



Steward Partners Investment Solutions, LLC  
15495 SW Sequoia Parkway Suite 150  
Portland, OR 97224

Telephone: 800-452-1929  
Facsimile: (971) 353-7801

March 28, 2024

FORM ADV PART 2A  
Appendix 1B – Wrap Fee Brochure  
Asset Advisor  
Custom Choice  
Private Investment Management ("PIM")

This Brochure provides information about the qualifications and business practices of Steward Partners Investment Solutions, LLC ("Advisor," "Firm," "we," or "SPIS"). If you have any questions about the contents of this Brochure, please contact us at 800-452-1929. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Advisor is a Registered Investment Advisor with the SEC. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

Additional information about Steward Partners Investment Solutions, LLC (CRD No. 1254) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). This Firm Brochure is available at no cost by contacting [info@stewardpartnersis.com](mailto:info@stewardpartnersis.com)

## Item 2 – Material Changes

The date of our previous annual update to our brochure was March 31, 2023.

Since that date we have significantly revised our disclosure materials to create three separate brochures, one regarding standard advisory services, and this Appendix 1 featuring our Wrap Free program at Wells Fargo Clearing Services (FCC). Generally, the following additional changes occurred in the past year. We recommend you closely review each new brochure as relevant to your circumstances.

- Programs under this brochure are no longer available as of March 28, 2024.
- We have created two additional brochure to reflect our distinct Wrap Fee Programs.
- Updates to Item 4: Fees and other Compensation referencing our Strategic Partner Program.
  - Added details concerning margin loan fees.
  - Added details concerning the firm's cash sweep program.
- Item 6: Portfolio Manager Selection and Evaluation
  - Added a detailed discussion of risks specific to investment type.
- Item 15: Custody – Clarification the Firm's status as a custodian per Investment Advisor Act Rules.
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- Addition of Pershing LLC, as custodian, trading, and investment advisory platform

We will ensure that all current clients receive a summary of material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. A summary of material changes is included with our brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Steward Partners Investment Solutions, LLC is 1254.

We will continue to provide other ongoing disclosure information about material changes as necessary and will provide you with a new brochure when required based on those changes or new information.

**Item 3 – Table of Contents**

<b>Item 2 – Material Changes</b>	2
<b>Item 3 – Table of Contents</b>	3
<b>Item 4 – Services, Fees, and Compensation</b>	4
<b>Item 5 – Account Requirements and Types of Clients</b>	19
<b>Item 6 – Portfolio Manager Selection and Evaluation</b>	19
<b>Item 7 – Client Information Provided to Portfolio Managers</b>	27
<b>Item 8 – Client Contact with Portfolio Managers</b>	28
<b>Item 9 – Additional Information</b>	28

## **Our Firms and Affiliations**

Steward Partners Investment Solutions, LLC (“Advisor,” “Firm,” “we,” or “SPIS”) provides investment management services to individuals and businesses. This advice can include investment management services (including investment advice, portfolio checkups, retirement planning (for employees and employers), and/or estate planning strategies.

We help clients coordinate and prioritize their financial lives with all aspects of their life goals. Integrating investments across individual retirement accounts, taxable accounts, and employee retirement accounts is crucial to the process. Client input and involvement are critical parts of the financial planning process and implementation of investment decisions. After Client assets are invested in an advisory account, on an ongoing basis the IAR will monitor the investments and provide advice related to financial and investment needs.

Client funds are managed with either discretionary or non-discretionary authority. For non-discretionary clients in *Client Direct Programs*, we must first obtain your approval prior to executing any transactions in your Account(s). For discretionary clients in *Investment Advisory Representative (“IAR”) Directed Programs*, we execute investment recommendations on their behalf without prior approval of each specific transaction.

We tailor our advice and services to our clients’ stated objectives. To formulate our clients’ investment strategies, we consider information such as risk tolerance, time horizon, and projected future needs. This investment strategy guides us in managing the Client’s Account. We connect with our clients on an as needed basis, but no less than annually, to review portfolio performance, discuss current issues, and re-assess their goals and plans.

