

# **BROCHURE**

(Form ADV Part 2A)

## **Kanen Wealth Management LLC**

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**October 30, 2024**

This brochure ("Brochure") provides you with information about the qualifications and business practices of **Kanen Wealth Management LLC**. It contains information that you should consider before becoming a client of our firm.

Our firm is registered with the United States Securities and Exchange Commission as an investment adviser. Registration of an Investment Adviser does not imply a certain level of skill or training. The information contained herein has not been approved or verified by any securities regulator. We have only filed the requisite registration documents in the appropriate jurisdictions and with the respective governmental entities.

If you have any questions about the contents of this Brochure, please contact us by telephone at (631) 863-3100. Additional information about Kanen Wealth Management (CRD No. 282746) can be found on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by a search using the firm's CRD number.

## **MATERIAL CHANGES (Item 2)**

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### Kanen Wealth Management Material Changes

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure. Please note the following material change:

#### **Item 9: Disciplinary Information**

On September 25, 2024, Mr. David L. Kanen, without admitting or denying any findings except as to the Securities and Exchange Commission's jurisdiction and the subject matter of the proceedings, consented to the entry of an Order Instituting Cease-and-Desist Proceedings (the "2024 Order") in settlement of an Administrative Proceeding. Please refer to Item 9 below for more information.

#### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (631) 863-3100 or by email at: [info@kanenadvisory.com](mailto:info@kanenadvisory.com).

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## ADVISORY SERVICES (Item 4)

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### About Our Business

Kanen Wealth Management LLC (referred to herein as “we,” “us,” or “our”) is a wealth management firm that is registered as an investment advisor pursuant to the investment advisor laws and regulations of the U.S. Securities and Exchange Commission. We began managing investments and providing financial advice in February of 2016.

Our principal place of business is in the state of Florida. David L. Kanen is the principal owner and chief compliance officer and has engaged the services of LSCG, Inc., to assist in regulatory compliance matters.

### Types of Advisory Services

We are a boutique wealth management firm that offers portfolio construction advice, recommends market-responsive investment strategies, conducts alternative investment fund analysis, manages investment assets for an affiliated pooled investment vehicle, and provides investment company advisory services to an affiliated mutual fund. A detailed explanation of each service is as follows:

#### **Portfolio Management Services**

We offer investment management, portfolio construction, and other advisory services to meet clients' investment goals and objectives. Our portfolio management strategies encompass recommendations that align with a value-based investment philosophy utilizing undervalued equities with long-term growth expectations. When providing portfolio management advice and recommendations, we consider a client's net worth or annual income, other financial circumstances, and comprehensive investment goals.

We typically recommend small-cap equities, common stocks, preferred stocks, and fixed-income securities to implement our portfolio management strategies. Our client's investment portfolios are monitored actively for tactical responses to market and economic variations.

#### **Alternative Investments Advisement**

Occasionally, clients request that we analyze and evaluate unaffiliated third-party alternative investments. Such alternative investments include but are not limited to interests in unaffiliated private equity funds, hedge funds, venture capital funds, etc. Our alternative investment advisement services include but are not limited to initial and ongoing due diligence and investment monitoring services.

#### **Investment Management Services to a Private Fund**

We are the general partner of Philotimo Fund, LP, a Delaware limited partnership, pooled investment vehicle, and private investment fund along with Philotimo SPV I, LP, a Delaware limited partnership, pooled investment vehicle, and private investment fund (the “Funds”). As the general partner, we offer partnership interests in the Funds to prospective investors. We have discretionary authority to manage all assets held by the Funds. Our investment advice to the Funds is tailored to the Fund's investment objectives, strategies, and restrictions as disclosed in the Fund's governing disclosure documents or confidential private placement memorandum (hereinafter, “PPM”).

Our management services to the Fund utilizes value-based analysis that emphasizes catalysts and focuses primarily on undervalued equities with long-term growth expectations. The catalysts are likely to include but are not limited to stock buybacks, spin-offs, restructurings, and activism to improve performance results. We also use proprietary screening methods and sourcing of ideas. Please note that the Fund may invest in other securities, but the Fund's primary focus is high absolute returns using undervalued equity securities. Clients are under no obligation to become an investor in the Fund.

This Brochure is not an offer to sell or a solicitation of an offer to buy interests in the Fund. Such an investment is only made after an investor receives and reviews the Fund's PPM and execution of certain agreements. A copy of the PPM is available upon request; however, acceptance as an investor is not guaranteed. *Please also review Item 7 herein for specific investor qualification criteria.*

#### **Investment Company (Mutual Fund) Advisory Services**

Our firm provides investment company advisory services. We are the investment advisor to the Philotimo Focused Growth and Income Fund (the “Mutual Fund”), an affiliate mutual fund offered by an open-end mutual fund company, World Funds Trust. The investment objective of the Mutual Fund is to seek current income and long-term growth through investments in equity securities of small-capitalization (“small-cap”) companies, exchange-traded funds (“ETFs”), fixed-income securities, and cash equivalents. Our management of the Mutual fund is based on its investment objective as fully disclosed in the Mutual Fund's Prospectus and Statement of Additional Information (“SAI”) (hereinafter, the “Mutual Fund disclosure documents”).

## Tailored Services

### **Portfolio Management Services**

Our portfolio management advice and services are based on the individual needs of a client after analyzing and thoroughly evaluating the client's goals, objectives, investment horizon, and risk tolerance. Clients may impose restrictions on investing in certain asset classes or specific types of securities by advising their investment advisor representative of such limitations.

### **Alternative Investments Advisement**

Our alternative investment advisement services consider the client's financial circumstances, needs, objectives, goals, and risk tolerance.

### **Investment Management Services to Private Funds**

Our investment management services to the Funds are based on the specific investment objectives of the Funds. We do not provide tailored investment advice to investors in the Funds. Therefore, investors in the Funds may not impose restrictions.

### **Investment Company (Mutual Fund) Advisory Services**

Clients (shareholders) cannot impose restrictions on the asset classes or specific types of securities chosen for the Mutual Fund. We manage the Mutual Fund portfolio based on the investment objective outlined in the disclosure documents. These documents are provided to prospective clients at the time of purchasing shares of the Mutual Fund. Nonetheless, before investing, clients should carefully review the Mutual Fund disclosure documents for details regarding all terms and conditions applicable to investing in the Mutual Fund. The Mutual Fund disclosure documents are also available online at [philotimomutualfunds.com](http://philotimomutualfunds.com).

## Wrap Fee Programs

We are not a participant in any wrap fee program.

## Assets under Management

As of December 31, 2023, we manage a total of \$292,490,900 in client assets. Of the total, \$289,588,521 is managed on a discretionary basis and \$2,902,379 on a non-discretionary basis.

## **FEES AND COMPENSATION (Item 5)**

### Advisory Fees

We earn fees and compensation by constructing investment portfolios, recommending market-responsive investment strategies, conducting alternative investment fund analysis, managing the investment assets of a private investment fund, and providing advisory services to the Mutual Fund. The details regarding our fees and compensation are as follows:

#### **Portfolio Management Services**

Our fee schedule for portfolio management services is as follows:

<b>Assets Under Management</b>	<b>Annual Rate</b>
First \$2,500,000	2.0%
Next \$2,500,000	1.5%
Next \$2,000,000	1.0%
Over \$7,000,000	Negotiable

#### **Sample Fee Calculation:**

Investments of **\$7,000,000**

\$2,500,000 @ 2.0%

\$2,500,000 @ 1.5%

\$2,000,000 @ 1.0%

(Effective blended rate of 1.54%)

Quarterly Fees of **\$26,875** | Annual Fees of **\$107,500**

Our fee schedule for portfolio management services is negotiable. The final fee is outlined in our investment management agreement. Please also review Item 7, Types of Clients, for more details regarding our minimum investment value of \$200,000. We reserve the right to adjust advisory fees and/or waive our minimum requirements for portfolio management services based on other criteria (e.g., pre-existing relationships, related accounts, the anticipation of additional assets, etc.) that we deem pertinent.

### **Alternative Investment Advisement**

Fees for advisement relative to unaffiliated alternative investments are assessed in accordance with our portfolio management fee schedule published herein.

### **Investment Management Services to Private Funds**

#### **Philotimo Fund, LP**

##### **(a) Management Fees**

For services to the Fund, we charge investors an annual investment management fee (“management fee”) of two percent (2%). The management fee is payable quarterly in advance at the rate of 0.5%.

##### **(b) Performance-Based Fees**

In addition to the management fees above, we assess a quarterly performance allocation equal to twenty percent (20%) of each investor’s ratable share of the Fund’s profits for such quarter. The performance allocation is only assessed when such profits exceed such an investor’s “high watermark.” More specifically, the performance allocation is subject to a loss carry-forward provision in that no performance allocation will be deducted from any investor’s capital account until prior losses have been recouped.

#### **Philotimo SPV I, LP**

##### **(a) Management Fees**

For services to the Fund, we charge investors an annual investment management fee (“management fee”) of one percent (1%). The management fee is payable quarterly in advance at the rate of 0.25%.

##### **(b) Performance-Based Fees**

In addition to the management fees above, please refer to Article IV, Allocation of Profits and Losses of SPV I, LP Limited Partnership Agreement which reads as follows:

#### **Article IV**

##### **(a) Distributions of Investment Proceeds.**

Subject to Sections 4.1(e) and (g), the Partnership shall make distributions of Distributable Cash to the extent constituting (i) proceeds of a Disposition of the Target Company or any portion thereof, (ii) income, dividends, distributions, or interest from the Target Company, within a reasonable period of time following the end of the fiscal quarter in which such amounts are received, and (iii) income from Temporary Investments, in each case in the order of priority set forth below. Distributable Cash shall initially be notionally apportioned among the Partners (including the General Partner in its capacity as a Partner, and the amount so apportioned to the General Partner shall be distributed to the General Partner) in proportion to their relative Capital Contributions with respect to the Target Company or Temporary Investment. The amount apportioned to each Limited Partner shall be distributed as follows:

(i) Return of Capital: First, one hundred percent (100%) to such Limited Partner until distributions to such Limited Partner of Distributable Cash on a cumulative basis pursuant to this clause (i) equal such Limited Partner's aggregate Capital Contributions;

(ii) Preferred Return: Second, one hundred percent (100%) to such Limited Partner until distributions to such Limited Partner of Distributable Cash on a cumulative basis pursuant to this clause (ii) equal the Preferred Return; and

(iii) Catch-Up: Third, one hundred percent (100%) to the General Partner until distributions to the General Partner of Distributable Cash on a cumulative basis as Carried Interest Distributions equal twenty percent (20%) of all distributions of Distributable Cash made pursuant to clause (ii) and this clause (iii); and

(iv) 80/20 Split: Any balance thereafter (x) eighty percent (80%) to such Limited Partner and (y) twenty percent (20%) to the General Partner.

