and regulatory requirements. The review process is further augmented by regular quarterly meetings between the Investment Committee and the CCO. In addition to, and not as a substitute for the foregoing, additional reviews are conducted in accordance with Client requests as set forth in the relevant Management Agreement.

The Investment Committee is comprised of Dr. Vito A. Sciaraffia Chief Investment, Officer; Dr. Gonzalo E. Maturana, Director of Strategy and Mr. Alfred Zhang, Portfolio Manager; . The Investment Committee meets frequently, if not daily, by meeting in person, telephone conference, or other interactive electronic communication to discuss market conditions, portfolio analysis, and investment transaction matters.

### **Nature and Frequency of Reporting**

The frequency and nature of reports prepared for Clients varies depending on each Client's requirements and interests. Innealta provides and may in the future provide certain information and documentation to certain Clients that are not distributed or otherwise made available to other Clients. Clients generally receive monthly or quarterly written reports showing portfolio activities and performance on a current and year-to-date basis. These written reports typically disclose all holdings in the Client's account, including cash, together with cumulative year-to-date information about dividends and interest realized by the account. Innealta may furnish certain account transaction and portfolio holdings to institutional Clients such as the Funds and Separate Accounts and their service providers on a more frequent basis. Depending on the type of account, Innealta may also provide oral and/ or written presentations about the account's performance on a periodic basis. Innealta will also provide Clients, upon request, other information regarding their portfolio within the parameters of its compliance policies. Face-to-face meetings or teleconferences are held at least annually with each Client. Clients may request a meeting with Innealta at any time. With respect to the Separate Accounts, the qualified custodian generally provides each advisory Client, on at least a quarterly basis, an account statement identifying the amount of the funds and securities in the Clients' account(s) and any transactions in the Clients' account(s) during the applicable calendar quarter.

**Clients are urged to compare any account statements that they receive from Innealta with the account statements that it receives from its qualified custodians.**

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

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Our firm may engage in promoter arrangements for client referrals. These individual promoters offer our services to the public. The Firm pays a referral fee to the promoter based on a portion of the management fees charged by the Firm and memorialized in a written agreement (“Promoter Agreement”). In all cases, the Firm will comply with the cash solicitation rules established by the SEC, state regulators and the client disclosure requirements. If a referred prospective client enters into an investment advisory agreement with the Firm, a referral fee is paid to the referring party. The referral relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided. The Firm will pay the promoter their share of the total fee. The Promoter Agreement requires that the promoter be appropriately registered under federal and state securities laws where applicable. Clients receive all related agreements and disclosures prior to or at the time of entering into an Investment Advisory Agreement with the Firm.

Additionally, Innealta compensates certain unaffiliated broker-dealers (“Wholesalers”) for the marketing and distribution of shares of the Funds, in compliance with applicable law. Each Wholesaler is compensated by Innealta for providing such service, pursuant to an agreement between Innealta and each individual Wholesaler. The Wholesalers are not affiliated with Innealta, its affiliates, or any of its Clients. Innealta does not execute transactions for any of its Clients through the Wholesalers.

Consistent with Innealta’s policy and applicable regulation, Innealta may from time to time in the future also pay for, or reimburse broker-dealers to cover, various costs arising from, or activities that may result in, the sale of advisory products or services, including: (i) Client and prospective Client meetings and entertainment; (ii) sales and marketing materials; (iii) educational and training meetings or entertainment activities with the registered representatives of such broker-dealers and other personnel from entities that distribute Innealta’s products and/or services; and (iv) charitable donations in connection with events involving personnel or Clients of entities that distribute Innealta’s products and/or services.

Furthermore, Innealta may from time to time in the future have arrangements in place to purchase services, publications, general consulting advice, conference attendance, or limited advisory services from third-party consultants. Generally, these consultants do not solicit Clients on behalf of Innealta or its affiliates but may recommend Innealta to their Clients. To the extent Innealta enters into a referral arrangement with third-party consultants, such arrangement will be made in accordance with the Cash Solicitation Rule.



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## Item 15 Custody

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Innealta is deemed, under Rule 206(4)-2 of the Advisers Act, to have custody of the assets of its Separate Account Clients only due to its authority to directly deduct fees from such Clients. Accordingly, Innealta is not required to obtain an independent verification of such client funds and securities maintained by qualified custodians pursuant to the exemption available under Rule 206(4)-2. To the extent required by SEC rules, all Client assets are held by qualified custodians.