Our approach uses broadly diversified portfolios and a systematic strategy to manage investments. Investment tools include mutual funds, exchange-traded funds, exchange-listed equity securities, alternative investments, municipal securities, corporate bonds, U.S. government securities and money market funds. We may also advise our clients on other types of investments. Clients may impose reasonable restrictions on investing in certain securities or types of securities.

The following advisory programs (“Programs”) through our former custodial relationship with Wells Fargo Clearing Services, LLC (“FCC”) have been discontinued effective March 28, 2024.

## **Item 4 – Services, Fees, and Compensation**

### **Types of Advisory Services**

The following provides detailed information about our legacy wrap fee programs, which have been phased out as of March 28, 2024. These programs are no longer offered to new clients but continue to be managed for existing clients who are in the process of transitioning assets onto another program at Steward. The information provided herein serves solely for informational purposes and aims to fulfill our ongoing disclosure obligations such that existing clients, regulatory bodies, and other stakeholders are fully informed about the status, services, fees, and compensation structures of these legacy programs. As these programs are being discontinued, the details outlined in this brochure reflect the conditions under which they operate until fully phased out.

- Client Directed Programs:
  - Asset Advisor
  - Custom Choice
- Investment Advisory Representative (“IAR”) Directed Programs:
  - Private Investment Management (PIM)

## **All Advisory Programs**

For all Programs you retain the right to: (1) withdraw securities or cash; (2) vote on shareholder proposals of beneficially owned security issues, or delegate the authority to vote on such proposals to another person; (3) be provided, in a timely manner, with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holders; and (4) proceed directly as a security holder against the issuer of any security in your Account and not be obligated to join any person involved in the operation of the applicable Program, or any other Client of the applicable Program, as a condition precedent to initiating such proceeding. We will provide you with periodic monitoring and reporting of your portfolio's performance. A Client request to establish or terminate program services, including contribution and withdrawal activity, is not considered a market order due to the administrative processing time needed to establish your advisory Account. We will initiate Program services for new Advisory Program Accounts within a reasonable amount of time, generally within 15 days, after your execution of any required Account documentation, approvals, and funding of the account. Until we initiate Program services with respect to a new Advisory Program Account, your assets will be held in a brokerage Account for which you will be solely responsible for making any investment decisions with respect to the assets. During such time, we will not act as an investment adviser with respect to the assets. If you transition from one Program to another, we will execute the transition within a reasonable amount of time, generally within 15 days, after our receipt of your instruction to make the change. As part of a transition from one Program to another and until such a transition is complete, a transitioning Account may for a reasonable period of time, generally not exceeding 15 days, hold positions that do not directly align with the newly selected Program. As a result, transitioning Accounts may be subject to market volatility in a manner that is different than that associated with the prior or newly selected Program. A transitioning Account will continue to be subject to the fees associated with the Program that it is being transitioned from until the transition is complete. As described below in the "Other Financial Industry Activities and Affiliations" section, we are engaged in a wide range of securities services. The advice given and action taken in the performance of our duties to you will differ from advice given, or the timing and nature of action taken, with respect to other Program Clients and/or Clients in other advisory Programs.

## **Client Directed Programs**

### **Asset Advisor Program**

Asset Advisor is a non-discretionary, Client directed investment Program in which your Investment Advisory Representative ("IAR") provides investment recommendations based on your investment objectives, financial situation, and risk tolerance. You have the option of accepting these recommendations or selecting different investments for your Account.

Most types of securities are eligible for purchase in an Asset Advisor Account including, but not limited to, common and preferred stocks, exchange-traded funds ("ETF"), closed-end funds ("CEF"), fee-based unit investment trusts ("UIT"), corporate and government bonds, certificates of deposit ("CD"), options, structured products, and certain open-end mutual funds whose shares can be purchased at net asset value. Collectively, these are referred to as "Program Assets." Program eligible mutual funds include, at any given time, asset allocation funds, alternative strategy mutual funds or other select funds that utilize derivatives, short-selling, leverage, and other strategies to meet stated investment objectives, enhance diversification, hedge risks, accentuate returns or facilitate certain market exposures or more dynamic allocation changes.