### **Investment Company (Mutual Fund) Advisory Services**

For our advisory services to the Mutual Fund, we assess an annual management fee (“mutual fund management fee”) equal to 1.00% of the Mutual Fund’s average daily net assets. The management fee is paid monthly and is an expense of the Mutual Fund.

Notwithstanding the foregoing, pursuant to our discretionary authority (see Item 17, Investment Discretion), we are authorized to buy shares of the affiliated Mutual Fund without prior consultation with the client. Purchasing shares of the Mutual Fund creates material conflicts of interest in that we have a financial incentive to recommend that clients invest in the Mutual Fund rather than other investments. More importantly, for the purpose of calculating our advisory fees, the value of Mutual Fund portfolio holdings is excluded from the value of the clients’ account(s).

Nonetheless, portfolio holdings in unaffiliated mutual funds and other investment company securities, such as ETFs, are included in the account values for purposes of calculating our advisory fees.

## Billing Procedures

The specific billing procedure for each advisory service is as follows:

### **Portfolio Management Services**

The fees for portfolio management services are billed and due quarterly in advance (i.e., at the beginning of each calendar quarter). Advisory fee calculations are based on the value of the account(s) as listed on a national securities exchange or the principal market where the securities are traded, at the closing price, as of the last day of the previous calendar quarter. There may be limitations in pricing for small-cap or microcap equities. In such cases, the value will be determined by the most recent quotation supplied by the account custodian or broker-dealer firm that effectuates the transactions. Also, billing valuations for fixed-income securities include accrued interest. Margin interest, if any, will accrue monthly.

At the beginning of each quarterly billing period, we transmit our advisory fee calculations to the account custodian electronically. The fee calculation data includes information regarding the amount of advisory fees to be withdrawn, the market value of the assets on which advisory fees are based, and the specific manner in which advisory fees are calculated. Additionally, the account custodian sends each client an account statement at least quarterly, showing total deductions, including advisory fee assessments by our firm.

By agreement and the client's written authorization incorporated in our advisory agreement, advisory fees are deducted directly from the client's specified account(s).

### **Alternative Investment Advisement**

There are no separate billing procedures for alternative investment advisement. Advisory fees are assessed in accordance with our portfolio management fee schedule. When calculating advisory fees, the value of any alternative investment, which generally reflects the initial purchase (or the most recent valuation reported by the issuer or account custodian), is included as a part of a client's aggregate "assets under management" (i.e., included with the value of all portfolio holdings in advisory accounts under our management).

### **Investment Management Services to Private Funds**

#### **(a) Management Fees**

The quarterly management fee assessment to the Fund is based on the beginning quarterly balance of each investor's capital account after considering any subscription and/or redemption activity in the investor's capital account. The fee is payable quarterly in advance and assessed against the investor's capital account balance at the beginning of each calendar quarter. On any day during the first week of the calendar quarter, fees are deducted from each investor's capital account or are recorded as payable to us. Please note that management fees recorded as payable to us are available for withdrawal at our discretion. As indicated in the Fund's PPM, in our capacity as general partner, we may, at our sole discretion, alter, reduce, or waive any portion of the fee payable to the Fund as to any client, investor, employee, principal, or affiliate, etc.

#### **(b) Performance-based Fees for **Philotimo Fund, LP****

The performance allocation is assessed quarterly in arrears at a rate equal to twenty percent (20%) of each investor's ratable share of the Fund's profits for such quarter, but only to the extent that such profits exceed the investor's "high watermark." More specifically, the performance allocation is subject to a loss carry-forward provision in that no performance allocation will be deducted from any investor's capital account until prior losses allocated to such investor have been recouped. For billing, on any day during the first week of the succeeding calendar quarter, the performance allocation is deducted from each investor's capital account or is recorded as payable to us. Please note that performance allocation fees recorded as payable to us are available for withdrawal at our discretion. Moreover, in instances where an investor makes a partial or complete withdrawal, we may, at our sole discretion, compute and assess the performance allocation at any time.

### **Investment Company (Mutual Fund) Advisory Services**

The Mutual Fund will assess advisory, administrative, and custodial fees, as well as other fees and expenses which are paid out of its assets, meaning that shareholders of the Mutual Fund indirectly bear such costs and expenses. Please review the Mutual Fund disclosure documents, which are available online at [philotimomutualfunds.com](http://philotimomutualfunds.com), for specific information about the Mutual Fund expense ratio. The advisory fees you pay our firm are separate from and in addition to the costs and expenses associated with the Mutual Fund.

## Other Fees & Expenses

### **Portfolio Management Services**

Clients will also incur additional third-party fees and expenses (“third-party fees”) related to the management of investments and advisory service provisions. These fees may include but are not limited to no-load mutual fund ticket charges, brokerage transaction costs, deferred sales charges on previously purchased mutual funds, IRA maintenance fees, and other legal or transfer fees. The account custodians, broker-dealers, mutual fund companies, and others who provide account services charge these fees, and clients are responsible for payment of all third-party fees and expenses. As of the date of this Brochure, our account custodian does not assess transaction costs for trades in equity securities (i.e., stocks, exchange-traded funds, etc.). Also, clients whose assets are invested in unaffiliated mutual funds, exchange-traded funds, money market mutual funds, closed-end funds, and other investment company securities will incur additional expenses. These are direct internal expenses of the investment company that issues the security but a cost borne by investors (clients). The specific fees and expenses are outlined in each mutual fund company prospectus.

It is important to note that the advisory fees paid to our firm are separate from the maintenance fees and transaction expenses charged by third parties. Please also refer to Item 12, Brokerage Practices, for information regarding our account custodian.

### **Investment Management Services to Private Funds**

Likewise, the Fund will pay for all ordinary operating and other expenses, including, but not limited to, investment-related expenses (such as brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, appraisal fees, and expenses and investment banking expenses); research costs and expenses (including fees for news, quotation and similar information and pricing services); legal expenses (including, without limitation, the costs of ongoing legal advice and services, blue sky filings and all costs and expenses related to or incurred in connection with our firm’s compliance obligations under applicable federal and/or state securities and investment advisor laws arising out of our relationship to the Fund, as well as extraordinary legal expenses); accounting fees and audit expenses; administrative fees; tax preparation expenses and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the Fund; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers, and personnel of our firm; costs of printing and mailing reports and notices; and other similar expenses related to the Fund, as determined in our sole discretion. To the extent that expenses borne by the Fund are paid by our firm, the Fund will reimburse us for such expenses.

### **Investment Company (Mutual Fund) Advisory Services**

Clients who invest in our affiliated Mutual Fund will incur additional expenses. These are direct internal expenses that mutual fund shareholders bear. The specific fees and expenses associated with our affiliated Mutual Fund are outlined in the disclosure documents, available online at [philotimomutualfunds.com](http://philotimomutualfunds.com).

## Refund Policy

The following outlines the termination and refund procedures for our advisory services:

### **Portfolio Management Services & Alternative Investment Advisement**

Clients can terminate our agreement for portfolio management services or alternative investment advisement by providing our firm fourteen (14) days' advance written notice. If we need to terminate an agreement, we will use the same procedures (i.e., providing fourteen (14) days' advance written notice).

Upon receipt of a client’s termination request, we will assess fees pro rata to the date of termination. We will refund any unearned portion of prepaid fees within ten (10) business days. Any balances for unpaid fees due to our firm will be collected prior to the disbursement of funds, if applicable. If we are unable to deduct final advisory fees from the portfolio management account(s), such as in the case of an account transfer, we will transmit a final advisory fee invoice to the client, which is due and payable upon receipt. Clients pay final advisory fee invoices by mailing a check to our address.

### **Investment Management Services to Private Funds**

Investors in the Fund are permitted to withdraw from capital accounts on the last business day of any calendar quarter, provided that we receive at least thirty (30) days prior written notice of such withdrawal request. Furthermore, the withdrawal request must meet the minimum capital account balance parameters outlined in the Fund’s PPM and other governing documents.

### **Investment Company (Mutual Fund) Advisory Services**

Clients (shareholders) can redeem Mutual Fund shares at any time and in any amount by contacting the transfer agent, their financial intermediary, or our firm by mail, online, or telephone. Please review the Mutual Fund disclosure documents for redemption procedures.

### **Other Compensation**

Neither our firm nor investment advisor representatives receive any compensation for the sale of securities or other investment products. Our investment advisor representatives are not registered in any securities or investment sales capacity.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT (Item 6)**

### **Performance-Based Fees**

As indicated in Item 5, Fees and Compensation, we will assess a performance allocation for investment interests in the Philotimo Fund, LP. The performance allocation is based on shares of capital gains or appreciation of each investor's ratable share of the Fund's profits. The performance allocation is assessed quarterly in arrears at a rate equal to twenty percent (20%) but only to the extent that such profits exceed such investor's "high watermark." More specifically, the performance allocation is subject to a loss carry-forward provision in that no performance allocation will be deducted from any investor's capital account until prior losses allocated to such investor have been recouped. By receipt of performance-based fees, we participate directly in the profitability of each investor's ratable share of the Fund. Hence, we are incentivized to make more speculative investments on behalf of the Fund than we might otherwise make in the absence of such performance-based compensation.

The performance allocation is only assessed to Fund investors who meet specific suitability and net worth qualifications, such as "accredited investor" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 (the "Securities Act") and "qualified client" as defined in Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act").

As of August 16, 2021, the qualifications for investors who meet the definition of qualified client and, therefore, qualify for performance allocation, if applicable, are as follows:

- (a) A natural person who, or a company that, immediately after entering into an advisory contract, has at least \$1,100,000 in assets under the management with our firm; or
- (b) A natural person who (and any person acting on his behalf) or a company that, immediately prior to entering into an advisory contract (and for whom we have been able to make a reasonable determination), has a net worth (including assets held jointly with a spouse) of more than \$2,200,000.

