

## **Item 1 – Cover Page**

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

## **FORTEM FINANCIAL GROUP, LLC**

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[www.fortemfin.com](http://www.fortemfin.com)

January 30, 2024

This Brochure provides information about the qualifications and business practices of Fortem Financial Group, LLC (“Fortem Financial” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 760-206-8500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Fortem Financial is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Fortem Financial also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Fortem Financial is 291662.

## **Item 2 – Material Changes**

This Item of the Brochure discusses only specific material changes that are made to the Brochure since the last annual update and provides clients with a summary of such changes. The firm has the following material change to report since the last update of this Brochure issued September 27, 2023:

We no longer sponsor or manage a wrap fee program, where brokerage commissions and transaction costs are included in the asset-based fee charged to the client.

We manage held-away accounts that are maintained at independent third-party custodians. Further information about this service is available in Items 4 and 5.

Currently, our Brochure may be requested by contacting Brett D’Orlando, Fortem Financial’s Chief Compliance Officer at 760-206-8500. Additional information about Fortem Financial is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Fortem Financial who are registered, or are required to be registered, as investment adviser representatives of Fortem Financial.

### Item 3 -Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes.....	2
Item 3 -Table of Contents .....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	8
Item 6 – Performance-Based Fees and Side-By-Side Management .....	13
Item 7 – Types of Clients .....	13
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	13
Item 9 – Disciplinary Information .....	22
Item 10 – Other Financial Industry Activities and Affiliations .....	22
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	27
Item 12 – Brokerage Practices .....	29
Item 13 – Review of Accounts .....	31
Item 14 – Client Referrals and Other Compensation .....	32
Item 15 – Custody.....	35
Item 16 – Investment Discretion.....	36
Item 17 – Voting Client Securities .....	36
Item 18 – Financial Information.....	37

## **Item 4 – Advisory Business**

Fortem Financial is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, Fortem Financial is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is, directly and indirectly, a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. (“Focus Inc.”) is the sole managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is conducted through the voting rights and the Board of Directors at Focus Inc. Focus Inc. is the managing member of and owns, directly and indirectly, approximately 99% of the economic interests in Focus LLC.

Focus Inc. is majority-owned, indirectly and collectively, by funds affiliated with Clayton, Dubilier & Rice, LLC (“CD&R”). Funds affiliated with Stone Point Capital LLC (“Stone Point”) are indirect owners of Focus Inc. Because Fortem Financial is an indirect, wholly-owned subsidiary of Focus Inc., CD&R and Stone Point funds are indirect owners of Fortem Financial.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, business managers and other firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

Fortem Financial is managed by Brian P. Amidei, Joseph G. Romano and Brett D’Orlando (“Fortem Financial Principals”), pursuant to a management agreement between FF Capital Management, LLC and Fortem Financial. The Fortem Financial Principals serve as leaders and officers of Fortem Financial, and are responsible for the management, supervision and oversight of Fortem Financial.

While this brochure generally describes the business of Fortem Financial, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Fortem Financial’s behalf and is subject to the Firm’s supervision or control.

As of December 31, 2022, Fortem Financial had \$390,033,977 in discretionary assets under management and \$4,759,101 in non-discretionary assets under management.

### **Advisory Services Offered**

Fortem Financial offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to Fortem Financial rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Fortem Financial setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

### **Fortem Loans**

We offer clients the option of obtaining residential mortgage loans and mortgage loan refinancings from unaffiliated third-party financial institutions with the assistance of our affiliate, Fortem Loans

LLC, a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. Please see Items 5 and 10 for a fuller discussion of these services and other important information.

### **Focus Treasury & Credit Solutions**

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Treasury & Credit Solutions, LLC (“FTCS”), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. Please see Items 5 and 10 for a fuller discussion of these services and other important information.

### **Focus Risk Solutions**

We help our clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to our affiliate, Focus Risk Solutions, LLC (“FRS”), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. Please see Items 5 and 10 for a fuller discussion of these services and other important information.

### **Financial Planning and Consulting Services**

Fortem Financial offers clients a broad range of financial planning and consulting services, which may include any or all of the following functions:

- Business Planning
- Education Planning
- Liability and Risk Management
- Trust and Estate Planning
- Retirement Planning
- Cash Flow Forecasting
- Investment Consulting
- Insurance Planning
- Charitable Giving
- Distribution Planning
- Tax Planning
- Manager Due Diligence

While each of these services is available on a stand-alone basis, certain of them may also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, Fortem Financial is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Fortem Financial may recommend clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage Fortem Financial or its affiliates to provide additional services for compensation. Clients

retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Fortem Financial under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Fortem Financial's recommendations and/or services.

### **Investment and Wealth Management Services**

Fortem Financial provides clients with wealth management services which include a broad range of comprehensive financial planning and consulting services as well as discretionary management of investment portfolios.

Fortem Financial primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, and independent investment managers ("Independent Managers") in accordance with their stated investment objectives.

When requested, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage Fortem Financial to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Fortem Financial directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company, or the custodian designated by the product's provider.

Fortem Financial tailors its advisory services to meet the needs of its individual clients and seeks to ensure that client portfolios are managed in a manner consistent with those needs and objectives. Fortem Financial consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify Fortem Financial if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Fortem Financial determines, in its sole discretion, that the conditions would not prove overly burdensome to the Firm's management efforts.

### **Retirement Plan Participant Account Management (Discretionary)**

Fortem Financial implements investment advice on behalf of clients in certain held-away accounts – for example, 401(k) or 529 plan accounts – maintained either at the custodians with whom Fortem Financial has an institutional relationship or at other independent third-party custodians. Fortem Financial has the capability to review, monitor, and manage these held-away accounts in a fashion similar to the way in which it reviews, monitors, and manages accounts that are not held away.

