



# Form ADV Part 2A (Firm Brochure)

**This brochure provides information about the qualifications and business practices of Hippocratic Financial Advisors, LLC.**

If you have any questions about the contents of this brochure, please contact us at **866-447-2380** or **riel@hippocratic.com**. The information in this brochure has not been approved or verified by the US Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Hippocratic Financial Advisors is also available on the SEC’s website at <https://adviserinfo.sec.gov/IAPD/Default.aspx>.

Hippocratic Financial Advisors LLC's CRD number is: 169481.

*April 8, 2024*

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**866-447-2380**

## ITEM 2: MATERIAL CHANGES

Investment Advisers are required to prepare a disclosure document (“Brochure”) that describes the firm and its business practices. Pursuant to SEC rules, we are required to update our Brochure at least annually and provide you with a summary of any material changes since the previous annual amendment.

We have prepared this updated Brochure, dated April 8, 2024.

There are no material changes to the Brochure since our last annual update dated March 25, 2024.

With this summary, we hereby offer to deliver a complete copy of our Investment Adviser Brochure upon your request at any time during the year. You may request our Brochure at any time by contacting Riel Manriquez, Chief Compliance Officer at **866-447-2380** or [riel@hippocratic.com](mailto:riel@hippocratic.com)

Additional information about Hippocratic Financial Advisors is available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Hippocratic who are registered as investment adviser representatives.

## ITEM 3: TABLE OF CONTENTS

ITEM 2: MATERIAL CHANGES .....	2
ITEM 4: ADVISORY BUSINESS .....	4
ITEM 5: FEES AND COMPENSATION .....	7
ITEM 6: PERFORMANCE FEES AND SIDE-BY-SIDE MANAGEMENT .....	9
ITEM 7: TYPES OF CLIENTS .....	9
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	9
ITEM 9: DISCIPLINARY DISCLOSURES .....	13
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	13
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	14
ITEM 12: BROKERAGE PRACTICES .....	15
ITEM 13: REVIEW OF ACCOUNTS .....	18
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	18
ITEM 15: CUSTODY .....	19
ITEM 16: INVESTMENT DISCRETION .....	19
ITEM 17: VOTING CLIENT SECURITIES .....	20
ITEM 18: FINANCIAL INFORMATION .....	20

## ITEM 4: ADVISORY BUSINESS

**Hippocratic Financial Advisors LLC (hereinafter "HFA") is a Limited Liability Company organized in the State of California. The firm was formed in November 2013 and is owned by Ravi Davis.**

HFA offers various advisory services, including financial planning, investment management and educational seminar services. HFA is a fee-only investment management and financial planning firm. The firm does not sell securities on a commission basis. However, there may be *associated persons*<sup>1</sup> who participate in outside activities separate from HFA where they receive commissions as compensation.

## Types of Services

*HFA offers two types of services that are described below.*

### WEALTH MANAGEMENT SERVICES

HFA provides investment advisory services, also known as investment management or asset management services, for client accounts. HFA customizes clients' portfolios according to their individual risk tolerance, time horizon and specific goals.

HFA primarily uses an investment approach based on Modern Portfolio Theory, which refers to the process of reducing risk in a portfolio through systematic diversification across asset classes and within those particular asset classes. HFA generally adheres to the low fee, broadly diversified investment style and, thus, recommends low expense ratio mutual funds and ETFs. On a limited basis, HFA may use other types of investments (i.e., stocks, bonds, options etc.) in our asset allocation strategies and portfolio recommendations to clients.

Client assets managed by HFA are held in accounts at a registered broker-dealer and qualified custodian, who will provide clearing, custody, and other brokerage services for client accounts. While HFA may assist the client in completing the custodian's paperwork, the client is ultimately responsible for providing all of the necessary information to establish the account. Clients will retain all rights of ownership on the accounts, including the right to withdraw securities and cash, vote proxies, and receive transaction confirmations.