### **Side-by-Side Management**

Our firm conducts side-by-side management of individual client portfolios (portfolio management services), the Funds, and the Mutual Fund. The Funds and Mutual Fund are our affiliates. The investment advisory services that we provide to portfolio management clients, the Funds and the Mutual Fund have different advisory fees and compensation arrangements in that client portfolios, and Mutual Fund assets are not assessed performance-based fees; however, in the case of the Funds, we assess both management fees and performance-based fees.

Different advisory fee arrangements can incentivize us to make investment decisions that generate higher compensation for our firm. Our receipt of performance-based compensation for the Funds and the reward for strong investment returns can incentivize us to make riskier or more speculative investments than we would otherwise make. The prospect of achieving higher compensation (performance-based and management fees) from the Funds versus certain accounts that do not pay such fees, such as client investment portfolios and the Mutual Fund, incentivizes us to favor the Funds. Please note that we do not differentiate our advice based on the ability of clients, accounts, or portfolios to generate performance-based compensation or additional benefits that result from the size or volume of trades.

In light of the different fee arrangements, our chief compliance officer reviews transactions periodically to detect and prevent preferential trading or partialities in implementing recommendations and investment strategies for various clients and accounts.

There are also conflicts of interest associated with the significant investment, pecuniary, or financial interest our firm and affiliates have in the Funds and Mutual Fund. As the Fund's general partner, our firm, affiliates, shareholders, members, partners, managers, directors, officers, and employees are investors in the Funds and may be shareholders of the Mutual Fund. The foregoing and various other factors, including but not limited to compensation variations and types of services offered to other clients, present our firm with conflicts of interest. Our investment, pecuniary, or financial interest may incentivize us to give preferentiality to transactions accounts for advisory services that generate performance-based fees or higher compensation as a result of trade size or volume over other accounts that do not generate higher compensation and to favor such transactions over transactions for other clients or accounts.

We endeavor to provide advice and make securities recommendations and transactions that align with our fiduciary duty without considering our investment, pecuniary, or financial interests. Accordingly, we strive to treat all clients equally and appropriately manage conflicts of interest that arise when conducting transactions for multiple clients and types of accounts. We mitigate our conflicts of interest by disclosing our actual and potential conflicts related to side-by-side management and implementing policies and procedures designed to reasonably address such conflicts. Clients can advise us if they wish to impose any account restrictions based on our conflicts of interest. Please note that the Mutual Fund is subject to applicable law and/or policies and procedures that limit or restrict practices of engaging in transactions with affiliates. These restrictions will, under certain circumstances, prohibit the Mutual Fund from engaging in certain side-by-side transactions with individual client portfolios and the Funds.

There are also conflicts of interest related to the difference in asset valuations that benefit our firm. Also, as a result of using more than one unaffiliated account custodian for advisory services, we will have different valuation processes for assets held in individual client portfolios, the assets of the Funds, and Mutual Fund portfolio holdings. For example, the value of a security in a client's account may differ from the same holding for the Mutual Fund. Different valuations of the same security could lead to questions about whether we treat all clients equally and appropriately manage our conflicts of interest, especially in instances where such valuation differences benefit our firm, affiliates, and employees.

Our chief compliance officer reviews asset valuations periodically to detect and prevent partialities and to document an explanation for any differences in the valuations of securities managed by our firm, affiliates, and employees.

Our firm's portfolio manager, David L. Kanen, is faced with conflicts of interest related to the allocation of his time and efforts to the firm's asset and portfolio management responsibilities. Managing different portfolios and having a financial interest in affiliated entities create potential conflicts of interest. Our affiliates have different investment objectives and advisory fee arrangements, which can incentivize Mr. Kanen to allot more of his time and efforts to one business entity than the other.

To ensure that no one entity is disadvantaged, Mr. Kanen evaluates the allocation of his time continually and utilizes staff support to ensure an equal commitment to all entities.

## **TYPES OF CLIENTS (Item 7)**

We generally provide investment advice to individuals, high net-worth individuals, charitable organizations, and other business entities. We also manage the Fund's assets and the Mutual Fund's portfolio. The minimum investment requirement for each advisory service is as follows:

### **Portfolio Management Services**

We require a minimum investment value of \$200,000 for portfolio management services. Notwithstanding the foregoing, we reserve the right to waive our minimum requirement for portfolio management services based on other criteria (e.g., pre-existing relationships, related accounts, the anticipation of additional assets, etc.) that we deem pertinent.

### **Alternative Investment Advisement**

There is no minimum investment requirement for alternative investment advisement. This service typically encompasses the evaluation of an existing portfolio management client's held-away assets.

### **Investment Management Services to Private Funds**

The Funds requires a minimum capital contribution of \$250,000. Investors in the Fund must meet specific suitability and net worth qualifications such as "accredited investor" as defined in Rule 501(a) of Regulation D under the Securities Act of 1933 (the "Securities Act") and "qualified client" as defined in Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"). Some exceptions apply. Please review the Funds PPM's for additional details.

**Investment Company (Mutual Fund) Advisory Services**

The Mutual Fund requires an initial investment of \$2,500 and subsequent investments of at least \$1,000.

**METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS  
(Item 8)**

**Methods of Analysis and Investment Strategies**

We utilize various methods to analyze investments, including fundamental and technical analysis. Our primary sources of information include but are not limited to financial newspapers and magazines, the inspection of corporate activities, research materials prepared by others, and annual reports, prospectuses, and corporate filings with the U.S. Securities and Exchange Commission.

**Portfolio Management Services**

Fundamental analysis consists of calculating financial ratios and reviewing cyclical trends of industries in conjunction with monetary policy indicators to assess the overall performance and profitability of markets and companies. We conduct a fundamental analysis of selected stocks, research economic and stock market trends, and follow specific technical indicators to determine when to buy and sell shares. We search for stocks with growth potential but selling at a discount to their calculated intrinsic value. Intrinsic value is a calculation based on a company's estimated free cash flow, and that number is mathematically discounted back to a current value. For high-growth stocks, the discount must be greater than that for dividend-paying and slow-growing stocks.

We may also employ technical analysis to analyze securities. Technical analysis relies on the appraisal of trends in current market conditions to interpret future price trends of a company or market index. We use charts, moving averages, and trading volumes to formulate and implement investment strategies based on this type of analysis.

We select investments in well-managed, financially sound companies that are considered undervalued in the marketplace. Accordingly, we employ a value-based approach to making investment recommendations and decisions. This approach is based on our belief that a company's stock price may sell below the company's "true net worth" at any given time. Factors considered in evaluating the true business worth include the company's current earnings and our evaluation of its future earnings potential. After identifying a company whose securities are determined to have a favorable price-to-earnings relationship, we invest in such securities until the "true business worth" nears the market price of the company's securities. Our firm identifies, analyzes, and selects companies that meet long-term growth expectations to perform best during the next 12 to 24 months.

We may also use bonds and short-term instruments as defensive investments. While we anticipate making recommendations mainly in stocks during the most favorable economic and investment conditions, we may reduce stock positions and increase bonds and cash during economic recessions and protracted bear markets. This strategy is used as an attempt to minimize portfolio risk.

This broad diversification seeks to reduce risk and is considered a conservative investment strategy to preserve capital.

**Investment Management Services to a Private Fund**

Our management strategy for the Fund utilizes companies with mispriced securities and low price-to-book ratios that nevertheless generate significant free cash flow and that will benefit from near-term catalysts that can unlock value. These catalysts may include but are not limited to stock buybacks, spin-offs, restructurings, activism, and improving performance results. We also use proprietary screening methods and sourcing of ideas for the Fund. The investment objective of the Fund is to generate high absolute returns by identifying companies that are very cheap and expensive and that we believe will appreciate. Generally, transactions for the Fund include investments in small-cap equities, balanced fixed-income securities, exchange-traded funds, mutual funds, equity options, structured products, and income-oriented investments.

**Investment Company (Mutual Fund) Advisory Services**

Our strategy for the Mutual Fund's portfolio attempts, under normal circumstances, to achieve its investment objective by investing in a unique blend of fixed-income securities, common stocks, and other equity securities, including exchange-traded funds ("ETFs"). We use a bottom-up, fundamental-based proprietary research processes that emphasize underfollowed and undervalued companies with strong economics of any capitalization but with a focus on small-capitalization ("small-cap") companies in order for the Mutual Fund to capitalize on what we believe to be the inherent pricing inefficiencies of smaller capitalization securities and generate growth. The focus of investments for the Mutual Fund emphasizes companies with mispriced securities that nevertheless generate significant free cash flow and benefit from near-term catalysts that can unlock value. We consider securities to be mispriced if they are trading at a value significantly below their peers based on our assessment of the company's price-to-book ratio, price-to-sales ratio, and free cash flow, among other factors.

## Material Risks of Methods of Analysis and Investment Strategies

Furthermore, although we utilize conventional investment analysis methods and strategies, there remains some level of material risk. We use fundamental analysis methods that measure the risks of companies by formulating assumptions based on historical financial representations. Although we use valid data sources, examine expense ratios, review return and risk ratings extensively, refer to economic indicators, review the implications of monetary policy, and consider management team tenure, our strategies are implemented due to assumptions derived from the analysis of historical data. The results of investment strategies derived from this method of analysis are not guaranteed, and the past performance of investments is not indicative of future financial returns.

Analogous risks exist when analyzing securities and implementing advice and strategies based on technical analysis. Although technical analysis is not our primary method of analysis, we may utilize it to evaluate the future profitability of holdings. Technical analysis relies on the appraisal of trends in current market conditions to interpret future price trends of a company's securities or stock market composites. We may also use charts, moving averages, and trading volumes to formulate and implement investment strategies. Due to the different trends in the market, technical analysis may not always yield a productive investment strategy. Furthermore, the results of investment strategies derived from this analysis method are not guaranteed, and material risks involve inaccuracy in future performance predictions.