### **Wrap Fee Programs**

Fortem Financial does not participate in wrap fee programs, where brokerage commissions and transaction costs are included in the asset-based fee charged to the client.

## **Retirement Plan Consulting Services**

Fortem Financial provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and may include any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by Fortem Financial as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

Fortem Financial is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) with respect to investment management services and investment advice provided to ERISA plans and ERISA plan participants. Fortem Financial is also a fiduciary under section 4975 of the Internal Revenue Code (the “IRC”) with respect to investment management services and investment advice provided to individual retirement accounts (“IRAs”), ERISA plans, and ERISA plan participants. As such, Fortem Financial is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice, the fiduciary must either avoid certain conflicts of interest or rely upon an applicable prohibited transaction exemption (a “PTE”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of Fortem Financial’s fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

A conflict of interest arises and the prohibited transaction rules are implicated when Fortem Financial recommends that an ERISA plan participant take a distribution from an ERISA Plan and roll it over to an IRA that Fortem Financial advises or if Fortem Financial recommends that an IRA owner transfer his IRA to an IRA that Fortem Financial advises because Fortem Financial will receive compensation that it would not have received absent the recommendation – i.e., the IRA advisory fee.

As a fiduciary, we have duties of care and of loyalty to you and are subject to obligations imposed on us by the federal and state securities laws. As a result, you have certain rights that you cannot waive or limit by contract. Nothing in our agreement with you should be interpreted as a limitation of our obligations under the federal and state securities laws or as a waiver of any unwaivable rights you possess.

### **Use of Independent Managers**

As mentioned above, Fortem Financial may select certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

Fortem Financial evaluates a variety of information about Independent Managers, which may include the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. Fortem Financial also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Fortem Financial continues to provide services relative to the discretionary selection of the Independent Managers. The Firm will monitor the performance of those accounts being managed by Independent Managers. Fortem Financial seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

## **Item 5 – Fees and Compensation**

Fortem Financial offers services on a fee basis, which may include fixed and/or hourly fees, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, may offer securities brokerage services and/or insurance products under a separate commission-based arrangement. The lending entity will compensate advisors for the referrals made to it. Please see Item 10.

### **Financial Planning and Consulting Fees**

Fortem Financial can be engaged to provide financial planning and consulting services on a fixed-fee basis under a stand-alone engagement. These fees are negotiable, but generally range from \$1,000 up to \$100,000 depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, Fortem Financial may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement and Fortem Financial generally requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is generally due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.



### **Investment Management and Retirement Plan Consulting Fees**

Fortem Financial offers investment management and retirement plan consulting services for an annual fee based on the amount of assets under the Firm's management. This management fee generally varies between 25 and 175 basis points (0.25% – 1.75%) depending upon the size and composition of a client's portfolio and the type of services rendered. In the case of retirement plans, each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement, and the fees vary based on the scope of the services to be rendered and assets to be managed.

The annual fee will be an asset-based fee. The asset-based fee will be prorated and paid quarterly, in advance. For the initial quarter, the fee is based upon the value of the assets being managed by us at the time the account is funded by such assets. In subsequent quarters, the fee is based upon the market value of the average daily account balance of the assets being managed by us for the previous quarter. For the initial quarter, the fee is calculated on a pro rata basis, while the fees for subsequent quarters are adjusted because of the uses of an average daily account balance from the previous quarter. No portion of the annual fee will be based on capital gains or appreciation of the assets. There will be no increase in the annual fee without prior written notice. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

For certain clients, we charge an advisory fee for services provided with respect to the held-away accounts mentioned in Item 4 above, just as we do with client accounts that are not held away. The fees charged by us for managing held-away accounts are identical to the fees we charge for managing accounts that are not held away.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., accommodation accounts, alternative investments, cash, etc.), Fortem Financial may negotiate a fee rate that differs from the range set forth above.

### **Fee Discretion**

Fortem Financial may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and for certain non-profit groups or charitable organizations.

### **Additional Fees and Expenses**

In addition to the advisory fees paid to Fortem Financial, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on

brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Fortem Loans**

We offer clients the option of obtaining residential mortgage loans and mortgage loan refinancings from unaffiliated third-party financial institutions ("Financial Institutions") with the assistance of our affiliate, Fortem Loans LLC ("Fortem Loans"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. Fortem Loans acts as an intermediary to facilitate our clients' access to these residential mortgage loans and loan refinancing options. Fortem Loans receives a portion of the revenue earned by the Financial Institutions for providing services to our clients. Fortem Loans typically receives a one-time payment of 2.00% of the residential mortgage loan amount at the time of the loan's closing. This earned revenue is indirectly paid by our clients through an increased interest rate charged by the Financial Institutions. The amount of revenue earned by Fortem Loans will vary over time in response to market conditions, including the interest rate environment, and other factors such as the volume and timing of loan closings. The amount of revenue earned by Fortem Loans for a particular residential mortgage loan differs from the amount of revenue earned by Fortem Loans for other types of lending solutions, such as refinancings. Such fees are also revenue for our common parent company, Focus Financial Partners, LLC. Executive officers of Fortem Financial are also executive officers of Fortem Loans and benefit financially when clients use Fortem Loans for residential mortgage loans and refinancings. Accordingly, we have a conflict of interest when recommending Fortem Loans' services to clients because of the compensation to our affiliates, Fortem Loans and Focus, and to our executive officers. Further information on this conflict of interest is available in Item 10 of this Brochure.