Clients will receive account statements monthly or quarterly from their broker-dealer, bank, or other qualified custodian and should carefully review those statements and, to the extent Innealta also delivers statements to such Clients, compare Innealta's statement to the statements of the qualified custodian. For tax and other purposes, the custodial statement is the official record of a Separate Account Client's account and assets. Statements received from Innealta may vary from the custodial statements based on accounting procedures, reporting dates or valuation methodologies for certain securities. See *Item 13 – Review of Accounts* of this Brochure for more information about Innealta's account statements.

Since Innealta does not act as a qualified custodian for Client assets, each Client must select a custodian and may be required to pay custodian fees. Also, Clients will incur brokerage and other transaction costs in the course of Innealta's management of their accounts. Clients will receive account statement from one or more qualified custodians covering the assets and securities in their account(s).

A client's custody agreement with its qualified custodian may contain authorizations with respect to the transfer of client funds or securities broader than those in the client's written investment management agreement with Innealta. In these circumstances, Innealta's authority is limited to the authority set forth in the client's written investment management agreement with Innealta regardless of any broader authorization in the client's custody agreement with its qualified custodian. The qualified custodian's monitoring, if any, of the client's account is governed by the client's relationship with its custodian.

### **Standing Letters of Authorization**

Some clients may execute limited powers of attorney or other standing letters of authorization that permit the firm to transfer money from their account with the client's independent qualified Custodian to third parties. This authorization to direct the Custodian may be deemed to cause our firm to exercise limited custody over your funds or securities and for regulatory reporting purposes, we are required to keep track of the number of clients and accounts for which we may have this ability. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate any transfers that may have taken place within your account(s) each billing period. You should carefully review account statements for accuracy.

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## Item 16 Investment Discretion

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As a general rule, Innealta receives discretionary investment authority from its Clients at the outset of an advisory relationship. Depending on the terms of the applicable investment management agreement, Innealta's authority may include the ability to select broker-dealers through which to execute transactions on behalf of its Clients, and to negotiate the commission rates, if any, at which transactions are effected. Innealta may also have the authority to enter into International Swap and Derivatives Association ("ISDA"), repurchase clearing, trading brokerage, margin future, options, or other types of agreements on behalf of Innealta's Clients. In making decisions as to which securities are to be bought or sold and the amounts thereof, Innealta is guided by the mandate selected by the Client and any Client-imposed guidelines or restrictions. Unless Innealta and the Client have entered into a non-discretionary arrangement, Innealta generally is not required to provide notice to, consult with, or seek the consent of its Clients prior to engaging in transactions. See *Item 4 – Advisory Business* of this Brochure for additional information on Clients' ability to tailor investment guidelines. See *Item 12 – Brokerage Practices* of this Brochure for more information.

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## Item 17 Voting Client Securities

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Innealta shall vote proxies solicited by or with respect to the issuers of securities in which assets of a Client portfolio are invested, unless: (i) the Client is subject to ERISA and the Management Agreement between Innealta and the Client expressly precludes the voting of proxies by Innealta; (ii) the Client is not subject to ERISA and the Client otherwise instructs Innealta; or (iii) Innealta has responsibility for proxy voting and, in Innealta's judgment, the cost or disadvantages of voting the proxy would exceed the anticipated benefit to the Client. If the Client does not grant direct voting authority to Innealta, Clients will not receive information about their proxies from Innealta. Instead, Clients will be instructed to receive proxies from their custodian, transfer agent, or other third-party service providers such as their proxy service provider.

### **Primary Consideration in Voting**

When Innealta votes a Client's proxy with respect to a specific issuer, a Client's economic interest as a shareholder of that issuer is Innealta's primary consideration in determining how proxies should be voted. Innealta will not consider the interests of Innealta, other stakeholders of the issuer, or interests the Client may have in other capacities. Innealta shall vote proxies with the goal of maximizing the value of the securities in Client portfolios.

### **Engagement of Proxy Advisory Service Provider**

Innealta may engage one or more independent third-party proxy advisory firms ("Proxy Firm") to (i) make recommendations to Innealta of proxy voting policies for adoption by Innealta; (ii) perform research and make recommendations to Innealta as to particular shareholder votes being solicited; (iii) perform the administrative tasks of receiving proxies and proxy statements, marking proxies as instructed by Innealta and delivering those proxies; (iv) retain proxy voting records and information; and (v) report to Innealta on its activities. In no circumstances will a Proxy Firm have the authority to vote proxies except in accordance with standing or specific instructions given to it by Innealta. Innealta will retain final authority and fiduciary responsibility for the voting of proxies.