Certain mutual funds that cannot be purchased at net asset value are not eligible as Program Assets and are referred to collectively as "Excluded Assets" (also known as "Non-Program Assets"). If you

purchase or sell Excluded Assets in your Account, these transactions will incur commissions or charges.

While new-issue CDs are an eligible Program Asset, the yield of new-issue CDs considers a sales concession to compensate the brokerage firms that sell the CDs. For certain advisory Accounts, the underwriter retains this sales concession. Although we do not receive the sales concession, it has an impact on the overall yield paid to you. Since we charge an advisory fee on all eligible assets within an advisory Account, you are effectively charged both the sales concession (retained by the underwriter) and the advisory fee on the CD. These charges reduce the overall yield on the CD, and, in some cases, this results in a negative yield. You should be aware that you could obtain the same CDs without being subject to the advisory fee if you purchase it in a non-advisory brokerage Account.

### **Custom Choice Program**

Custom Choice is a non-discretionary investment advisory Program designed to help you allocate your assets among open-end mutual funds in accordance with your individual investment goals, objectives, and expectations. Based on your investment objectives and risk tolerance, your IAR will recommend an appropriate mix of open-end mutual funds and money market funds and target allocation percentages. Program eligible mutual funds include, at any given time, asset allocation funds, alternative strategy mutual funds or other select funds that utilize derivatives, short-selling, leverage, and other strategies to meet stated investment objectives, enhance diversification, hedge risks, accentuate returns or facilitate certain market exposures or more dynamic allocation changes.

You have the option of accepting any of our recommendations or selecting an alternative combination of funds. We will implement your investment decisions, but will not have investment discretion over your Account, except for the limited discretion to rebalance your target asset allocation if you authorize us to do so. Over time, as changes occur in the financial markets and/or your investment objectives and circumstances, we may recommend changes in your portfolio. In making these recommendations, we will take the updated information into consideration. In a taxable Account, you are advised that your decisions relating to investments in mutual funds will have tax consequences that should be discussed with your tax advisor.

To maintain your portfolio in line with your target asset allocation, you may authorize us to rebalance your Account using our automated Rebalance Trading System. See the description of the Rebalance Trading System below. You can set your Account to rebalance on a quarterly, semi-annually, or annually basis.

### **Rebalance Trading System**

Clients may request periodic rebalancing of the mutual funds in their Account. We can rebalance your Account either at predetermined intervals (e.g., annually) or when you direct us to do so. The Rebalance Trading System reviews the actual allocation of mutual funds in your Asset Advisor or Custom Choice Account versus the target allocation established for your account. Generally, subject to certain minimum constraints, if any of the funds in your Account vary by more established percentages from your Target Allocation on the predetermined interval you selected, we will rebalance the Account by initiating sell and buy transactions. We can change these tolerance percentages without notice. You are aware that any transactions initiated to rebalance these assets will cause you to incur tax consequences. The Rebalance Trading System will not rebalance any assets that are not offered through the Programs (i.e., "Excluded Assets or Non-Program Assets").

### **Investment Advisory Representative ("IAR") Directed Programs**

For Private Investment Management ("PIM"), certain specially trained IARs (called Portfolio Managers) provide investment advisory and brokerage services to your Account on a discretionary basis. As a minimum criterion for providing advisory services, we require our Portfolio Managers to

possess satisfactory past business experience, plus any required industry examinations and registrations. Unless they possess satisfactory portfolio management experience, they must also attain established firm or industry experience levels and complete an independent specialized portfolio management class.