There are also additional inherent risks associated with our investment recommendations and strategies. While we intend to recommend and buy undervalued (according to their intrinsic value) stocks of well-established companies that are among the leaders in their market sector, the stock may not perform as expected. We make every attempt to hold these stocks as long as their discounted intrinsic value continues to increase and they maintain their financial strength, superior management, and dominance in the marketplace. On the other hand, we will sell all or a portion of a stock position when the stock falters based on our evaluation system or the expectations for the economy or overall investment conditions that appear unfavorable. We attempt to minimize the effect on client accounts during protracted market downturns, which sometimes means selling stocks to retain the investment gains realized during favorable economic and investment conditions and buying others that have better financial results. Actively buying and selling stocks and other investments also involve timing risks. This proactive management style (actively monitoring and immediate response to market events) does have the risk of higher brokerage costs (although currently, there are no costs for brokerage transactions in equity securities) and underlying tax implications that, in due course, can affect investment performance and returns. Advisory clients typically face the following investment risks:

### **INVESTING IN SECURITIES INVOLVES A RISK OF LOSS THAT CLIENTS SHOULD BE PREPARED TO BEAR.**

- **General Market Risk.** Markets can, as a whole, go up or down on various news releases or for no explanation. This uncertainty means that, at times, the price of specific securities could go up or down without real cause and may take some time to recover any lost value. Adding additional securities may not help minimize this risk since market fluctuations affect all securities. Market fluctuations will ultimately affect a client's portfolio holdings.
- **Interest Rate Risk.** Changes in interest rates will affect the value of a portfolio's holdings invested in fixed-income securities. The value of fixed-income securities is more inclined to decrease as interest rates increase. This decrease in value may not be offset by income from new investments or other portfolio holdings. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- **Inflation Risk.** When any type of inflation is present, a dollar will be worth more today than a dollar next year because purchasing power is eroding at the rate of inflation.
- **Credit Risk.** An issuer or guarantor of a fixed-income security may be unable or unwilling to make timely payments of interest or principal or honor its obligations otherwise. The issuer or guarantor may default, causing a loss of the full principal amount of a security. Its credit rating may reflect the degree of risk for a particular security. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect its value and a client's portfolio holdings.
- **Financial Risk.** All companies have exposure to financial risks. Excessive borrowing to finance business operations decreases profitability because the company must meet the terms of its obligations in good and bad economic times. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or declining market value of a company's securities. All businesses are susceptible to financial risks at some point in a business cycle. When we invest in companies that have excessive debt, the financial risk of that company could negatively affect a client's portfolio holdings.

- **Liquidity Risk.** Liquidity is the ability to convert an investment into cash readily. Some investment vehicles are highly liquid, while others are illiquid. For example, Treasury Bills are highly liquid, while real estate is not. Illiquid investments carry more risk than other securities because selling or liquidating such investments at a fair market price can be difficult.
- **Time Horizon Risk.** A client may require the liquidation of portfolio holdings earlier than the anticipated stated time horizon. If liquidations occur during a period when portfolio values are low, the client will not realize as much value as he/she would have, had the portfolio holdings had the opportunity to gain value (or regain its value) as investments frequently do.
- **Reinvestment Risk.** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed-income securities.
- **Concentration Risk.** Our investment strategies utilize high concentrations of equities. Investing in growth assets, specifically equities, is inherently risky, but to an even greater degree than fixed-income investments. Equities and other high-volatility asset classes are unforgiving if time horizon, risk tolerance, and financial needs are not considered. Client accounts that are invested in high concentrations of certain securities generally lack diversification and can thereby lead to higher degrees of risk.
- **Asset Allocation Risk.** The asset classes represented in a client's portfolio holdings can perform differently from each other at any given time, as well as over the long term. A client's portfolio holdings will be affected by the allocation among equity securities (stocks), fixed-income securities (bonds), cash equivalents, and, occasionally, alternative investments. If any asset class that comprises a client's holdings underperforms, the performance of other asset classes may suffer.
- **Equity Securities Risk.** Equity securities such as common stock and preferred stock are subject to changes in value attributable to market perception of a particular issuer or general stock market fluctuations that affect all issuers. Investments in equity securities may be more volatile than other types of investments. Additionally, the value of a company's preferred stock is typically subject to an inverse relationship with interest rates.
- **Investment Company Securities Risk.** Investments in investment company securities ("mutual funds") and exchange-traded funds ("ETFs") have risks. This risk disclosure focuses on mutual funds. See specific details regarding ETF risks below. The risks associated with investing in mutual funds involve substantially the same risks as investing directly in the underlying securities (i.e., general market risks, interest rate risks, financial risks, time-horizon risks, liquidity risks, etc.).

There is also a risk that a mutual fund may not achieve its investment objective or execute its investment strategy effectively, which may adversely affect the performance of a client's portfolio. Additionally, clients pay a pro-rata portion of the fees and expenses associated with mutual funds, which will likely impact the value of a client's portfolio holdings.

- **Exchange-Traded Funds Risk.** Risks associated with investing in exchange-traded funds (ETFs) may be unrecognized. ETFs are offered for all asset classes, industries, sectors, markets, etc. There are two (2) general management styles for ETFs, passive and active. Details regarding the management techniques and associated risks are as follows:

*Passively Managed ETFs* represent an interest in a portfolio of securities designed to track an underlying benchmark or index. These ETFs typically seek to track an underlying benchmark or index; the ETF may or may not hold all securities in the underlying benchmark or index. ETFs are also subject to price variations. ETFs trade throughout the day, and market prices are generally at or near the most recent net asset value (NAV). However, certain market inefficiencies may cause the shares to trade at a premium or discount to the stated NAV. For example, a high volume of market sells may cause ETFs to trade below the value of the underlying NAV.

*Actively Managed ETFs* are designed to outperform an index. These portfolios generally expose a high percentage of its net assets to a fixed list of investments (e.g., U.S. exchange-listed equity securities, U.S. exchange-traded funds that provide exposure to U.S. exchange-listed equity securities, U.S. exchange-listed equity securities of non-U.S. issuers, including the securities of non-U.S. issuers traded on U.S. exchanges in the form of depository receipts, etc.). The ETF may also have exposure to futures, other derivatives, and long and short positions, all of which may not perform as expected. These securities are subject to the risk that they may not effectively outperform the index, industry, or other markets that it intends to outperform. In addition to the risk that expenses reduce returns, that ETF portfolio managers' strategies are not successful, and that the investment is illiquid and has low trading volume, there is the risk that the investment may not perform as expected, resulting in losses.

Moreover, as with any security, there is no guarantee that an active secondary market for such ETF shares will continue to exist. Also, the redemption of ETFs can be limited. Only an authorized participant (generally broker-dealers that act as liquidity providers) may engage in the creation or redemption transactions of an ETF. Furthermore, ETFs typically have a limited number of broker-dealers that may act as authorized participants. To the extent that authorized participants exit the business or are unable to proceed with creation or redemption orders, and no other authorized participant can step forward, the liquidity of an ETF is likely to be impacted and could face trading halts or delisting.

- **Fixed Income Securities Risk.** Fixed income securities include bonds or other securities issued or guaranteed by the U.S. government (its agencies), or U.S. government-sponsored enterprises, states, territories, local governments (and their agencies), and corporate debt securities of issuers, including convertible securities and corporate commercial paper (e.g., U.S. Treasury securities, U.S. Agency securities, municipal bonds, investment grade bonds, non-investment grade bonds, etc.). The market value of fixed-income securities is sensitive to changes in interest rates. Generally, when interest rates rise, the value of fixed-income securities declines; when interest rates decline, the market value increases. Usually, the longer the remaining maturity of a fixed-income security, the greater the effect of interest rate changes on the market value. In addition, changes in the issuer's ability to make payments of interest and principal and the market's perception of an issuer's creditworthiness can affect the market value of its fixed-income securities.

Fixed-income securities are also subject to inflation, liquidity, and reinvestment risks. Inflation risk is the risk that inflation will erode the purchasing power of the cash flows generated by debt securities. Fixed-rate debt securities are more susceptible to inflation risk than floating-rate debt securities. Liquidity risk is the risk that certain fixed-income securities may be difficult to sell at a particular time or at an acceptable price, which may cause a client's portfolio to hold these securities for longer periods than planned or forgo other investment opportunities, which creates a reinvestment risk.

- **Municipal Securities Risk.** Municipal securities issuers may face local economic or business conditions (including bankruptcy) and litigation, legislation, or other political events that could significantly affect the ability of the municipality to make payments on the interest or principal of its municipal bonds. Municipalities issue municipal securities to finance projects, such as education, healthcare, transportation, infrastructure, and public services, and conditions in those sectors can affect the overall municipal bond market. Moreover, changes in the financial condition of one municipality may affect the overall municipal bond market. The municipal obligations in which clients invest are subject to credit risk, market risk, interest rate risk, credit spread risk, selection risk, call and redemption risk, and tax risk, and the occurrence of any one of these risks may materially and adversely affect the value of a client's portfolio holdings or assets.
- **Alternative Investment Risk.** Alternative investments are customarily illiquid. Generally, these investments are issued by companies that are not publicly traded, and consequently, in most cases, there is no public market for the shares or interests. Alternative investments are long-term investment vehicles that are highly speculative and only suitable for clients whose financial circumstances can endure significant losses. Investments in alternative strategies involve various additional risk factors, including, but not limited to, the potential for complete loss of principal, liquidity constraints, and lack of transparency.
- **Derivatives Risk.** Derivatives are financial instruments or securities whose values are derived from traditional securities, assets, market indices or a combination of one or more of the foregoing. Examples of derivatives include but are not limited to forwards, futures, options, swaps, rights, and warrants. Holdings in derivatives may be used as an alternative to buying, selling, or holding positions in certain securities. Derivatives are typically utilized for hedging in client portfolios. Hedging strategies, if successful, can reduce the risk of loss by offsetting the negative effect of unfavorable price movements in the positions/investment(s) being hedged. However, hedging strategies can also reduce the opportunity for gain by offsetting the positive effect of favorable price movements in the hedged investments. Nonetheless, derivative strategies are highly specialized and speculative, and the risks are more heightened than those associated with buying, selling, or holding positions in actual investments. We use derivatives in client portfolios if such strategies are consistent with the client's risk tolerance and investment objectives.
- **Foreign Securities (ADR) Risk.** We invest in foreign securities through American Depositary Receipts (ADRs). ADRs are shares of non-US companies issued by an American bank or trust company evidencing ownership of underlying securities issued by a foreign issuer. An ADR represents a specified number of shares in a foreign stock. Purchasing foreign securities through ADRs may help reduce administrative and duty costs that would otherwise be applied to each transaction. Capital gains and dividends are paid in U.S. dollars. Purchasing ADRs does not eliminate the currency and economic risks accompanying investing in another country. The risk associated with foreign securities applies to investments in ADRs.