### FINANCIAL PLANNING

HFA offers clients a range of financial planning and consulting services that may be broad-based or narrowly focused. These services include, but are not limited to, the following functions:

- Risk Management
- Cash Flow and Debt
- Employee Benefits Analysis
- Retirement Planning
- Estate Planning
- College Planning
- Investment
- Insurance Needs
- Retirement Plan Analysis
- Business Planning

<sup>1</sup> The term *Associated Persons* refers to HFA's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on HFA's behalf and is subject to the firm's supervision or control.

HFA strongly urges its clients to notify us of any change in their circumstances, and to schedule a review any time there is such a change. Clients should consider a periodic review even if there is not a substantial change, because tax laws, estate laws, and investment vehicles are always changing. Additional information may be found in Item 13 of this brochure.

**Conflict of Interest Statement (*California Code of Regulations, 10 CCR Section 260.235.2*)**

In offering financial planning, a conflict exists between the interests of the investment advisor and the interests of the client. The client is under no obligation to act upon the investment advisor's recommendation, and, if the client elects to act on any of the recommendations, the client is under no obligation to affect the transaction through the investment advisor.

**EDUCATIONAL SEMINARS AND WORKSHOPS**

HFA provides free educational seminars and workshops from time-to-time for clients and prospective clients. These seminars and workshops are educational in nature and involve a broad range of financial planning and investing topics. We present information that is not based on one person's needs and do not provide individualized investment advice to attendees.

## Client tailored services and client-imposed restrictions

HFA customizes investment advice and financial plans according to each client's risk tolerance, time horizon and specific goals. Clients may impose restrictions on investing in certain securities or types of securities. (Note that this may not be possible in all situations, such as when the client invests in mutual funds and ETFs).

## Written Agreements

Prior to engaging HFA to provide investment management and financial planning, clients are required to enter into a written agreement with HFA setting forth the terms and conditions under which HFA renders its services.

**TERMINATION OF AGREEMENT**

Investment advisory agreements can be terminated by either party by giving to the other thirty (30) days written notice; provided that the Client may at any time, upon delivery of written notice to HFA, terminate the discretionary authority of HFA. Clients may terminate the investment advisory agreement within five (5) business days of the effective date of the agreement without any payment of HFA's fee pursuant to California Code of Regulation, Section 260.235.4(c). If the agreement is terminated after five (5) business days of its effective date, refunds are given on a prorated basis.

Either party may terminate a financial planning agreement at any time by providing written notice. Clients may terminate the agreement within five (5) business days of the effective date of the agreement without any payment of HFA's fee pursuant to California Code of Regulation, Section 260.235.4(c). If the financial planning agreement is terminated after five (5) business days of its effective date, HFA will be entitled to compensation for any time and effort expended on preparation of the financial plan or consultation time. For the purposes of calculating fees, all work performed by us up to the point of termination shall be calculated at our hourly rate of \$300 or the hourly rate currently in effect. In no case shall the fee amount exceed the agreed upon fixed fee.

## ASSIGNMENT OF AGREEMENTS

Agreements may not be assigned without the client's consent.

## Wrap fee programs

HFA does not participate in any wrap fee programs.

## IRA rollover recommendations

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts.

**The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:**

- Meet a professional standard of care when making investment recommendations (give prudent advice).
- Never put our financial interests ahead of yours when making recommendations (give loyal advice).
- Avoid misleading statements about conflicts of interest, fees, and investments
- Follow policies and procedures designed to ensure that we give advice that is in your best interest.
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

## Assets under management

As of December 31, 2023, **HFA manages approximately \$122,978,926 of client assets** on a discretionary basis and \$0 on a non-discretionary basis.

## Selection of Other Advisors or Managers

HFA may recommend third-party money managers to manage all, or a portion of, your investment portfolio through Separately Managed Account (SMA) Platform. After gathering information about your financial situation

and objectives, we will recommend a specific Manager or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: performance, investment strategy, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the Manager's performance to ensure its management and investment style remains aligned with your investment goals and objectives. The SMA Platform provides access to managers who offer a variety of different strategies. The Manager(s) we select will manage your portfolio and will assume discretionary investment authority over your account. We will assume discretionary authority to hire and fire the Manager(s) and/or reallocate your assets to other Manager(s) where we deem such action appropriate. You may be required to sign additional documents authorizing us to use the platform, select Managers on your behalf, and directly debit the fees associated with the management of your account. Information about fees is found in Item 5 – Fees and Compensation.