### **Focus Treasury & Credit Solutions**

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Treasury & Credit Solutions, LLC ("FTCS"). FTCS is compensated by sharing in the revenue earned by such third-party institutions for serving our clients. For non-mortgage loans, FTCS will receive up to 0.50% annually of outstanding loan balances. For mortgage loans, FTCS will receive a one-time payment of up to 1.00% of the mortgage loan amount, up to 0.50% annually of outstanding loan balances, or a combination of the two. FTCS's earned revenue is indirectly paid by our clients through an increased interest rate charged by the financial institutions or, for cash balances, a lowered yield. FTCS shares up to 25% of this earned revenue with us when we are licensed to receive such revenue or when no such license is required. The amount of revenue earned by FTCS for these financial solutions will vary over time in response to market conditions, including the interest rate environment, and other factors such as the volume and timing of loan closings. The amount of revenue earned by FTCS for a particular financial solution will also differ from the amount of revenue earned by FTCS for other types of financial solutions. Further information on this conflict of interest is available in Item 10 of this Brochure.

### **Focus Risk Solutions**

We help our clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to our affiliate, Focus Risk Solutions, LLC ("FRS"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. FRS has arrangements with certain third-party insurance brokers (the "Brokers") under which the Brokers assist our clients with regulated insurance sales activity. If FRS refers one of our clients to a Broker and there is a subsequent purchase of insurance through the Broker, then FRS will receive a portion of the upfront and/or ongoing commissions paid to the Broker by the insurance carrier with which the policy was placed. The amount of revenue earned by FRS for the sale of these insurance products will vary over time in response to market conditions. The amount of insurance commission revenue earned by FRS is considered for purposes of determining the amount of additional compensation that certain of our financial professionals are entitled to receive. The amount of revenue earned by FRS for a particular insurance product will also differ from the amount of revenue earned by FRS for other types of insurance products. Further information on this conflict of interest is available in Item 10 of this Brochure.

### **Direct Fee Debit**

Clients generally provide Fortem Financial and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Fortem Financial.

### **Use of Margin**

Fortem Financial may be authorized to use margin in the management of the client's investment portfolio. In these cases, the fee payable will be based on the underlying value of the assets being managed irrespective of the margin balance. Fortem Financial will not collect any fees related to the margin debit, however, the custodian will charge interest on the balance as agreed upon in the margin agreement. The Firm may, however, charge financial planning or consulting fixed fees based on structuring loans.

### **Account Additions and Withdrawals**

Clients may make additions to and withdrawals from their account at any time, subject to Fortem Financial's right to terminate an account. Additions may be in cash or securities provided that with discretionary accounts the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Fortem Financial, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. Fortem Financial may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term

redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

### **Compensation for Sales of Securities or Other Investment Products**

Certain advisory personnel of Fortem Financial, in their individual capacities, also are registered representatives ("RRs") of M.S. Howells & Co. ("MSH"). The association with MSH enables these individuals to continue to receive trails and service brokerage products, such as 529 plans, the individuals individually recommended when they were RR's of a global brokerage firm. The MSH accounts are held by customers who are also advisory clients of the Firm. The receipt of brokerage compensation by advisory personnel presents a conflict of interest because registered representatives have an incentive to recommend securities transactions for the purpose of being compensated for product sales rather than solely based on a client's needs. Fortem Financial's advisory personnel do not currently recommend initial sales of new brokerage products to the Firm's clients and would only do so in the future if they believed that such recommendation was in the best interest of the client. Additionally, Fortem Financial personnel do not receive both advisory fees and brokerage compensation and advisory compensation on the same client assets (they do not "double dip").

### **Important Disclosure – Custodian Investment Programs**

*Limitation on Mutual Fund Universe for Custodian Investment Programs:* Please note that, generally, as a matter of policy we prohibit the use of mutual funds that carry revenue share class fees for our advisory clients' portfolios, except where such use is in the client's best interest. There are certain programs offered by our custodian or third-party investment platforms where clients' investment options may be limited to those mutual funds and mutual fund share classes that pay 12b-1 fees and related revenue sharing fees. As such, the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace. In addition, the client is under no obligation to invest in such programs or revenue share class funds.

*Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:* Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees create conflicts of interest in instances (i) where our adviser representative is also licensed as a registered representative of a broker-dealer and receives a portion of 12b-1 and or revenue sharing fees as compensation – such compensation creates an incentive for the investment adviser representative to use programs which utilize funds that pay such additional compensation; and (ii) where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of

benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm's clients.

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

Fortem Financial does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7 – Types of Clients**

Fortem Financial offers services to high net-worth individuals, corporations and business entities, pension and profit sharing plans, charitable organizations, and trusts and estates.

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

### **Methods of Analysis**

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

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

- Modern Portfolio Theory is a mathematical framework for assembling a portfolio of assets such that the expected return is maximized for a given level of risk.
- Fundamental analysis is a method of evaluating the intrinsic value of an asset and analyzing the factors that could influence its price in the future. This form of analysis is based on external events and influences, as well as financial statements and industry trends.
- Factor investing is an investment approach that involves targeting specific drivers of return across asset classes. There are two main types of factors: macroeconomic and style.
- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.

In addition, Fortem Financial reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Fortem Financial may

employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

### **Modern Portfolio Theory**

The firm's methods of analysis include modern portfolio theory. Modern portfolio theory is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various assets. Modern portfolio theory assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### **Investment Strategies**

For each client, Fortem Financial's investment process begins with a financial plan and an investment policy statement. Through understanding each client's cash flows, current and future financial obligations, risk perceptions, liquidity, time horizon, and investment objectives, the Firm believes it can custom tailor portfolios to meet each client's personal objectives.

Fortem Financial believes a diversified approach improves clients' probability of achieving their financial goals. Diversification will be carried out among asset classes, investment styles, and maximum allocations to specific positions. The Firm may include equity, fixed income, alternatives, and cash in each client's account. Further, Fortem Financial may utilize Independent Managers and invest in direct equity and fixed income positions, open-end and closed-end mutual funds, ETFs, UITs, and direct investment.