### **Proxy Voting Guidelines**

Innealta's proxy voting guidelines are both principles-based and rules-based. Innealta adheres to a core set of principles that are described in its Proxy Voting Policy and assesses each proxy proposal in light of these principles. Innealta's proxy voting "litmus test" will always be what it views as most likely to maximize long-term shareholder value. Innealta believes that the authority and accountability for setting and executing corporate policies, goals and compensation generally should rest with the board of directors and senior management. In return, Innealta supports strong investor rights that allow shareholders to hold directors and management accountable if they fail to act in the best interests of shareholders.

Generally, Innealta votes proposals in accordance with these guidelines but, consistent with its "principles-based" approach to proxy voting, Innealta may deviate from the guidelines if warranted by the specific facts and circumstances of the situation (*i.e.*, if, under the circumstances, Innealta believes that deviating from its stated policy is necessary to help maximize long-term shareholder value). In addition, these guidelines are not intended to address all issues that may appear on all proxy ballots. Innealta will evaluate on a case-by-case basis any proposal not specifically addressed by these guidelines, whether submitted by management or shareholders, always keeping in mind Innealta's fiduciary duty to make voting decisions that, by maximizing long-term shareholder value, are in the Clients' best interests.

The proxy voting guidelines provide that Innealta will generally vote for or against various proxy proposals, usually based upon certain specified criteria. As an example, the guidelines provide that Innealta will generally vote in favor of proposals to:

- Repeal existing classified boards and elect directors on an annual basis;
- Adopt a written majority voting or withhold policy (in situations in which a company has not previously adopted such a policy);
- Lower supermajority shareholder vote requirements for charter and bylaw amendments;
- Lower supermajority shareholder vote requirements for mergers and other business combinations;
- Increase common share authorizations for a stock split;
- Implement a reverse stock split;
- Approve an ESOP (employee stock ownership plan) or other broad-based employee stock purchase or ownership plan, or increase authorized shares for existing plans; and
- Adopt certain social and environmental issues regarding discrimination, disclosures of environmental impact, animal treatment and corporate sustainability, when appropriate.

The proxy voting guidelines also provide that Innealta will generally vote against proposals to:

- Elect director nominees that sit on more than six public company boards, or, if the nominee is a CEO, more than three public company boards;
- Classify the board of directors;
- Require that poison pill plans be submitted for shareholder ratification;
- Adopt dual class exchange offers or dual class recapitalizations;
- Require a supermajority shareholder vote to approve mergers and other significant business combinations;
- Require a supermajority shareholder vote to approve charter and bylaw amendments; and
- Adopt certain social and environmental proposals deemed unwarranted by the company's board of directors.

In certain circumstances, the guidelines provide that proxy proposals will be addressed on a case-by-case basis, including those regarding executive and director compensation plans, mergers and acquisitions, ratification of poison pill plans, a change in the company's state of incorporation and an increase in authorized common stock.

Innealta may vote proxies contrary to the recommendations of the Proxy Firm if it determines that such action is in the best interest of a Client. In exercising its discretion, Innealta may take into account a wide array of factors relating to the matter under consideration, the nature of the proposal and the company involved. As a result, Innealta may vote in one manner in the case of one company and in a different manner in the case of another where, for example, the past history of the company, the character and integrity of its management, the role of outside directors, and the company's record of producing performance for investors justifies a high degree of confidence in the company and the effect of the proposal on the value of the investment. Similarly, poor past performance, uncertainties about management and future directions, and other factors may lead Innealta to conclude that particular proposals present unacceptable investment risks and should not be supported. In addition, Innealta also evaluates proposals in context. For example, a particular proposal may be acceptable standing alone, but objectionable when part of an existing or

proposed package. Special circumstances may also justify casting different votes for different Clients with respect to the same proxy vote.