## ITEM 5: FEES AND COMPENSATION

### WEALTH MANAGEMENT FEES

**Our annual fee for portfolio management services is generally up to 1.5%** depending upon the market value of your assets under our management, the type and complexity of the asset management services provided, as well as the level of administration requested either directly or assumed by the client. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion. There is no minimum annual fee, and our advisory fee is negotiable, depending on individual client circumstances. The specific annual fee is identified in the contract between HFA and each client.

**Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the market value of the client's account at the end of the previous billing period.** All account assets including those invested in money market funds, mutual funds, or other investment companies ("funds") will be included in calculating the value of the account for the purposes of computing the management fee. For accounts opened or closed during a calendar quarter, you will pay us fees for the number of days during the time period our services were provided. Although HFA typically bills in advance, the initial investment management fee is due at the beginning of the quarter following the inception date and is based on the client's initial investment in the account prorated for the number of days assets have been deposited in a client's account before a fee is assessed ("arrears billing"). Therefore, **the first investment management fee billing will include a prorated fee based on arrears billing plus an advanced billing fee.**

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. Combining account values may increase the asset total, which may result in you paying a reduced advisory fee.

Fixed fees may be available for certain services in certain situations.

## FINANCIAL PLANNING FEES

HFA's financial planning and consulting fee is based on the nature of the services being provided and the complexity of each client's circumstances. Our financial planning and consulting fees are generally calculated and charged on a fixed fee basis, that can vary up to \$6500 depending on the specific arrangement reached with the client. Based on the scope of the proposed consultation, we will estimate the total fee after our initial meeting.

## EDUCATIONAL SEMINARS AND WORKSHOPS

HFA offers educational seminars and workshops to attendees at no charge (free).

Advisory clients should note that fees for comparable services vary and lower fees for comparable services may be available from other sources.

## OTHER FEES

There are other fees that can be associated with holding and investing in securities. In addition to the advisory fees paid to HFA, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks, and other financial institutions (collectively "Financial Institutions"). **These additional charges may include securities brokerage commissions, transaction fees, custodial fees, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (i.e., fund management fees, 12b-1 fees, and other fund expenses), deferred sales charges, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.**

HFA will consider the internal fees and expenses associated with each share class when selecting mutual funds that have multiple share classes for recommendation to clients, and it is HFA policy to choose the lowest-cost share class available, absent circumstances that dictate otherwise. For a complete discussion of expenses related to each mutual fund, you should read a copy of the prospectus issued by that fund. HFA can provide or direct you to a copy of the prospectus for any fund that we recommend to you.

Management fees charged by HFA are separate and distinct from the fees and expenses charged by the third parties in connection with the securities that may be recommended to you. HFA does not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds. However, the associated persons of HFA, in their individual capacities, may receive additional compensation should a client choose to implement HFA advice through their outside activities.

## OTHER ADVISORS OR MANAGER'S FEES

Where HFA uses a third-party manager for management of all, or a portion of, your investment portfolio through Separately Managed Account (SMA) Platform, the manager charges a separate fee in addition to HFA's advisory fee. Manager fees typically range from .00% to 1.00% annually and are charged in accordance with the terms set forth by the selected third-party manager. All fees and expenses will be disclosed to the client in advance of engaging a manager on the platform.



# Billing practices

## **WEALTH MANAGEMENT FEE**

Clients may choose to either have an account debited directly from Custodian (preferable) or to have HFA send a bill directly to client to pay by check made payable to HFA within thirty (30) days of receipt. If the client chooses to be billed directly by the Custodian, HFA will have constructive custody over that account and must have written authorization from the client to do so, and must have a custodian who sends at least a quarterly statement showing all debits.