- **Foreign Securities (Non-ADRs) Risk.** Securities issued by companies of foreign countries can be more volatile than securities issued by U.S. companies. Securities markets of other countries are generally smaller than U.S. securities markets. Foreign securities are typically less liquid than U.S. securities and are subject to currency risk. Some foreign securities also may be subject to taxes and other charges imposed by the issuer's country of residence or citizenship. Certain foreign securities may be subject to additional costs and risks. Holdings in foreign securities can negatively affect the realized returns of a portfolio.

*More About Foreign Securities Risk.* Foreign markets, particularly emerging markets, are less liquid, more volatile, and subject to less governmental supervision than U.S. markets. Whether the investments are through ADRs or non-ADRs, enforcing contractual obligations can be difficult. Adverse political and economic developments or changes in the value of a foreign currency can make it difficult to sell a security and, therefore, can have a negative impact on the value of a foreign security.

There may be less publicly available information about a foreign issuer than a domestic one. Foreign companies are not generally subject to uniform accounting, auditing, and financial standards and requirements comparable to U.S. companies. There may also be less government supervision and regulation of foreign securities exchanges, brokers, and listed companies than in the United States. Interest and dividends paid by foreign issuers may be subject to withholding and other foreign taxes, which may decrease the net return on such investments compared to dividends and interest paid by domestic companies or the U.S. government. There may be the possibility of takeovers, seizure, or nationalization of foreign deposits, confiscatory taxation, political, economic, or social instability, or diplomatic developments that could affect assets held in foreign countries. Finally, the establishment of exchange controls or other foreign governmental laws or restrictions could adversely affect the payment of obligations.

- **Risk Related to Real Estate Investment Trusts.** Investing in publicly-traded real estate investment trusts involves risks similar to those associated with investing in the real estate industry. The performance of publicly-traded real estate investment trusts depends on the types, values, and locations of the properties it owns and how well those properties are managed. Some general risks include but are not limited to possible declines in the value of real estate, variations in rental payments, changes in interest rates, general and local economic conditions, increases in the rate of inflation, increases in property taxes and operating expenses, changes in zoning laws, costs resulting from the cleanup of environmental problems, and uninsured damages from floods, earthquakes or other natural disasters.

Since real estate investment trusts may be invested in a limited number of projects or a particular market segment, these investments may be more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. Additionally, loss of status as a qualified real estate investment trust under the U.S. federal tax laws could adversely affect the value of a particular real estate investment trust or the market for real estate investment trusts.

- **Regulatory and Governmental Risk.** Changes in laws and regulations can change the value of securities. Certain industries are more susceptible to government regulation. If portfolio holdings are invested heavily in a particular sector or industry, correlating changes in zoning, tax structure, or specific industry regulations could impact returns or holdings.
- **Reliance on Advisor.** The performance of clients' portfolio holdings depends on the skill and expertise of our firm's staff to make appropriate investment decisions. The success of client portfolios depends on our firm's ability to develop and implement investment strategies and apply investment techniques and risk analyses to achieve a client's investment objectives. Subjective decisions made by us may cause portfolios to incur losses or to miss profit opportunities that may otherwise have been capitalized. For example, our portfolios may include customized investment features that impact the investment strategies implemented.
- **Business Continuity Risk.** In the event of a significant business disruption, unforeseeable event, or natural disaster that causes a total or partial outage affecting our offices or a technical problem affecting applications, data centers, or networks, our investment management activities may be adversely impacted. Service providers may also fail to perform, and our ability to conduct business may be curtailed by any disruption in the infrastructure that supports our operations.

To mitigate such risks, we have adopted a business continuity plan to implement recovery strategies that are designed to maintain critical functions and limit the impact of any business interruption or disaster on client activities or business transactions.

- **Cybersecurity Risks.** Our advisory services depend on various computer and telecommunication technologies, many of which are provided by or are dependent on third-party service providers. Our ability to operate successfully could be severely compromised by a system or component failure, delays in data transmission, telecommunication failure, power loss, a software-related system crash, unauthorized system access or use (such as "hacking"), computer viruses, worms, and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. These events

may impact trading processes for client advisory accounts, the Fund, and the Mutual Fund. Providing comprehensive and foolproof protection against all such events is impossible. We cannot provide any assurance about the ability of applicable service providers to continue providing services.

Any event that interrupts our computers, telecommunication systems, or operations could compromise our services for an extended time period and cause client advisory accounts, the Fund, or the Mutual Fund to experience losses, including by preventing trading, modifying, liquidating, and/or monitoring the different portfolios.

Cyber incidents can generally result from deliberate attacks or unintentional events and are not limited to gaining unauthorized access to digital systems, misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including denial-of-service attacks on websites. Cybersecurity failures or breaches that affect our advisory services or service providers can cause disruptions to our operations, potentially causing clients to experience financial losses, the inability to access advisory accounts, and other damages.

- **More Specific Risks relative to the Funds.** There can be no assurance that the Funds will achieve its investment objective or avoid substantial losses. A prospective investor should not invest in the Funds expecting to shelter income or receive cash distributions. Investors are urged to consult with a personal adviser before investing in the Funds. The Funds PPMs contains important information concerning risk factors and other material aspects of the Funds, and it must be read carefully before making an investment decision. The disclosures herein are qualified in entirety and should be read in conjunction with the information contained in the Funds PPMs.
- **More Specific Risks relative to the Mutual Fund.** As the investment manager of the Mutual Fund, we will make investments in accordance with the Mutual Fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the Mutual Fund is concentrated in a particular sector of the market, primarily invests in small-cap or speculative companies, uses leverage to a significant degree, or concentrates on a particular type of security (i.e., equities) rather than balancing the fund with different types of securities.

Investors bear all the risks of the investment strategies employed by the Mutual Fund, including the risk that the Mutual Fund will not meet its investment objectives. **As with all mutual funds, there is the risk that shareholders could lose money through investments in the Mutual Fund.** Many factors affect the net asset value ("NAV") and performance of the Mutual Fund. For more specific risks associated with investments in the Mutual Fund, please review the Mutual Fund's disclosure documents.

Notwithstanding the method of analysis or investment strategy employed by our firm, the assets within an investment portfolio are subject to the risk of devaluation or loss. There is no guarantee that portfolio holdings or investment assets will achieve the desired investment objectives. Please be aware that many different events can affect the value of assets or portfolio holdings, including but not limited to changes in the financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters. While this information provides a synopsis of the events that may affect investments, this listing is not exhaustive.

**THERE ARE INHERENT RISKS ASSOCIATED WITH INVESTING, AND DEPENDING ON THE RISK OCCURRENCE, CLIENTS MAY LOSE ALL OR A SUBSTANTIAL AMOUNT OF THEIR INVESTMENT.**

### Recommendation of Specific Types of Securities

We do not focus our advice on or make recommendations relative to any particular type of security. Our advice encompasses an array of securities and investment vehicles.

### DISCIPLINARY INFORMATION (Item 9)

Except as described below, neither the Firm nor any "management persons" as defined in Form ADV has been subject to legal or disciplinary events related to this Item.

On September 25, 2024, Mr. David L. Kanen, without admitting or denying any findings except as to the Securities and Exchange Commission's jurisdiction and the subject matter of the proceedings, consented to the entry of an Order Instituting Cease-and-Desist Proceedings (the "2024 Order") in settlement of an Administrative Proceeding. The 2024 Order found that Mr. Kanen had violated Sections 13(d) of the Exchange Act by failing to timely file initial statements and/or required amendments with respect to Mr. Kanen's beneficial ownership of the common stock of BBQ Holdings, Inc., CarParts.com, Inc., and Lazyday Holdings, Inc., and violated Section 16(a) by failing to timely file multiple required reports of holdings or transactions in these three entities' securities.

There is no state of mind requirement for violations of Section 16(a) or 13(d) and the rules thereunder; even inadvertent failures to timely file a required report constitutes a violation. The 2024 Order imposed a civil monetary penalty of \$109,000 and ordered Mr. Kanen to cease and desist from future violations of Section 13(d) and 16(a) of the Exchange Act, and Rules 13d-1, 13d-2, and 16a-3 promulgated thereunder. The 2024 Order is final, and Mr. Kanen paid the penalty in full to the SEC on September 25, 2024.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (Item 10)**

### **Financial Industry Activities**

Our firm is not a registered broker-dealer, and we do not have an application pending for registration as a broker-dealer. Additionally, neither our management personnel nor supervised persons are registered as or have applications pending to register as registered representatives of a broker-dealer.

### **Financial Industry Affiliations**

Neither our management personnel nor supervised persons are registered as a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor, nor have any application pending to register as the foregoing or an associated person thereof.

### **Other Affiliations**

As disclosed in the Advisory Services section, our firm and its principal have the following material affiliate relationships and associations:

Philotimo Fund, LP. We are the general partner to Philotimo Fund, LP (referred to herein as the “Fund”), an affiliate Delaware limited partnership, private investment fund, and pooled investment vehicle.

Philotimo SPV I, LP. We are the general partner to Philotimo Fund, LP (referred to herein as the “Fund”), an affiliate Delaware limited partnership, private investment fund, and pooled investment vehicle.

Philotimo Focused Growth and Income Fund. We are the investment advisor to the Philotimo Focused Growth and Income Fund (referred to herein as the “Mutual Fund”), an affiliated open-end mutual fund established in 2021 and registered under the Investment Company Act of 1940 (the “1940 Act”).

From time to time, David L. Kanen receives remuneration in connection with serving on the board of directors of one or more of the Fund’s portfolio companies. Receipt of such remuneration creates a potential conflict of interest and is subject to the provision of our Code of Ethics.

We do not have arrangements with a related person that is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, or other pooled investment vehicle (including mutual fund, closed-end investment company, unit investment trust, private investment company, or “hedge fund,” and offshore fund), other investment advisor or financial planner, futures commission merchant, commodity pool operator, or commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, pension consultant, real estate broker or dealer, sponsor or syndicator of limited partnerships not already disclosed herein.

### **Other Investment Advisers**

We do not recommend other investment advisors to our clients.

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

### **Code of Ethics**

We require that all employees of Kanen Wealth Management act ethically and professionally. Our management persons, investment advisor representatives, and other employees (collectively, “personnel”) subscribe to a strict code of ethics. Our Code of Ethics is constructed to comply with the investment advisory laws and regulations that require firms to act as fiduciaries in transactions with their clients. Our inherent fiduciary duty requires that we act solely in our clients’ best interests and adhere to standards of utmost integrity in our communications and transactions. These standards ensure that our clients’ interests are given precedence.