### **Conflicts of Interest**

Conflicts of interest involved in a proxy vote shall be addressed through the following three-step process:

#### ***Identification of Potential Conflicts of Interest***

Innealta will be deemed to have a potential conflict of interest when voting proxies if:

- Innealta manages assets for that issuer or an affiliate of the issuer and also recommends that its other Clients invest in such issuer's securities;
- A director, trustee, officer, or 10% shareholder of the issuer or an affiliate of the issuer is a director of a Client, a Client, or an employee of Innealta;
- Innealta is actively soliciting that issuer or an affiliate of the issuer as a Client;
- Clients who sponsor, publicly support, or have material interest in a proposal upon which Innealta will be eligible to vote;
- Innealta manages a pension plan, employee benefit plans, or provides brokerage, underwriting, insurance, or banking services to an issuer whose management is soliciting proxies;
- Innealta or an affiliate has a substantial business relationship (separate from Innealta's investment strategy) with an issuer or a proponent of a proxy proposal and this business relationship may influence how the proxy vote is cast;
- Innealta or an affiliate has a business relationship (separate from Innealta's investment strategy) or personal relationship with participants in a proxy contest, corporate directors, or candidates for directorships;
- An officer or employee of Innealta or an affiliate may have a familial relationship to an issuer (*e.g.*, a spouse or other relative who serves as a director of an issuer);
- A director or executive officer of the issuer has a personal relationship with Innealta;
- Another relationship or interest of Innealta, or an employee of Innealta, exists that may be affected by the outcome of the proxy vote and that Innealta deems to be an actual or potential conflict for the purposes of this Proxy Voting Policy; or
- Any other conflict of which Innealta becomes aware.

Each employee who is a member of the investment team that recommends votes or serves on the Investment Committee shall, on at least an annual basis, provide to the CCO a list of any public companies with or in which he or she has a relationship or could otherwise be deemed to have a conflict. Each such employee shall also certify to Innealta at least annually that he or she agrees to update such list promptly upon becoming aware of any relationship, interest, or conflict other than what he or she originally disclosed.

#### ***Determination of Material Conflicts***

When Innealta encounters a potential conflict of interest, it shall review its proposed vote using the following analysis to ensure its voting decision does not generate a conflict of interest:

- If the proposed vote is consistent with Innealta's Proxy Voting Policy, no further review is necessary.

- If the proposed vote is contrary to Innealta's Proxy Voting Policy and the Client's position on the proposal, no further review is necessary.
- If the proposed vote is contrary to Innealta's Proxy Voting Policy or is not covered, is consistent with the Client's position, and is also consistent with the views of the Proxy Firm, no further review is necessary.
- If the proposed vote is contrary to Innealta's Proxy Voting Policy or is not covered, is consistent with the Client's position and is contrary to the views of the Proxy Firm, the vote will be presented to the CCO. The CCO will determine whether the proposed vote is reasonable. If the CCO cannot determine that the proposed vote is reasonable, the CCO may refer the votes back to the Client(s) or take other actions as the CCO deems appropriate.

### ***Establishment of Procedures to Address Material Conflicts***

If a material conflict of interest with respect to a particular vote is encountered, employees are required to contact the CCO to determine how to vote the proxy consistent with the best interests of a Client and in a manner not affected by any conflicts of interest.

### **Recordkeeping**

Pursuant to Rule 204-2, Innealta will retain the following five (5) types of records relating to proxy voting: (i) proxy voting policy and procedures; (ii) proxy statements received for Client securities; (iii) records of votes cast on behalf of Clients; (iv) written Client requests for proxy voting information and written Innealta responses to any Client request (whether oral or written) for proxy voting information; and (v) any documents prepared by Innealta that were material to making a proxy voting decision or that memorialized the basis for the decision. All of the proxy voting records referenced herein above will be maintained by Innealta for a period of not less than seven (7) years from the end of Innealta's fiscal year during which the last entry was made in the records, the first two (2) years in an appropriate office of Innealta

### **Policy Statement and Requests**

Innealta will make the Proxy Voting Policy and Innealta's proxy voting records with respect to a Client's account available to that Client or its representatives for review and discussion upon the Client's request or as may be required by applicable law. Innealta generally will not disclose publicly its past votes, share amounts voted or held, or how it intends to vote on behalf of a Client account except as required by applicable law, but may disclose such information to a Client who itself may decide or may be required to make public such information. Questions related to Innealta's Proxy Voting Policy, the proxy voting process and/or information regarding how Innealta voted proxies relating to a Client's portfolio of securities may be obtained by Clients, free of charge, by contacting the CCO at (737) 808-4637 or [cfava@innealtacapital.com](mailto:cfava@innealtacapital.com)



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## **Item 18 Financial Information**

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Innealta does not solicit prepayment of more than \$1,200 in fees per Client six (6) months or more in advance, and thus has not provided a balance sheet according to the specifications of 17 CFR Parts 275 and 279.

Innealta has discretionary authority or custody of Client funds or securities. There is no financial condition that is reasonably likely to occur that would impair Innealta's ability to meet contractual commitments to Clients. Innealta has not been the subject of a bankruptcy petition during the past ten years.