## **FINANCIAL PLANNING FEE**

HFA will send an invoice directly to clients for the financial planning fee. The fee amount is due and payable by the client to HFA within thirty (30) days of your financial plan being delivered or consultation rendered to you. Clients must pay the full fee amount directly to Hippocratic Financial Advisors prior to receiving the service.

## **ITEM 6: PERFORMANCE FEES AND SIDE-BY-SIDE MANAGEMENT**

HFA does not charge fees that are based on a share of the capital gains or capital appreciation of managed securities.

## **ITEM 7: TYPES OF CLIENTS**

HFA provides financial planning and investment consulting services to individuals and high net worth individuals. HFA does not have a minimum account size requirement.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### Methods of analysis

HFAs associated persons select the investments for a client portfolio based on their cumulative research and investment experience. Sources of information are wide and varied and include but are not limited to security rating services, general economic information, financial publications, newspapers, journals, and academic works.

# Investment strategies

HFA's investment management philosophy incorporates a belief that for most investors a diversified asset class allocation is a sound investment philosophy and strategy. The theory (Modern Portfolio Theory) underlying such an approach has been researched and supported for decades by leading financial academics, including several Nobel Prize winners. HFA strives to build a diversified portfolio designed to meet a client's long-term goals. Generally, this is accomplished by using low cost diversified mutual funds or ETFs. **The investment management strategy is further based on several fundamentals, including:**

**Long-term Investing** – *Investing for the long term, preferably longer than ten years, becomes critical to investment success because it allows the long-term characteristics of the asset classes to be realized.*

**Importance of Asset Allocation** – *The methodology states that the construction of an investment portfolio is more important than individual security selection. The appropriate investment allocation across asset classes (e.g., stocks, bonds, cash etc.) will have far more influence on long-term portfolio results than the selection of individual securities.*

**Market Efficiency** – *The theory states generally that the securities markets are fairly “efficient,” although not always rational. This means that the price of financial assets generally reflects all information publicly available. Therefore, it is impossible to know the next direction of the market. From an investment perspective, the methodology implies that investors cannot consistently out-perform the overall market by conducting “active” investment strategies. “Active” investment strategies include attempting to “time the market” and conducting “stock picking.”*

**Evaluating Portfolio Risk** – *Risk is the uncertainty regarding future returns (or losses) on an investment. Risk is a critical component of investing and creating portfolios. The methodology states that investment portfolios can be created and tailored to a level of expected risk. Over long periods of time, there is a relationship between the level of risk assumed and the return that can be expected in an investment program.*

**Benefits of Diversification** – *The level of risk can be reduced by increasing the diversification (types and number of securities) in a portfolio without significantly changing the portfolio's overall expected return.*

**Asset Location** – *Matching investments with different tax treatments and available account types can result in more favorable after-tax returns (e.g., some investments are better held in a taxable account while others best held in a tax deferred account like an IRA).*

**Costs Matter** – *Investment costs are inevitable, but minimization of investment costs and taxes can enhance long-term performance.*

## Risks

**Investing involves risks that clients should understand and be prepared to accept.** The risks can range from failing to keep pace with inflation to losing some or all the money you invest. Common risks that investors face include:

**SYSTEMATIC OR MARKET RISK**

Relates to factors that affect the overall economy or securities markets. Market risk affects all companies, regardless of the company's financial condition, management, or capital structure, and, depending on the investment, can involve international as well as domestic factors.

**INTEREST-RATE RISK**

The risk that the value of a security will go down because of changes in interest rates. For instance, when interest rates rise, the yields on existing bonds decrease and become less attractive to potential investors, causing their market values to decline.

**INFLATION RISK**

The risk that increases in the prices of goods and services, and therefore the cost of living, reduces your purchasing power.

**DEFLATION RISK**

The risk that the decrease in the prices of goods and services reduces business earnings and asset prices. Deflationary risk could lead to a decline in asset values, hinder business profitability, enhance the worth of cash, and escalate the real burden of debt, potentially impacting your investments negatively.