Accordingly, we have implemented comprehensive policies, guidelines, and procedures that promote ethical conduct and practices by all personnel. The foregoing has been compiled and is collectively referred to as our Code of Ethics.

We adopted our Code of Ethics to specify and prohibit certain types of transactions that create conflicts of interest (or perceived conflicts of interest) and establish reporting requirements and enforcement procedures related to personal securities transactions by our personnel. Our Code of Ethics, which specifically deals with our fiduciary duty, professional standards, insider trading, personal trading, and gifts and entertainment, establishes our ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust.

We will provide a copy of our complete Code of Ethics to any client or prospective client upon request.

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

As disclosed in Item 6, Side-by-Side Management, we will recommend that clients buy or sell securities in which principals, affiliates, shareholders, members, partners, managers, directors, and officers have a material financial or ownership interest. The Fund and the Mutual Fund are our advisory affiliates. Recommendations to buy or sell securities of affiliates create conflicts of interest in that we are recommending securities that benefit the firm, and the firm is also receiving advisory fees. Accordingly, we seek to mitigate such conflicts by fully disclosing such details so that clients can make informed decisions regarding our conflicts of interest. Clients may impose restrictions on investing in securities or entities owned by affiliates by advising our firm of such restrictions. Please also review the following for details:

### **Portfolio Management Services**

In accordance with applicable laws and regulations, we will buy or sell securities for our own account and personal accounts of our employees that we have also recommended to, purchased, or sold for advisory clients. As a fiduciary, we must make investment decisions that we reasonably believe are suitable and in our clients' best interest.

### **Investment Management Services to Private Funds**

The Funds are an affiliated private investment fund. We solicit clients who meet specific suitability and net worth qualifications to purchase investment interest in the Funds. Moreover, as the Fund's general partner, our firm, principals, affiliates, shareholders, members, partners, managers, directors, officers, and employees may also be investors and have a significant financial interest in the Funds. That being true, in such cases, we are recommending securities to clients that we have a material investment, pecuniary, or financial interest, which creates conflicts of interest. As a fiduciary, we are required to make investment decisions that we reasonably believe are suitable and in the best interest of clients, investors, and shareholders. Please review the Funds PPMs for details regarding this and other pertinent conflicts of interest.

### **Investment Company (Mutual Fund) Advisory Services**

The Mutual Fund is an affiliate of our firm. The Mutual Fund is available to our clients (shareholders) and other investors. We will recommend that clients purchase shares in our Mutual Fund. Where permitted by applicable laws and the governing documents for the Mutual Fund, we may purchase securities or other assets on behalf of the Mutual Fund in which our firm, principals, affiliates, shareholders, members, partners, managers, directors, officers, and employees hold the same securities or assets, subject to our Code of Ethics and other applicable policies and procedures. In such cases, we are recommending investments to clients that we have a substantial material investment, pecuniary, or financial interest, and this is a conflict of interest. Clients may impose restrictions on investing in securities of advisory affiliates by advising our firm of such restrictions.

Notwithstanding the foregoing, pursuant to our discretionary trading authority, we are authorized to buy shares of our affiliated mutual fund without prior consultation with a client. In this event, we shall receive both a management fee payable to us by the Mutual Fund and an advisory fee for portfolio management services pursuant to Item 5, Fees and Compensation.

NOTE: We do not charge clients portfolio management fees for Mutual Fund holdings. The values of assets invested in Mutual Fund holdings are excluded from the value of clients' accounts for the purpose of calculating advisory fees for portfolio management services. Please review Item 5, Fees and Compensation, for details.

Nonetheless, as a result of our receipt of compensation from the Mutual Fund, there is a material conflict of interest, as we have a financial incentive to invest client assets in the Mutual Fund or to recommend that clients invest in the Mutual Fund rather than other investments. Therefore, we will receive two forms of compensation from clients who invest in the Mutual Fund. That is, we receive advisory fees for other assets we manage pursuant to portfolio management services and compensation from the Mutual Fund. Moreover, we will only make such transactions where we reasonably believe such investments and/or recommendations are suitable and in a client's best interest.

## Personal Trading

### Proprietary Trading

We will, at times, buy or sell securities for our firm account and personal accounts of our employees that we have also recommended to advisory clients. However, we adhere to trading restrictions related to beneficial ownership in publicly traded securities. We document transactions that could be construed as a conflict of interest. Conflicts of interest relative to trades for our firm account or employees (“personal accounts”) may present in many different contexts. Some conflicts of interest related to personal trades include trading ahead to obtain a better transaction execution price than clients, recommendations or trades based on financial interest, trading on information that is not available to the public, or structuring transactions in a manner so that the results are profitable for the firm’s account or an employee’s (or any related) account. To mitigate or remedy any conflicts of interest or perceived conflicts, we monitor internal trading reports for adherence to our Code of Ethics.

### Simultaneous Trading

From time to time, we are likely to buy or sell investments for our firm account and the personal accounts of our employees at or around the same time as clients. As summarized above, our Code of Ethics requires us to (1) act in accordance with all applicable federal and state regulations, (2) act in the best interest of clients, (3) pre-clear transactions in private placements or initial public offerings, and (4) review of personal securities transactions by employees to confirm adherence. Our chief compliance officer performs this review. In any instance where similar securities are purchased or sold, we will uphold our fiduciary duty by ensuring that transactions benefit our clients’ interests. For more information regarding our trade aggregation and allocation policies and procedures, please review Item 12, Brokerage Practices.

Moreover, due to the types of investors in the Fund, we may trade in securities issued by investors in the Fund, which creates conflicts of interest. To avoid such conflicts, when we become aware of an investor’s position with a publicly-traded company, we will add that company to the list of company names that our firm and affiliates are prohibited from trading (the “restricted list”). The inability to purchase securities of companies on the restricted list may lead to the loss of investment opportunities beneficial to the Fund and the Mutual Fund.

In connection with our advisory business, certain officers, affiliates, and employees are, from time to time, likely to obtain material nonpublic information that is usually not available to other investors or the general public. In compliance with applicable laws, we have adopted a comprehensive set of policies and procedures that prohibit the use of material nonpublic information by our officers, affiliates, or employees of our firm.

## **BROKERAGE PRACTICES (Item 12)**

### Selection and Recommendation

We typically recommend account custodians to our clients. We recommend account custodians after evaluating several factors, including but not limited to fees and expenses, the capability to execute, clear, and settle trades, reputation, breadth of investment products made available, access to securities markets, and expertise in handling brokerage support processes. A client must mutually agree to utilize an account custodian recommended by our firm.

We maintain a custodial services agreement with Charles Schwab & Co., Inc. (hereinafter, “Schwab”). Schwab is a registered broker-dealer and member of FINRA and SIPC, and we are participants of Schwab’s institutional services platform for independent investment advisors (known as Schwab Advisor Services®).

Our firm is independently owned and operated and is not affiliated with Schwab. Schwab provides our firm brokerage, operational support, and other custodial services. Schwab may also provide additional services that assist us in managing or growing our advisory business. These services are available to our firm at no cost.

Therefore, because of our established service agreement, cost implications, operational support, custodial and other services provided, Schwab receives preferential status in the recommendation of custodians to clients who engage us for portfolio management services.

While we recommend that advisory clients use Schwab as an account custodian, clients ultimately decide whether to do so. Clients will open an account by entering into an account agreement directly with Schwab. We do not open the account, although we may assist clients in doing so. As outlined in Item 5, Other Fees & Expenses, there are other costs and expenses related to the management of the investments and advisory service provisions.

Although Schwab does not charge clients separately for custody services, it is generally compensated by charging transaction fees on trades and assessing account maintenance fees. Schwab is also compensated by the interest it earns on the uninvested cash (i.e., Schwab money market mutual funds) in client accounts and may be compensated by client investments in other products and services offered through Schwab Advisor Services™.

The prime broker for the Fund is M.S. Howells & Co (hereinafter, “M.S. Howells”). M.S. Howells is a registered broker-dealer and member of FINRA and SIPC. M.S. Howells is an introducing broker-dealer that does not carry accounts or hold funds; therefore, BNY Pershing LLC provides custodial and clearing services for the Fund.

Nonetheless, we reserve the right to use other or additional firms for custodial services.

#### 1. Soft Dollar Benefits

As the Fund’s general partner, we have entered into an agreement to generate soft dollars (or earn soft dollar credits) that result from Fund-related securities transactions. Under a soft dollar arrangement, a broker-dealer uses soft dollar credits (commission credits) from trades generated by the Fund to provide certain services, equipment, research, or other items for the benefit of the Fund, and that benefits our firm, principals, affiliates, members, managers, directors, officers, and employees. In our case, the soft dollar credits generated are used to obtain market research, including trade analytical software and other products or services that generate market research, including research regarding optimal execution venues, trade volume, and analysis of trading strategies, among other things.

For Fund related securities transactions that generate soft dollar credits, we pay commissions that exceed the commission that another brokerage firm may have charged absent the soft dollar arrangement. This increase in cost is designed to compensate the broker-dealer for providing access to products or services that generate market research. Although payments are generally higher, such payments are for eligible “research or brokerage services” that comply with the safe harbor in Section 28(e) of the Securities Exchange Act of 1934, as amended.

Using the Fund’s brokerage transactions to obtain products and services related to market research creates potential conflicts of interest. As a result of the soft dollar arrangements, the Fund does not incur direct expenses for market research or certain other related products and services, nor will the Fund decrease its fee assessment to investors. This arrangement creates a financial incentive for our firm to enter into such agreements with brokerage firms based on the Fund’s receipt of such eligible research or brokerage services. Nonetheless, we believe that the allocation of such products and services enhances the Fund’s ability to obtain optimal execution and other trading-related benefits to support the Fund.

Furthermore, in alignment with our Code of Ethics and duty to obtain best execution, periodically, we analyze the quality of market research and brokerage services that the Fund receives versus the associated increase in trading costs. These reviews are conducted to make a good faith determination as to whether or not the soft dollar benefits are reasonable in relation to the value of the brokerage services, execution, and research provided to the Fund.