### **Material Risks of Investment Instruments**

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. There is no guarantee that any specific investment or strategy will be profitable for a particular client.**

Fortem Financial generally invests in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Municipal securities
- U.S. government securities
- Private placements
- Pooled investment vehicles

- Structured products
- Government and agency mortgage-backed securities
- Mortgage-backed securities
- Fixed equity annuities
- Fixed equity indexed annuities
- Variable annuities
- Derivatives
- Options

### Equity Securities

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

### Mutual Fund Securities

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

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

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, streetTRACKS®, DIAMONDSSM, NASDAQ 100 Index Tracking StockSM ("QQQs SM") iShares® and VIPERs®. ETFs have embedded expenses that the client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility

and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### Fixed Income Securities

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

### Municipal Securities

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

### U.S. Government Securities

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

### Private Placements

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

### Pooled Investment Vehicles

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many



of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, the firm will be unable to monitor or verify the accuracy of such performance information.

### Structured Products

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high investment grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

### Government and Agency Mortgage-Backed Securities

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are not backed by the full faith and credit of the U.S. government.

### Mortgage-Backed Securities

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, the firm may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

### Fixed Equity Annuities

A fixed annuity is a contract between an insurance company and a customer, typically called the annuitant. The contract obligates the company to make a series of fixed annuity payments to the annuitant for the duration of the contract. The annuitant surrenders a lump sum of cash in exchange for monthly payments that are guaranteed by the insurance company. Please note the following risks: (i) **Spending power risk.** Social Security retirement benefits have cost-of-living adjustments. Most fixed annuities do not. Consequently, the spending power provided by the monthly payment may decline significantly over the life of the annuity contract because of inflation, (ii) **Death and survivorship risk.** In a conventional fixed annuity, once the annuitant has turned over a lump sum premium to the insurance company, it will not be returned. The annuitant could die after receiving only a few monthly payments, but the insurance company may not be obligated to give the annuitant's estate any of the money back. A related risk is based on the financial consequences for a surviving spouse. In a standard single-life annuity contract, a survivor receives nothing after the annuitant dies. That may put a severe dent in a spouse's retirement income. To counteract this risk, consider a joint life annuity. (iii) **Company failure risk.** Private annuity

contracts are not guaranteed by the FDIC, SIPC, or any other federal agency. If the insurance company that issues an annuity contract fails, no one in the federal government is obligated to protect the annuitant from financial loss. Most states have guaranty associations that provide a level of protection to citizens in that state if an insurance company also doing business in that state fails. A typical limit of state protection, if it applies at all, is \$100,000. To control this risk, contact the state insurance commissioner to confirm that your state has a guaranty association and to learn the guarantee limits applicable to a fixed annuity contract. Based on that information, consider dividing fixed annuity contracts among multiple insurance companies to obtain the maximum possible protection. Also check the financial stability and credit ratings of the annuity insurance companies being considered. A.M. Best and Standard & Poor's publish ratings information.

### Fixed Equity Indexed Annuities

An equity-indexed annuity is a type of fixed annuity that is distinguished by the interest yield return being partially based on an equities index, typically the S&P 500. The returns (in the form of interest credited to the contract) can consist of a guaranteed minimum interest rate and an interest rate linked to a market index. The guaranteed minimum interest rate usually ranges from 1 to 3 percent on at least 87.5 percent of the premium paid. As long as the company offering the annuity is fiscally sound enough to meet its obligations, you will be guaranteed to receive this return no matter how the market performs. Your index-linked returns will depend on how the index performs but, generally speaking, an investor with an indexed annuity will not see his or her rate of return fully match the positive rate of return of the index to which the annuity is linked — and could be significantly less. One major reason for this is that returns are subject to contractual limitations in the form of caps and participation rates. Participation rates are the percentage of an index's returns that are credited to the annuity. For instance, if your annuity has a participation rate of 75 percent, then your index-linked returns would only amount to 75 percent of the gains associated with the index. Interest caps, meanwhile, essentially mean that during big bull markets, investors won't see their returns go sky-high. For instance, if an index rises 12 percent, but an investor's annuity has a cap of 7 percent, his or her returns will be limited to 7 percent.

Some indexed annuity contracts allow the issuer to change these fees, participation rates and caps from time to time. Investors should also be aware that trying to withdraw the principal amount from a fixed indexed annuity during a certain period — usually within the first 9 or 10 years after the annuity was purchased — can result in fees known as surrender charges, and could also trigger tax penalties. In fact, under some contracts if withdrawals are taken amounts already credited will be forfeited. After paying surrender charges an investor could lose money by surrendering their indexed annuity too soon.

### Variable Annuities

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry

additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

### Derivatives

Some ETFs use derivatives, such as swaps, options and futures, among others. Derivative instruments may be illiquid, difficult to value and leveraged so that small changes may produce disproportionate losses to a client. Over-the-counter derivatives, such as swaps, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Losses from investments in derivatives can result from a lack of correlation between the value of those derivatives and the value of the underlying asset or index. In addition, there is a risk that the performance of the derivatives to replicate the performance of a particular asset or asset class may not accurately track the performance of that asset or asset class.

### Option Strategies

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

Fortem Financial, as part of its investment strategy may employ the following option strategies:

- *Covered Call Writing*: Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.
- *Long Call Option Purchases*: Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.
- *Long Put Option Purchases*: Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

## **Margin Leverage**

Although Fortem Financial, as a general business practice, does not utilize leverage, there may be instances in which the use of leverage may be appropriate for certain clients and situations or requested by the clients for personal use. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

## **Short-Term Trading**

Although Fortem Financial, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

## **Cybersecurity**

The computer systems, networks and devices used by Fortem Financial and service providers to us and our clients to carry out routine business operations 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. A client 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 a client; impediments to trading; the inability by us and other service providers to transact business; 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 issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

### **COVID**

The transmission of COVID and efforts to contain its spread have resulted in travel restrictions and disruptions, market volatility, disruptions to business operations, supply chains and customer activity and quarantines. With widespread availability of vaccines, the U.S. Centers for Disease Control and Prevention has revised its guidance, travel restrictions have started to lift, and businesses have reopened. However, the COVID pandemic continues to evolve and the extent to which our investment strategies will be impacted will depend on various factors beyond our control, including the extent and duration of the impact on economies around the world and on the global securities and commodities markets. Volatility in the U.S. and global financial markets caused by the COVID pandemic may continue and could impact our firm's investment strategies.