**CURRENCY RISK**

This risk occurs because many world currencies float against each other. If money needs to be converted to a different currency to make an investment, any change in the exchange rate between that currency and yours can increase or reduce your investment return.

**LIQUIDITY RISK**

The risk of having difficulty in liquidating an investment position without taking a significant discount from current market value. Liquidity risk can be a significant problem with certain lightly traded securities such as unlisted options and municipal bonds that were part of small issues

**NON-SYSTEMATIC RISK**

The risk associated with investing in a particular product, company, or industry sector.

**MANAGEMENT RISK**

Refers to the impact that adverse management decisions, other internal missteps, or even external situations can have on a company's performance and, as a consequence, on the value of investments in that company.

**CREDIT RISK**

The risk that an issuer of debt securities (e.g., bond) or a borrower default on its obligations and will be unable to make payment of interest or principal in a timely manner.

**FINANCIAL RISK**

The risk that a company will be unable to meet its financial obligations. This risk is primarily a function of the relative amount of debt that the company uses to finance its assets. A higher proportion of debt increases the likelihood that at some point the company will be unable to make the required interest and principal payments

## MUTUAL FUND AND ETF RISK

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains if they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

## OTHER RISKS

All investing involves risks, including the permanent loss of capital. HFA does not guarantee the future performance of a client's account, the success of any investment decision or strategy, the success of the overall management of an account, or the effects, if any, of future legal and regulatory changes on HFA's business or the services HFA provides.

**In addition to the risks described above that primarily relate to the value of investments, there are various operational, and systems risks involved in investing, including but not limited to "cybersecurity" risk.** As technology and frequency of cyber-attacks on financial services targets become more prevalent, HFA and the client accounts HFA manages have become more susceptible to operational risks through breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may cause HFA to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause HFA and/or a client account to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. A cybersecurity breach may also result in a third party obtaining unauthorized access to HFA clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings.

Cybersecurity breaches may involve unauthorized access to digital information systems (e.g., through "hacking" or malicious software coding), and may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cybersecurity breaches of third-party service providers (e.g., a client's custodian) can subject an account

to many of the same risks associated with direct cybersecurity breaches. Although HFA has established risk management systems designed to reduce the risks associated with cybersecurity threats, there is no guarantee that such efforts will succeed, especially since HFA does not directly control the cybersecurity systems third-party service providers.

## ITEM 9: DISCIPLINARY DISCLOSURES

Neither HFA nor any of our officers, directors, or other management persons have ever been involved in any legal or disciplinary events that would require disclosure in response to this Item.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither HFA nor its associated persons are registered or do not have an application pending to register as a (1) broker-dealer or a registered representative of a broker-dealer or (2) futures commission merchant, commodity pool operator or a commodity trading advisor.

**Ravi Davis is a licensed insurance agent.** Mr. Davis is the owner of Hippocratic Insurance Services, LLC. Sometimes, he will offer clients advice or products from those activities. As such, he can receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage Mr. Davis when considering the implementation of advisory recommendations. Implementing any or all recommendations is solely at the client's discretion.

Clients should be aware that the receipt of additional compensation by HFA and its associated persons creates a conflict of interest that may impair the objectivity of HFA and associated persons when making advisory recommendations. **HFA endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment advisor and we take the following steps to address this conflict:**

1. Disclose to clients the existence of all material conflicts of interest, including the potential for HFA and its associated persons to earn compensation from advisory clients in addition to HFA's advisory fees.
2. disclose to clients that they are not obligated to purchase recommended investment products from HFA associated persons or affiliated companies.
3. collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance in order to make recommendations to a client that are suitable to the client's needs and circumstances.
4. require that HFA associated persons seek prior approval of any outside employment activity so that HFA may ensure that any conflicts of interests in such activities are properly addressed; and
5. educate HFA associated persons regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.



## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

**HFA has adopted a Code of Ethics to instruct its personnel in their ethical obligations and to provide rules for their personal securities transactions.** HFA and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

The Code covers a range of topics that may include general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings, and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, and insider trading. HFA will provide a copy of the Code to any client or prospective client upon request.

### Investment recommendations involving a material financial interest and conflicts of interest

HFA policy prohibits any associate of the firm to recommend to a client any security in which HFA or a “Related person” (e.g., supervised person, an immediate family member, etc.) has a material financial interest, such as in the capacity as a board member, underwriter, or advisor to an issuer of securities, etc.

### Participation or interest in client transactions

On occasion, HFA’s associated persons may buy or sell securities that are the same, or different than, the securities they recommend to clients. There is no material conflict of interest as the securities are widely held and publicly traded and the size of the transactions is too small to affect the market. In addition, HFA associated persons must always place client interests before their own interests.

# Trading securities at/around the same time as clients' securities

Sometimes, HFA supervised persons may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for supervised persons to buy or sell securities before or after recommending securities to clients resulting in supervised persons profiting from the recommendations they provide to clients. There is no material conflict of interest as the securities are widely held and publicly traded and the size of the transactions is too small to affect the market. In addition, HFA associated persons must always place client interests before their own interests.

HFA monitors the personal transactions and holdings of its associated persons to ensure that clients are not disadvantaged by any personal trading activities.

## ITEM 12: BROKERAGE PRACTICES

HFA does not maintain physical custody of client assets (see Item 15). Client accounts must be maintained by a qualified custodian, such as a broker-dealer, bank, mutual fund company, or trust company. HFA is not a custodian and does not have an affiliate that is a custodian.

HFA generally recommends that clients use the brokerage and clearing services of Charles Schwab & Co for investment management accounts. Charles Schwab & Co is a division of The Charles Schwab corporation member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. Charles Schwab & Co offers services to independent investment advisors, which include custody of securities, trade execution, clearance, and settlement of transactions. HFA receives some benefits from Charles Schwab & Co through its participation in the program.

**Factors which HFA considers in recommending Charles Schwab & Co or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service.** Charles Schwab & Co enables HFA to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Charles Schwab & Co may be higher or lower than those charged by other financial institutions.

The commissions paid by HFA's clients comply with the HFA's duty to seek "best execution." Clients may pay commissions that are higher than another qualified financial institution might charge to affect the same transaction where HFA determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a financial institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. HFA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.



**Although HFA may recommend that clients establish accounts at a particular custodian, it is the client's decision to custody assets with that custodian and will enter into an agreement directly with that custodian.** Clients should be aware they may pay commissions or fees higher or lower than those obtained from elsewhere for similar services.

Custodians generally offer a variety of share classes of open-end mutual funds for client accounts, which typically include: (1) Retail shares - generally available for purchase directly by the client, but by and large have a higher internal expense ratio than institutional class shares; and (2) Institutional class shares - typically have a lower internal expense ratio than the retail share class, but often are not available for direct purchase by the client, may require a minimum dollar purchase or be subject to other restrictions that make them impractical for certain clients.

Even though the transaction fees and applicable fund expenses (i.e., 12b-1 fees) are payable to the account custodian, and not HFA or any of its employees, HFA must still undertake a review to determine what share class is most appropriate for the client, considering such factors as the intended purchase amount, the amount of the transaction fee, the difference in expense ratios, the intended holding period, and the availability of the institutional share class.

## Research and other soft dollar benefits.

“Soft dollars” are typically generated when an investment advisor enters into an agreement with an executing broker to receive a portion of the commissions generated by the advisor’s client trades. The soft dollars are allocated to the investment advisor and can then be used to purchase items or services. The investment advisor has a fiduciary duty to its clients to obtain the best execution, on an overall basis, for any securities transactions.

**HFA do not use soft dollars as described above. However, HFA does receive goods and/or services from brokers as described below.**

### **SOFTWARE AND SUPPORT PROVIDED BY FINANCIAL INSTITUTIONS**

There is no direct link between HFA’s participation in the Charles Schwab & Co Institutional program and the investment advice it gives to its clients, although HFA receives economic benefits through its participation in the program that are typically not available to Charles Schwab & Co retail investors.