It is important to note that our clients and affiliates are likely to benefit from the research acquired using the Fund’s soft dollar credits/commissions because the research services generated by the Fund are available to all of our advisory personnel, regardless of whether the client account or an affiliate account generates the commissions eligible for research acquisition. Our firm does not seek to use research services obtained with the Fund’s commissions solely for the Fund and will, from time to time, utilize that research for client portfolio management accounts and share the research with affiliates. We do not attempt to allocate the relative costs or benefits of research by use for client accounts and affiliates because, in the aggregate, the research assists our firm in fulfilling our overall duty to all clients.

Furthermore, to the extent permitted by applicable law, we reserve the right to enter into soft dollar agreements on behalf of the Mutual Fund.

#### 2. Brokerage for Client Referrals

##### **Portfolio Management Services**

We do not receive client referrals from third parties in exchange for using any particular broker-dealer.

##### **Investment Management Services to a Private Fund**

We do not receive client referrals from third parties in exchange for using any particular broker-dealer for the Fund.

**Investment Company (Mutual Fund) Advisory Services**

If consistent with our duty to seek best execution, we will occasionally use broker-dealers that refer clients to us for mutual fund transactions. We benefit from these referrals if they result in an increase in our mutual fund assets under management. Therefore, client referrals incentivize our firm to select or recommend broker-dealers based on receiving client referrals rather than obtaining best execution on behalf of clients. The prospect of increasing our assets under management presents conflicts of interest for our firm. To manage this conflict, we do not enter into agreements with, or make commitments to, any broker-dealer that would require us to compensate their firm through increased brokerage transactions for client referrals or sales efforts, nor will we use step-out transactions or similar arrangements to compensate selling broker-dealers for their sales efforts. In that Rule 12b-1(h) under the 1940 Act prohibits the use of directed brokerage commissions to compensate broker-dealers for the sale of fund shares, we do not consider the sale of mutual fund shares in selecting broker-dealers to execute portfolio transactions. Moreover, whether or not a particular broker-dealer sells shares of our mutual fund neither qualifies nor disqualifies a broker-dealer from executing transactions for our mutual fund.

**3. Directed Brokerage**

(a) For custody and safekeeping related to portfolio management services, we recommend that clients utilize Schwab. Our custodial service agreement with Schwab is designed to maximize trading efficiencies and cost-effectiveness on behalf of our clients and achieve the most favorable results relative to trading costs, allocation of funds, and rebalancing client investments.

We also permit portfolio management clients to direct brokerage. If a client prefers a particular account custodian, we will notify the custodian of our advisor-client relationship and proceed accordingly. However, under such arrangements, we are typically limited in negotiating transaction costs or obtaining best execution. Also, we are unable to aggregate trades, and as a result, there are disparities in transaction costs among clients who use our recommended account custodian versus clients who prefer to use their own. More importantly, there are likely to be higher costs associated with brokerage transactions under a directed arrangement.

(b) For Fund-related investment management transactions, we have entered into a directed brokerage arrangement with M.S. Howells. *Please review the details regarding this agreement under the Selection and Recommendation section above.*

**Order Aggregation Policy**

When utilized, order aggregation (or block trading) allows us to execute equity trades more timely, efficiently, and equitably. We will aggregate trades where possible and when advantageous to clients. We typically aggregate trades among clients whose accounts can be traded at a particular account custodian (or broker-dealer).

Trade aggregation permits the trading of blocks of securities comprised of assets of multiple client accounts. Clients participating in any aggregated transactions will receive an average share price and will be allocated on a pro-rata basis among all accounts included in any such block. Additionally, transaction costs resulting from trade aggregations will be shared equally.

We have established the following aggregation (trading) policies, procedures, and restrictions to ensure alignment with our fiduciary responsibility and to mitigate any actual or potential conflicts of interest:

1. No supervised person of our firm shall prefer his or her own account or any account of beneficial interest to an advisory client.
2. No supervised person or employee of our firm shall buy or sell securities for his or her personal portfolio(s) where the decision results from information obtained from his or her employment unless the information is also available to the investing public upon reasonable inquiry.
3. We maintain a list of all securities holdings and transactions for our firm and supervised persons associated with our advisory practice with access to advisory recommendations. David L. Kanen, Chief Compliance Officer, reviews the holdings and transaction information regularly.
4. We emphasize the client's unrestricted right to decline to implement any advice rendered by our firm, except in situations where the client has granted our firm discretionary trading authority to manage accounts and has not designated any trading restrictions.
5. Personal securities transactions in private placements and initial public offerings (IPOs) for our supervised persons require pre-clearance by the chief compliance officer.
6. We require that all supervised persons act in accordance with applicable federal and state regulations governing our investment advisory practices.
7. Any supervised person not in observance of the foregoing policy will be subject to disciplinary action up to

and including termination.

### Order Aggregation and Allocation Procedures

As an investment advisory firm, we have a duty to act in good faith and abide by the applicable law relative to discretionary trading authority to aggregate and allocate investment opportunities. Our policies for the aggregation and allocation of transactions in a systematic non-preferential manner are outlined below:

1. We generally use our discretionary trading authority to aggregate transactions and allocate investment opportunities among clients' accounts, subject only to each client's designated restrictions and investment guidelines. Clients are not entitled to benefit from any particular investment opportunity that our firm, officers, or affiliates have developed and where we have determined in good faith that such clients should not invest;
2. Our firm will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek the best price) for our clients and is consistent with the terms of our investment advisory agreement with each client for which trades are being aggregated;
3. No advisory client will receive preferential treatment. We prepare a written allocation statement specifying the accounts participating in each aggregated order and the anticipated allocation among the accounts if the order is filled in its entirety. If the order is filled partially, allocations among the accounts will be made according to our judgment of each client's best interest, and such allocation decisions will be documented. For example, if an order is filled partially, orders for portfolio management clients will be allocated before transactions for the personal accounts of our supervised persons;
4. Each client participating in a block trade will pay or receive the average price for all shares included in the aggregated transaction with costs shared pro-rata, although as of the date of this Brochure, there are no transaction costs for trades of equity securities on the Schwab platform;
5. Any change to a proposed allocation must treat each client fairly and equitably. The change must be explained in writing and approved by our chief compliance officer promptly (generally no later than one hour) after the opening of the markets on the trading day following the day the order was executed;
6. Our firm will receive no additional compensation of any kind as a result of aggregating orders; and
7. Our books and records will reflect each aggregated order and allocation statement separately and document the accounts participating in order aggregation and subsequent allocation.

We review our trading policy annually to ensure the adequacy and fairness of the foregoing policy and related procedures.

On February 15, 2023, the Securities and Exchange Commission ("Commission") adopted rule amendments to shorten the standard settlement cycle for most broker-dealer transactions from two business days after the trade date ("T+2") to one business day after the trade date ("T+1"). In addition, the Commission adopted new rules related to the processing of institutional trades by broker-dealers and certain clearing agencies. The Commission also amended certain recordkeeping requirements applicable to registered investment advisers. These new rules and rule amendments may impact small entities.

Based on Amendments to Rule 204-2 under the Investment Advisers Act of 1940 ("Advisers Act"), the Commission also adopted amendments to Rule 204-2 under the Advisers Act that require all registered investment advisers, including some small entities, to make and keep certain records for any transaction that is subject to the requirements of Rule 15c6-2(a).

Those records include each confirmation received, and any allocation and each affirmation sent or received, with a date and time stamp for each allocation and affirmation that indicates when the allocation and affirmation was sent or received. Each of these records will be required to be kept in the same manner, and for the same period, as other books and records required to be kept under Rule 204-2. The Compliance Date is May 28, 2024.

### Trade Away Securities Transactions (Trading Away)

We may execute trades for portfolio management clients, the Fund, and Mutual Fund through an account custodian (broker-dealer) that is not the specified account custodian. We refer to these broker-dealers as prime brokers.

Moreover, the practice of executing trades with a broker-dealer firm other than the account custodian is referred to as "trading away". Please note that while the account custodian does not execute the trade, the account custodian clears and settles the trade in the client's account.

Our authority to conduct trade-away securities transactions coincides with the discretionary trading authority incorporated in our investment management agreement that clients sign to engage us for advisory services or by a separate affiliate agreement, if applicable. Additional fees apply to trade-away securities transactions. When we trade away for portfolio management clients, the account custodian charges an additional fee of \$18 for such transactions. This fee is in addition to any other transaction fees charged by the account custodian.

When contemplating trade-away transactions, we evaluate whether any proposed transaction imposing an additional fee is in our clients' best interests compared to other trading alternatives.

Clients who have questions regarding trade-away transactions should consult our chief compliance officer.

## **REVIEW OF ACCOUNTS (Item 13)**

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### **Periodic Reviews**

Our criteria for reviewing client accounts are as follows:

#### **Review of Client Portfolios**

Given a client's investment goals and objectives, we monitor client portfolios daily and rebalance the investments as appropriate. We also provide formal portfolio performance reviews no less than annually. Additionally, we may employ a performance review more frequently at the request of any client. Our chief compliance officer reviews the portfolios. Our reviews consist of ongoing monitoring and analysis to determine whether client portfolios and strategies continue to align with the stated investment goals and objectives. If reallocation is necessary, we may buy or sell investments that align with a client's investment goals and objectives.

#### **Ongoing Evaluation of Alternative Investments**

We provide ongoing monitoring and evaluation of a client's alternative investment holdings to ensure that the strategies continue to align with the issuer's stated objectives and that the performance of a client's position conforms to the goal for which it was chosen.

#### **Review of Fund Assets**

We review investments for the Funds on a real-time and continual basis. David L. Kanen, Chief Compliance Officer, reviews the performance of the Fund's investments to determine if performance conforms with the objectives and guidelines of the Funds. We reconcile transactions daily, but no formal reconciliation reports are issued to investors in the Funds.

#### **Review of the Mutual Fund's Investment Objective**

We continually review and monitor the Mutual Fund's strategy, holdings, and transactions for alignment with the investment objectives detailed in the Mutual Fund disclosure documents.

### **Intermittent Review Factors**

Periodic reviews of client accounts may be triggered by substantial market fluctuation, economic, business, or political events, or changes in a client's financial status (such as retirement, termination of employment, relocation, or inheritance). Clients are responsible for contacting us to initiate a review upon the occurrence of any of the foregoing events.

The Fund's investment management strategy is subject to continual review for immediate action triggered by substantial market fluctuation or economic or political events. The Mutual Fund's principal investment strategy is continually reviewed in a similar fashion.