Although currently there has been no significant impact, the COVID outbreak, and future pandemics, could negatively affect vendors on which our firm and clients rely and could disrupt the ability of such vendors to perform essential tasks.

## **Item 9 – Disciplinary Information**

Fortem Financial has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

### **Registered Representatives of a Broker-Dealer**

Certain of the Firm's Supervised Persons are associated persons of M.S. Howells & Co. ("MSH"), a FINRA-registered broker-dealer and member of SIPC. As a result, such professionals, in their capacity as registered representatives of MSH, are subject to the oversight of MSH and the Financial Industry Regulatory Authority, Inc. ("FINRA"). As such, clients of Fortem Financial understand that their personal and account information is available to FINRA and MSH personnel in the fulfillment of their oversight obligations and duties.

Fortem Financial professionals who effect transactions for advisory clients may receive transaction or commission compensation from MSH. The recommendation of securities transactions for commission creates a conflict of interest in that Fortem Financial is economically incented to effect securities transactions for clients. Although Fortem Financial strives to put its clients' interests first, such recommendations may be viewed as being in the best interests of Fortem Financial rather than in the client's best interest. Fortem Financial advisory clients are not compelled to effect securities transactions through MSH.

### **Licensed Insurance Agents**

Certain of the Firm's Supervised Persons are licensed insurance agents and may recommend insurance products offered by such carriers for whom they function as an agent and receive a commission for doing so. Please be advised there is a conflict of interest in that there is an economic incentive to recommend insurance and other products of such carriers. Please also be advised that Fortem Financial strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with the investment adviser representative's employing broker-dealer. Please see the "Focus Risk Solutions" paragraph below for additional conflict disclosure.

### **Focus Financial Partners**

As noted above in response to Item 4, certain funds affiliated with CD&R collectively are indirect majority owners of Focus Inc., and certain funds affiliated with Stone Point are indirect owners of Focus Inc. Because Fortem Financial is an indirect, wholly-owned subsidiary of Focus Inc., CD&R and Stone Point investment vehicles are indirect owners of Fortem Financial.

### **Fortem Loans**

We offer clients the option of obtaining residential mortgage loans and mortgage loan refinancings from unaffiliated third-party financial institutions ("Financial Institutions") with the assistance of our affiliate, Fortem Loans LLC ("Fortem Loans"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. Fortem Loans acts as an intermediary to facilitate our clients' access to these residential mortgage loans and loan refinancing opportunities.

Fortem Loans receives a portion of the revenue earned by the Financial Institutions for providing services to our clients. Fortem Loans typically receives a one-time payment of 2.00% of the residential mortgage loan amount at the time of the loan's or the loan refinancing's closing. This earned revenue is indirectly paid by our clients through an increased interest rate charged by the Financial Institutions. The amount of revenue earned by Fortem Loans will vary over time in response to market conditions, including the interest rate environment, and other factors such as the volume and timing of loan closings. The amount of revenue earned by Fortem Loans for a particular residential mortgage loan differs from the amount of revenue earned by Fortem Loans for other types of lending solutions, such as refinancings. Such fees are also revenue for our common parent company, Focus Financial Partners, LLC. Executive officers of Fortem Financial are

also executive officers of Fortem Loans and benefit financially when clients use Fortem Loans for residential mortgage loans and refinancings. Accordingly, we have a conflict of interest when recommending Fortem Loans' services to clients because of the compensation to our affiliates, Fortem Loans and Focus, and to our executive officers. We mitigate this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering Fortem Loans solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use Fortem Loans' services will receive product-specific disclosure from the Financial Institutions that provide services to our clients.

We have an additional conflict of interest when we recommend Fortem Loans to provide credit solutions to our clients because our interest in continuing to receive investment advisory fees from client accounts gives us a financial incentive to recommend that clients borrow money rather than liquidate some or all of the assets we manage.

The interest rate of the residential mortgage loan is ultimately determined by the lender, although in some circumstances Fortem Loans may have the ability to influence the lender to lower the interest rate of the loan. As noted above, Fortem Loans' earned revenue is indirectly paid by the client through an increased interest rate charged by the lender. The final rate may be higher or lower than the prevailing market rate. We can offer no assurances that the rates offered to the client by the lender are the lowest possible rates available in the marketplace. Clients are free instead to work directly with lenders outside the Fortem Loans program. Because of the limited number of Financial Institutions, clients may be limited in their ability to obtain as favorable loan terms as if the client were to work directly with banks to negotiate loan terms or obtain other financial arrangements. Before borrowing funds, clients should carefully review the loan agreement, loan application, and other forms and determine that the loan is consistent with the client's long-term financial goals and presents risks consistent with the client's financial circumstances and risk tolerance.

### **Focus Treasury & Credit Solutions**

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Treasury & Credit Solutions, LLC ("FTCS"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. These third-party financial institutions are banks and non-banks (the "Network Institutions") that offer credit and cash management solutions to our clients. Certain other unaffiliated third parties provide administrative and settlement services to facilitate FTCS's cash management solutions. FTCS acts as an intermediary to facilitate our clients' access to these credit and cash management solutions.