**These benefits include the following products and services (provided without cost or at a discount):**

- *receipt of duplicate client statements and confirmations.*
- *research related products and tools; consulting services; access to a trading desk serving HFA participants.*
- *access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts).*
- *the ability to have advisory fees deducted directly from client accounts.*
- *access to an electronic communications network for client order entry and account information.*



- *access to mutual funds with no transaction fees and to certain institutional money managers; and*
- *discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors.*

Charles Schwab & Co may also have paid for business consulting and professional services received by HFA's related persons.

Some of the products and services made available by Charles Schwab & Co through the program may benefit HFA but may not benefit its client accounts. These products or services may assist HFA in managing and administering client accounts, including accounts not maintained at Charles Schwab & Co. Other services made available by Charles Schwab & Co are intended to help HFA manage and further develop its business enterprise. The benefits received by HFA or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Charles Schwab & Co. As part of its fiduciary duties to clients, HFA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by HFA or its related persons in and of itself creates a conflict of interest and may indirectly influence HFA's choice of Charles Schwab & Co for custody and brokerage services.

## **BROKERAGE FOR CLIENT REFERRALS**

HFA receives no referrals from a broker-dealer or third party in exchange for recommending that broker-dealer or third party.

## **CLIENTS DIRECTING WHICH BROKER-DEALER / CUSTODIAN TO USE**

Clients may instruct HFA to execute any or all securities transactions for their accounts with or through one or more broker-dealers designated by the client. In these cases, clients are responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by the broker-dealers. **HFA has no responsibility for obtaining the best prices or any particular commission rates for transactions with or through the broker-dealer in these situations.** Clients should recognize that they may not obtain rates as low as they might otherwise obtain if HFA had discretion to select broker-dealers. Clients are responsible for providing HFA with written notification when they want HFA to cease executing transactions with or through the designated broker-dealer.

## **AGGREGATING (BLOCK) TRADING FOR MULTIPLE CLIENT ACCOUNTS**

HFA generally places a client's securities brokerage transactions separately of securities brokerage transactions for other HFA clients.

HFA may (but is not obligated to) combine or "block" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among HFA's client's differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among HFA's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that HFA determines to aggregate client orders for the purchase or sale of securities, including securities in which HFA's associated persons may invest, HFA does so in a manner that fulfills HFA's fiduciary obligations to each client and otherwise allocates securities on a good faith basis that is objective, fair, equitable, consistently applied, and does not unfairly discriminate against any advisory client based upon account performance or other factors. HFA does not receive any extra compensation or remuneration due to the aggregation.

## ITEM 13: REVIEW OF ACCOUNTS

For clients to whom HFA provides investment management services, HFA monitors those portfolios as part of an ongoing process while regular account reviews are conducted annually. Such reviews are conducted by one of HFA's investment advisor representatives. **All investment advisory clients are encouraged to discuss their needs, goals, and objectives with HFA and to keep HFA informed of any changes to their financial situation.** HFA strives to contact investment management clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### Account statements and reports.

The qualified custodian where a client's assets are custodied will provide transaction confirmation notices and regular summary account statements directly to the client. From time-to-time or as otherwise requested, HFA may provide written or electronic reports from HFA that contain certain account and/or market-related information, such as an inventory of account holdings or account performance. **Clients should compare the account statements they receive from their custodian with those they receive from HFA or an outside service provider.**

Those clients to whom HFA provides financial planning services will receive reports from HFA summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by HFA.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

HFA may refer clients to unaffiliated third-party service providers for accounting and tax preparation services. We are not responsible or liable for any of the services provided by the unaffiliated third parties. We receive compensation from the unaffiliated third-party service providers for referring clients to them; therefore, we have a financial incentive to recommend clients to the third-party service provider which presents a conflict of interest. Clients are under no obligation to retain the services of the unaffiliated third-party service provider and clients do so at their own discretion. Comparable services and/or lower fees may be available through other firms.