### **Client Reports**

#### **Portfolio Management Services Reports**

We do not issue written reports regarding portfolio management client accounts. Clients receive transaction confirmations from the account custodian shortly after executing buys or sells. Additionally, the account custodian will send monthly account statements for each month in which there is activity. Clients will receive account statements quarterly if there is no activity during any month.

#### **Alternative Investment Advisement Reports**

Investor statements for unaffiliated alternative investment advisement services are disseminated from the issuer's fund administrator, sponsor, or trustee. Our firm does not provide reports.

#### **Reports to Private Fund Investors**

The Funds administrator provides written acknowledgments to investors confirming subscriptions and redemptions and prepares monthly capital statements for each investor.

The capital statements indicate estimated capital balances and all subscription and redemption activity for the corresponding period. These statements are generated using information and data from the Fund's prime broker (i.e., qualified custodian).

Investors also receive other reports, including periodic fund performance reporting, snapshots, assets under management, annual audited financial statements, and tax information. Investors in the Fund are to review these statements and reports carefully.

We provide to each Fund investor audited financial statements and information regarding valuations, profits, and losses at least annually. Also, we provide each investor with relevant tax-related information. Each investor may also receive, upon written request, at no charge, a copy of our Brochure, a copy of our proxy voting policy and procedures, and information regarding how we voted proxies for the Fund.

#### **Investment Company (Mutual Fund) Reports**

Clients (shareholders) receive written confirmation for each purchase, redemption, or transfer of shares of the Mutual Fund. Clients (shareholders) also receive account statements and shareholder reports. For more details regarding reports issued to shareholders, refer to the Mutual Fund disclosure documents, available online at [philotimomutualfunds.com](http://philotimomutualfunds.com).

Clients (shareholders) who own shares of the Mutual Fund will receive year-end statements, semi-annual reports, and annual reports.

## **CLIENT REFERRALS AND OTHER COMPENSATION (Item 14)**

### **Economic Benefits for Advisory Services**

We do not have any arrangement to receive economic benefits from any third party for providing advisory services to our clients not already disclosed herein.

### **Compensation for Client Referrals**

As of the date of this Brochure, we do not compensate any individual, organization, or financial intermediary for referrals, nor have we entered into any revenue-sharing agreements for the Mutual Fund. Nonetheless, client referrals are likely to occur during the normal course of business. Upon entering into any formal compensation or revenue-sharing agreement, we will update this disclosure as required by advisory regulations.

We have entered into agreements to compensate advisory personnel for referrals of prospective clients. Pursuant to such arrangements, we provide compensation for client referrals.

Clients do not incur additional costs, and there is no differentiation in advisory services offered due to such referral arrangements.

## **CUSTODY (Item 15)**

### **Custodian of Assets**

Our firm does not hold physical custody of client funds or securities. We require that qualified custodians hold client assets. For more information regarding the account custodian (broker-dealer) that services our accounts, please review Item 12, *Brokerage Practices*.

Our firm has custody of client funds and securities because we have access to such funds or securities in our capacity as general partner to the Fund. Please review the account statements section below for details regarding the custody-related internal controls and reporting requirements of the Fund. We also have indirect custody of client funds and securities because of our authorization and ability to deduct advisory fees directly from our clients' accounts. Nonetheless, we have implemented the safeguard requirements by requiring the safekeeping of clients' funds and securities by a qualified custodian.

We also have indirect custody of client funds and securities due to utilizing asset movement authorizations to process account disbursements at a client's request. To ensure the safekeeping of assets subject to movement authorizations, we have implemented the requisite account custodian procedures for safeguarding client assets.

### **Account Statements**

#### **Portfolio Management Services**

The account custodian will send monthly or quarterly electronic notifications regarding the availability of account statements. Clients are advised to review account statements carefully, comparing asset values, activity, holdings, allocations, performance, and advisory fees on current statements to advisory fee charges in

previously received account statements and confirmations.

### **Investment Management Services to a Private Fund**

The Fund administrator provides account statements to us and sends official statements on behalf of the Fund to each investor's address of record monthly. Additionally, the Fund is audited annually by an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board (PCAOB). Audited financial statements prepared in accordance with generally accepted accounting principles are sent to all investors within 120 days of the end of the Fund's fiscal year. Investors are urged to review such audited financial statements carefully and compare them to any other reports received on behalf of the Fund.

### **Investment Company (Mutual Fund) Advisory Services**

In addition to account statements, clients (shareholders) who own shares of the Mutual Fund will receive year-end statements, semi-annual reports, and annual reports. For more details, refer to the prospectus, which is available online at [philotimomutualfunds.com](http://philotimomutualfunds.com)

## **INVESTMENT DISCRETION (Item 16)**

### **Discretionary Authority**

It is customary for our firm to use discretionary trading authority to manage and direct the investments of clients' accounts. This authority is granted upon the execution of our investment management agreement. Discretionary trading authority is to make and implement investment decisions without prior consultation with clients. Investment decisions are made in accordance with the client's stated investment objectives, and clients may, at any time during our engagement, advise us in writing of any limitations on our authority. Clients may impose restrictions on investing in securities in specific industries or countries, etc., and dollar amounts or percentages of investments in the foregoing. Please note that all transactions for the Funds and the Mutual Fund are implemented pursuant to discretionary trading authority.

In some instances, we may exercise non-discretionary trading authority in managing and directing clients' investments. Under non-discretionary authority, we will seek a client's consultation and approval (written or oral) prior to implementing investment strategies or decisions. The use of non-discretionary authority is not our general practice. It is generally only used for clients who specifically request that we implement investment strategies utilizing non-discretionary trading authority.

## **VOTING CLIENT SECURITIES (Item 17)**

### **Portfolio Management Services**

We vote proxies on behalf of our portfolio management clients. In alignment with this authority, we will only cast proxy votes in a manner consistent with the best interest of clients. Absent special circumstances, which are fully described in our firm proxy voting policies and procedures, all proxies (including any mergers, acquisitions, tender offers, bankruptcy proceedings, or other types of events) will be voted consistent with guidelines established and described in such voting policies and procedures, as may be amended from time-to-time. Clients may contact us by phone or by making a written request to our chief compliance officer to obtain information about how we voted proxies on their behalf. We will also provide a copy of our proxy voting policies and procedures to any client upon request. *A summary of our firm's proxy voting policies and procedures is as follows:*

We are responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted promptly. Clients cannot direct our firm's vote on a particular proxy solicitation. Clients can, however, revoke our authority to vote proxies by providing written notice of such revocation.

Our proxy voting guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including the composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms, and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.

Although our guidelines are followed as a general policy, certain issues are considered on a case-by-case basis and are based on the most relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, we devote appropriate time and resources to researching and monitoring these changes.

### **Investment Management Services to a Private Fund**

As the Fund's general partner, we will vote proxies in a manner that is in the best economic interest of the Fund.

### **Investment Company (Mutual Fund) Advisory Services**

Unless we have designated such duties to others, we will vote proxies for the Mutual Fund. In accordance with our proxy voting procedures, we will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for mutual fund shareholders. Proxy votes are cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders.

As required by applicable regulations, we maintain records relative to our proxy voting activities. Any client, Fund investor, or mutual fund shareholder may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

### **Conflicts of Interest relative to Proxy Voting**

Certain business or personal relationships may present proxy voting conflicts, such as in the case of our clients, the Fund, and the Mutual Fund. If an affiliate or any client has competing interests in the outcome of a particular vote, we will take the appropriate steps to ensure that our proxy voting decisions are made in the best interest of all parties, or we will abstain from voting to ensure that our votes are not the product of such conflict.

## **FINANCIAL INFORMATION (Item 18)**

### **Balance Sheet Requirement**

We do not require or solicit prepayment of more than \$1,200 in advisory fees per client six (6) months or more in advance.

### **Discretionary Authority, Custody of Client Funds or Securities and Financial Condition**

We typically exercise discretionary authority to supervise and direct the investments of clients' accounts, although we may also use non-discretionary authority at a client's request. All transactions for the Fund are implemented pursuant to discretionary authority. Moreover, our firm has custody of client funds and securities because we have access to such funds or securities in our capacity as the general partner of the Fund. We also have discretionary authority to manage the Mutual Fund portfolio.

Additionally, we have indirect custody of client funds and securities because of our authorization and ability to deduct advisory fees directly from clients' accounts. More importantly, we do not have any financial condition that will impair our ability to meet contractual commitments to clients.

On May 20, 2020, we received a loan in the amount of \$25,500 under the Paycheck Protection Program (PPP). The coronavirus pandemic economically impacted our firm, and the loan proceeds were used to pay salaries and prevent layoffs during these challenging times. We do not anticipate any further liquidity needs and do not anticipate taking additional loans. Neither the loans nor economic conditions should impair our firm's ability to meet contractual commitments to clients. Furthermore, in August of 2021, our PPP loan was forgiven.

More importantly, we do not have any financial condition that will impair our ability to meet contractual commitments to clients.

### **Bankruptcy Petition Filings**

Our firm has not been the subject of a bankruptcy petition during the past ten (10) years.

## **ADDITIONAL DISCLOSURES**

This section covers other information related to our business but not mentioned previously.

### **Important Information Regarding Retirement Accounts**

#### **ERISA Fiduciary Advisor**

As a result of providing fiduciary investment advice to plan sponsors, plan participants, and IRA owners, our firm is a Fiduciary Advisor under Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and as applicable, the Internal Revenue Code of 1986, as amended (the Code). Please review the Types of Advisory Services section for details regarding our services. We will provide additional disclosures at the time of providing advice or making recommendations regarding any retirement savings account.

#### **Retirement Account Rollover Options**

Clients have options regarding retirement account rollovers. Typically, new or existing clients leaving an employer have four (4) options regarding assets in an existing retirement plan. They may:

1. roll over the assets to the new employer's plan, if available, and rollovers are permitted;

2. leave the assets in the former employer's plan, if permitted;
3. roll over the assets to an Individual Retirement Account ("IRA"); or
4. cash out the account value (tax consequences generally apply).

If our firm recommends that a client roll over retirement assets into an account that we will manage, or this recommendation creates a conflict of interest because our firm will earn fees as a result of the rollover. As a Fiduciary Advisor, our firm mitigates this conflict of interest by disclosing it and ensuring that a recommendation to roll over retirement savings is in a client's best interest.

No client is under any obligation to roll over retirement savings to an account managed by our firm.