FTCS receives a portion of the revenue earned by the Network Institutions for providing services to our clients. For non-mortgage loans, FTCS will receive up to 0.50% annually of outstanding loan balances. For mortgage loans, FTCS will receive a one-time payment of up to 1.00% of the mortgage loan amount, up to 0.50% annually of outstanding loan balances, or a combination of the two. FTCS's earned revenue is indirectly paid by our clients through an increased interest rate charged by the Network Institutions for credit solutions or reduced yield paid by the Network Institutions



for cash management solutions. For clients of certain affiliates of Focus Financial Partners, LLC, FTCS has agreed to waive the earned revenue that it receives, which results in a lower interest rate on lending solutions or a higher yield on cash management solutions for those clients. The amount of revenue earned by FTCS for these financial solutions will vary over time in response to market conditions, including the interest rate environment, and other factors such as the volume and timing of loan closings. The amount of revenue earned by FTCS for a particular financial solution will also differ from the amount of revenue earned by FTCS for other types of financial solutions. FTCS in turn shares up to 25% of this earned revenue with us when we are licensed to receive such revenue or when no such license is required. Such fees are also revenue for our common parent company, Focus Financial Partners, LLC. Accordingly, we have a conflict of interest when recommending FTCS's services to clients because of the compensation to us and to our affiliates, FTCS and Focus. We mitigate this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering FTCS solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use FTCS's services will receive product-specific disclosure from the Network Institutions and other unaffiliated third-party intermediaries that provide services to our clients.

We have an additional conflict of interest when we recommend FTCS to provide credit solutions to our clients because our interest in continuing to receive investment advisory fees from client accounts gives us a financial incentive to recommend that clients borrow money rather than liquidating some or all of the assets we manage.

#### *Credit Solutions from FTCS*

For FTCS credit solutions, the interest rate of the loan is ultimately determined by the lender, although in some circumstances FTCS may have the ability to influence the lender to lower the interest rate of the loan. As noted above, FTCS's earned revenue is indirectly paid by you through an increased interest rate charged by the lender. The final rate may be higher or lower than the prevailing market rate. We can offer no assurances that the rates offered to you by the lender are the lowest possible rates available in the marketplace.

Clients retain the right to pledge assets in accounts generally, subject to any restrictions imposed by clients' custodians. While the FTCS program facilitates secured loans through Network Institutions, clients are free instead to work directly with institutions outside the FTCS program. Because of the limited number of participating Network Institutions, clients may be limited in their ability to obtain as favorable loan terms as if the client were to work directly with other banks to negotiate loan terms or obtain other financial arrangements.

Clients should also understand that pledging assets in an account to secure a loan involves additional risk and restrictions. A Network Institution has the authority to liquidate all or part of the pledged securities at any time, without prior notice to clients and without their consent, to maintain required collateral levels. The Network Institution also has the right to call client loans and require repayment within a short period of time; if the client cannot repay the loan within the specified time period, the Network Institution will have the right to force the sale of pledged assets to repay those loans. Selling assets to maintain collateral levels or calling loans may result in asset

sales and realized losses in a declining market, leading to the permanent loss of capital. These sales also may have adverse tax consequences. Interest payments and any other loan-related fees are borne by clients and are in addition to the advisory fees that clients pay us for managing assets, including assets that are pledged as collateral. The returns on pledged assets may be less than the account fees and interest paid by the account. Clients should consider carefully and skeptically any recommendation to pursue a more aggressive investment strategy in order to support the cost of borrowing, particularly the risks and costs of any such strategy. More generally, before borrowing funds, a client should carefully review the loan agreement, loan application, and other forms and determine that the loan is consistent with the client's long-term financial goals and presents risks consistent with the client's financial circumstances and risk tolerance.

#### *Cash Management Solutions from FTCS*

For FTCS cash management solutions, as stated above, certain third-party intermediaries provide administrative and settlement services in connection with the program. Those intermediaries each charge a fixed basis point fee on total deposits in the program. Before any interest is paid into client accounts, the Network Institutions and certain unaffiliated third-party service providers take their fees out, and the net interest is then credited to clients' accounts. The fees debited by the Network Institutions include FTCS's earned revenue. Engaging FTCS, the Network Institutions, and these other intermediaries to provide cash management solutions does not alter the manner in which we treat cash for billing purposes.

Clients should understand that in rare circumstances, depending on interest rates and other economic and market factors, the yields on cash management solutions could be lower than the aggregate fees and expenses charged by the Network Institutions, the intermediaries referenced above, and us. Consequently, in these rare circumstances, a client could experience a negative overall investment return with respect to those cash investments. Nonetheless, it might still be reasonable for a client to participate in the FTCS cash management program if the client prefers to hold cash at the Network Institutions rather than at other financial institutions (e.g., to take advantage of FDIC insurance).

#### **Focus Risk Solutions**

We help clients obtain certain insurance products from unaffiliated insurance companies by introducing clients to our affiliate, Focus Risk Solutions, LLC ("FRS"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC ("Focus"). FRS acts as an intermediary to facilitate our clients' access to insurance products. FRS has agreements with certain third-party insurance brokers (the "Brokers") under which the Brokers assist our clients with regulated insurance sales activity.

If FRS refers one of our clients to a Broker and there is a subsequent purchase of insurance through the Broker, FRS will receive a portion of the upfront and/or ongoing commissions paid to the Broker by the insurance carrier with which the policy was placed. The amount of revenue earned by FRS for the sale of these insurance products will vary over time in response to market conditions. The amount of insurance commission revenue earned by FRS is considered for purposes of determining the amount of additional compensation that certain of our financial professionals

are entitled to receive. The amount of revenue earned by FRS for a particular insurance product will also differ from the amount of revenue earned by FRS for other types of insurance products. This revenue is also revenue for our and FRS's common parent company, Focus. Accordingly, we have a conflict of interest when recommending FRS's services to clients because of the compensation to certain of our financial professionals and to our affiliates, FRS and Focus. We address this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering FRS solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use FRS's services will receive product-specific disclosure from the Brokers and insurance carriers and other unaffiliated third-party intermediaries that provide services to our clients.