HFA maintains referral or finder fee relationships with banks and lenders who offer physicians specialized loan products, like Bank of America, from which it may receive marketing assistance/finder fees. To source these providers, HFA first searches for vendors that provide quality services that cater to the best interest of its medically specialized clientele including beneficial product and service features that may not be published or available to the public and instead only to physicians. If there are referral programs associated with these groups for referring a physician that eventually consummates a transaction, HFA will participate in them. Clients should be aware that this compensation involves a conflict of interest with the fiduciary duties of a registered investment advisor. Clients are in no way required to enter into loan arrangements through the lenders recommended by representatives of HFA in their outside capacities.

## Other economic benefits

HFA is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest, and any such relationship is disclosed in response to Item 12, above.

### ITEM 15: CUSTODY

HFA's investment management and/or the separate agreement with any qualified custodian may authorize HFA to debit the client's custodial account for the amount of HFA's fee and to directly remit that management fee to HFA in accordance with applicable custody rules.

The following is important information about the deduction of management fees: Clients must provide written authorization for HFA to deduct fees; clients will receive a statement from your custodian which shows all transactions in your account, including the deduction of HFA's fees; and **clients are responsible for reviewing the accuracy of the fees being billed**, as the custodian will not do so.

HFA is also deemed to have constructive custody of client assets as a result of clients authorizing HFA to distribute assets from their accounts to a specific named recipient in accordance with a standing letter of instruction. HFA intends to comply with the SEC No-Action Letter dated February 21, 2017 (Investment Adviser Association) allowing firms who comply with all of the provisions of the no-action letter to forego the annual surprise custody examination with respect to those assets.

HFA does not accept or permit the firm or its associated persons from obtaining custody of client assets in any other manner such as accepting cash or securities, acting as trustee, providing bill paying service, having password access to control account activity or any other form of controlling client assets. All checks or wire transfers to fund client accounts are required to be made out to/sent to the account custodian.

### ITEM 16: INVESTMENT DISCRETION

Clients may hire HFA to provide discretionary asset management services, in which case HFA places trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

**Our limited discretionary authority includes the ability to do the following without contacting the client: (1) Determine the security to buy or sell; and/or (2) determine the amount of the security to buy or sell.**

Clients give us discretionary authority when they sign an investment management agreement with HFA and may limit this authority by giving us written instructions. Clients may also change or amend such limitations by once again providing HFA with written instructions.

## ITEM 17: VOTING CLIENT SECURITIES

HFA does not take any action or render any advice with respect to corporate actions, tenders, the voting of proxies, or class action lawsuits solicited by or with respect to the issuers of securities in which assets of the client's account may be invested.

## ITEM 18: FINANCIAL INFORMATION

HFA does not have custody of client assets and does not charge fees over \$500 more than 6 months before providing service.

The firm's principal is not of any financial condition that would prevent HFA from delivering contractual services to clients.

HFA and its principal have not claimed protection from creditors or filed for bankruptcy.

### **BUSINESS CONTINUITY PLAN**

HFA has adopted a Disaster Recovery and Business Continuity Plan ("BCP"). The purpose of the BCP is to define the strategies and plans that will be used by HFA during a significant business disruption ("SBD"). An SBD includes any event or situation that significantly impacts the HFA's ability to provide advisory services to its clients. The BCP outlines HFA's procedures designed to ensure that critical business functions can continue during and after an SBD and that HFA can resume operations as quickly as possible after an SBD. The BCP addresses both internal SBDs, such as a fire in HFA's building or the death of key personnel, and external SBDs, such as a natural disaster, terrorist attack, or citywide power disruption.

The goal of the BCP Plan is to provide recovery of critical business systems and information, and to provide a means of continued operations of critical business functions as soon as reasonably possible after the declaration of a business interruption. If clients have any questions about HFA's Business Continuity Plan, please contact Ravi Davis.