The insurance premium is ultimately dictated by the insurance carrier, although in some circumstances the Brokers or FRS may have the ability to influence an insurance carrier to lower the premium of the policy. The final rate may be higher or lower than the prevailing market rate, and may be higher than if the policy was purchased directly through the Broker without the assistance of FRS. We can offer no assurances that the rates offered to you by the insurance carrier are the lowest possible rates available in the marketplace.

### **SmartAsset**

As stated earlier in this Brochure, Fortem Financial is a wholly owned subsidiary of Focus. Focus is also one of several minority investors in SmartAsset, which seeks to match prospective advisory clients with investment advisers. Focus has one director on SmartAsset's board as well as a board observer. Fortem Financial's payment of a fee to SmartAsset benefits SmartAsset's investors, including Focus, our parent company.

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

### **Code of Ethics Description**

In accordance with the Advisers Act, Fortem Financial has adopted policies and procedures designed to detect and prevent insider trading. In addition, Fortem Financial has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Fortem Financial's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Fortem Financial. Fortem Financial will send clients a copy of its Code of Ethics upon written request.

Fortem Financial has policies and procedures in place to ensure that the interests of its clients are given preference over those of Fortem Financial, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

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

### **Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

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

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

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

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

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

### **Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

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

## Item 12 – Brokerage Practices

### **Recommendation of Broker-Dealers for Client Transactions**

Fortem Financial generally recommends that clients utilize the custody, brokerage and clearing services of Schwab Advisor Services (“Schwab”) (the “Custodian”) for investment management accounts.

Factors which Fortem Financial considers in recommending the Custodian or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The Custodian may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by the Custodian may be higher or lower than those charged by other Financial Institutions.

Fortem Financial periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

Fortem also participates in the Schwab Advisor Network® program. Schwab is a broker-dealer independent of and unaffiliated with Fortem. Schwab refers clients to Fortem in exchange for receiving referral fees. Please see Item 14 for more information. These referral arrangements may create incentives for Fortem to recommend Schwab based on Fortem’s interest in receiving client referrals, rather than interest in receiving the most favorable execution for client accounts. Fortem minimizes this conflict of interest through this ADV disclosure and other disclosures, as well as by considering each client’s specific situation and account needs and may recommend one or more custodians.

### **Research and Other Benefits**

Our firm has an arrangement with Charles Schwab & Co. Inc. (“Schwab”) through which Schwab provides our firm with Schwab’s “platform” services. The platform services include, among others, brokerage, custodial, administrative support, consulting, recordkeeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients, but that benefit our firm.

As part of the arrangement described above, Schwab makes certain research services available at no additional cost to our firm, including research services obtained by Schwab directly from independent research companies. The research and brokerage services provided by Schwab are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm would be compelled to purchase the same or similar services at our own expense. Fortem does not pay increased or additional fees or commissions to receive these benefits. The benefits are made available to Fortem because Fortem used Schwab’s custodial services.

As a result of receiving the services discussed above, for no additional cost, we have an incentive to continue to use or expand the use of Schwab’s services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Schwab, and subsequently as part of its best execution review, and we have determined that the relationship is in the best interest of our firm’s clients and satisfies our client obligations, including our duty to seek best execution.

Schwab charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Schwab enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Schwab's commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by Schwab may be higher or lower than those charged by other custodians and broker-dealers.

Our clients may pay a commission to Schwab that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Although the investment research products and services that are obtained by our firm will generally be used to service all of our clients, there is no guaranty that they will be used in managing that specific client's account.

We receive client referrals as described in item 14 below.

### **Brokerage for Client Referrals**

Fortem Financial does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

The client may direct Fortem Financial in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by Fortem Financial (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Fortem Financial may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Trade Aggregation**

Transactions for each client generally may be effected independently, unless Fortem Financial decides to purchase or sell the same securities for several clients at approximately the same time. Fortem Financial may (but is not obligated to) combine or "batch" such orders to obtain best

execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Fortem Financial's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Fortem Financial's Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Fortem Financial does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on rotating basis.

## **Item 13 – Review of Accounts**

### **Periodic Review of Client Accounts**

Fortem Financial monitors client portfolios on a continuous and regular basis while regular account reviews are conducted on at least an annual basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Fortem Financial and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Review of Client Accounts on Non-Periodic Basis**

Fortem Financial may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Fortem Financial formulates investment advice.

## **Account Statements and Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from Fortem Financial and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Fortem Financial or an outside service provider.

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

### **Schwab Advisor Network**

Fortem Financial receives client referrals from Charles Schwab & Co., Inc. (“Schwab”) through Fortem Financial’s participation in Schwab Advisor Network® (“the Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Fortem. Schwab does not supervise Advisor and has no responsibility for Fortem Financial’s management of clients’ portfolios or Advisor’s other advice or services. Fortem Financial pays Schwab fees to receive client referrals through the Service. Fortem Financial’s participation in the Service may raise potential conflicts of interest described below.

Fortem Financial pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Fortem Financial is a percentage of the fees the client owes to Fortem Financial or a percentage of the value of the assets in the client’s account, subject to a minimum Participation Fee. Fortem Financial pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to Fortem Financial quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Fortem Financial and not by the client. Fortem Financial has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Fortem Financial charges clients with similar portfolios who were not referred through the Service.

Fortem Financial generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client’s account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, Fortem Financial will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Fortem Financial’s clients who were referred by Schwab and those referred clients’ family members living in the same household. Thus, Fortem Financial will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute



transactions at Schwab and to instruct Schwab to debit Fortem Financial's fees directly from the accounts.

For accounts of Fortem Financial's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Fortem Financial's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Fortem Financial may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Fortem Financial nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Fortem Financial's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### **Fortem Event Sponsorship**

From time to time, Fortem Financial sponsors events including charitable events, sports events, seminars, workshops, and lunch or dinner meetings which typically include Fortem employees, Fortem clients, and prospective Fortem clients. The purpose of these events is to provide a time for clients and prospective clients to get to know Fortem better and to better understand how Fortem works with clients. These sponsorship opportunities may provide an opportunity for the sponsoring firm to discuss how it works with Fortem or other investment professionals to help serve clients' investment needs. Although the sponsorship opportunity is not preconditioned on any sales or revenue target, this practice could nonetheless be deemed a conflict of interest as the sponsorship provided could cause Fortem to focus on those sponsors in the course of its duties. Fortem attempts to mitigate any such conflict by choosing asset managers, custodians, and other third-party vendors by objective criteria unrelated to sponsorships. Further, Fortem does not accept sponsorship from third-parties unless it has previously established a working relationship with them through its objective selection process. Additionally, Fortem allocates sponsorship fees only to defraying the cost of charitable events, sports events, seminars, workshops, lunch or dinner meetings, or the costs associated with the marketing and advertising of such events. A list of sponsors is available upon request.

The following entities have provided marketing support for events or seminars directly to Fortem Financial:

1. Cohen and Steers
2. AMS Bahl & Gaynor
3. Goldman Sachs

### **Focus Conference Sponsorship**

Fortem Financial's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which

typically include Fortem Financial, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Fortem Financial. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Fortem Financial. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Fortem Financial to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Fortem Financial. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

*The following entities have provided conference sponsorship to Focus from January 1, 2022, to March 1, 2023:*

*Orion Advisor Technology, LLC*

*TriState Capital Bank*

*StoneCastle Network, LLC*

*Charles Schwab & Co., Inc.*

*BlackRock, Inc.*

*Fidelity Brokerage Services LLC*

*Fidelity Institutional Asset Management LLC*

*You can access a more recently updated list of recent conference sponsors on Focus' website through the following link: <https://focusfinancialpartners.com/conference-sponsors/>*

### **Fortem Promoter Arrangements**

Fortem Financial has an arrangement in place with a marketing firm (White Glove) in which Fortem pays White Glove to arrange and set up webinars and seminars, provide concierge services, market the event, provide access to content providers and related administrative services. Clients and prospective clients should understand that White Glove's marketing of Fortem's event(s) is not because White Glove has performed an independent assessment of Fortem's advisory services. Rather, White Glove is being contracted on behalf of Fortem to perform such marketing services. Please ensure you conduct an independent evaluation of Fortem Financial and its services.

### **Compensation for Client Referrals**

Fortem Financial has arrangements in place with certain third parties, called solicitors, under which such solicitors refer clients to us in exchange for a percentage of the advisory fees we collect from such referred clients. Such compensation creates an incentive for the solicitors to refer clients to us, which is a conflict of interest for the solicitors. Rule 206(4)-1 of the Advisers Act addresses this conflict of interest by, among other things, requiring disclosure of whether the solicitor is a client or a non-client and a description of the material conflicts of interest and material terms of the compensation arrangement with the solicitor. Accordingly, we require solicitors to disclose to

referred clients, in writing: whether the solicitor is a client or a non-client; that the solicitor will be compensated for the referral; the material conflicts of interest arising from the relationship and/or compensation arrangement; and the material terms of the compensation arrangement, including a description of the compensation to be provided for the referral.

#### SmartAsset

We pay a fee to participate in an online adviser matching program, SmartAsset, which seeks to match prospective advisory clients who have expressed an interest in finding an investment adviser with investment advisory firms. The adviser matching program provides the name and contact information of such persons to the advisory firms as potential leads. For our participation in the program, we pay a fixed fee per matched lead based upon the investment assets attributable to such matched lead.

### **Item 15 – Custody**

Fortem Financial is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.

7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

Fortem Financial provides bill paying services for one or more accounts. As such, the firm is deemed to have custody of client assets and therefore subject to a surprise annual audit by an independent certified public accounting firm.

Certain Fortem Financial executives act as trustee for certain advisory client trusts. As such, the firm is deemed to have custody of client assets and therefore subject to a surprise annual audit by an independent certified public accounting firm.

## **Item 16 – Investment Discretion**

Fortem Financial may be given the authority to exercise discretion on behalf of clients. Fortem Financial is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. Fortem Financial is given this authority through a power-of-attorney included in the agreement between Fortem Financial and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Fortem Financial takes discretion over the following activities:

- The securities to be purchased or sold;
- The Independent Managers to be hired or fired;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## **Item 17 – Voting Client Securities**

Fortem Financial, other than for corporate actions (i.e., mergers, acquisitions, etc.), does not accept the authority to vote a client's proxies on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations or to request a copy of our Proxy Voting policies and procedures. When specified on the custodial account opening documents, Fortem Financial will accept authority to vote on corporate actions pertaining to a client's securities and will vote such corporate actions in the best interests of our clients and in accordance with our established policies and procedures. We will retain all proxy voting books and records for the requisite period of time. If we determine there is a conflict of interest in voting a particular action, we will notify you of the conflict and retain an independent third-party to cast a vote.

From time to time, securities held in the accounts of clients will be the subject of class action or consumer antitrust class action litigation. The Firm utilizes a third-party service provider (Chicago Clearing) for asset recovery services, which will

- determine if securities held by the client are subject to a pending or resolved class action or consumer antitrust class action lawsuit;
- evaluate a client's eligibility to submit a claim to participate in the proceeds of a securities class action settlement or verdict; and/or
- initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Successful asset recovery by Chicago Clearing for class action litigation results in Chicago Clearing keeping 15% of the assets recovered. For successful asset recovery in consumer antitrust class action litigation, Chicago Clearing keeps 15% of the assets recovered.

Where the Firm through Chicago Clearing receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, Chicago Clearing will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18 – Financial Information**

Fortem Financial is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years