### **Private Investment Management ("PIM") Program**

Private Investment Management ("PIM") is based on both fundamental, quantitative, and other independent research. Allowable securities include stocks, bonds, cash, Program eligible mutual funds, ETFs, CEFs, fee based UITs, CDs and covered options ("Program Assets"). PIM eligible mutual funds include asset allocation funds, alternative strategy mutual funds or other select funds that utilize derivatives, short-selling, leverage, and other strategies to meet stated investment objectives, enhance diversification, hedge risks, accentuate returns or facilitate certain market exposures or more dynamic allocation changes. Individual PIM Portfolio Managers develop specific investment strategies using a mix of these analytic methods. They also establish quality and concentration requirements to provide overall discipline. Such strategies ordinarily include long and short-term securities purchases and, depending on your objectives and the Portfolio Manager's investment philosophy, supplemental covered option writing. In special circumstances, the strategies also include margin transactions, other option strategies and trading or short sale transactions.

Some Portfolio Managers follow the investment recommendations that are the basis for investment decisions from third-party research to assist in developing security selections. When seeking to anticipate trends and identify undervalued securities with sound fundamentals, our Portfolio Managers may also use a security selection and portfolio modeling process that incorporates fundamental, technical, and statistical analyses of historical data. Due to any number of factors, including timing of client asset deposits, investment selection process or client investment needs, certain clients receive different execution prices and investment results.

### **Portfolio Manager Termination**

If for any reason your Portfolio Manager is unable to provide investment advisory services to your Account, the Firm will attempt to transfer the Account to another IAR to act as Portfolio Manager, and you will be notified of any such transfer. If we are unable to transfer your Account to another IAR who is eligible to provide investment services to the Account, then we will terminate the Account in accordance with the terms of the Agreement and you will be notified of such termination.

### **Fees and Compensation**

Asset Advisor, Custom Choice and PIM charge a "Wrap Fee" ("Program Fee") on Eligible Program Assets that covers advisory, execution, custodial, and reporting services. The Program Fee is negotiable between you and your IAR. The total Program Fee (including any Manager fees) will not exceed 2.50% of assets under management on an annualized basis. For transactions in Excluded Assets, you will pay all our usual and customary commissions, transaction fees and other charges. Excluded Assets are not included in the calculation of the Program Fee. Commissions and fees on Excluded Assets and other charges will be assessed against your Account on or about the transaction date or another date when assessed by us. See below for details on fee exclusions, calculations, refunds, and other information.

<u>Program</u>	<u>Maximum Program Fee<sup>1</sup></u>	<u>Minimum Quarterly Program Fee</u>	<u>Minimum New Account Opening Values</u>
Asset Advisor		\$125 <sup>2</sup>	\$25,000

Custom Choice	2.50%	\$75	\$25,000
Private Investment Management ("PIM")		\$250	\$50,000

<sup>1</sup> Annualized, calculated on your Account Value.

<sup>2</sup> Minimum Quarterly Program Fee (Prior to May 2011) is \$250

Some Accounts opened prior to June 9, 2017, are subject to a different fee schedule. Please consult the Program Features and Fee Schedule of your Client Agreement.

Client should note that the minimum Program Fee could cause your Program Fee (expressed as a percentage) to be greater than the maximum Program Fee stated above, or the Program Fee stated in your Client Agreement. At our discretion, we can choose to waive the minimum fee.

### **Fees and Compensation - Additional Information**

The negotiated Program Fee is documented on the Program Fee schedule.

The initial Program Fee is calculated as of the date that the Account is accepted by our Firm into the Program and covers the remainder of the calendar quarter. There is usually a short delay between account inception and initial investment transactions. Subsequent Program Fees will be determined for calendar quarter periods and shall be calculated based on the Account Value on the last business day of the prior calendar quarter.

No fee adjustment will be made to the Program Fee during any fee period for appreciation or depreciation in the value of the assets in your Account during that period. The Account will be charged or refunded a prorated quarterly Program Fee on any net additions or net withdrawals in the Account. Program Fees will be charged or refunded if the net addition or net withdrawal would generate a fee or refund of at least \$40 for that quarter. Program Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the assets in your Account on the date stated and other than those fees we will not otherwise be compensated based on a share of capital gains upon or capital appreciation of the funds or any portion of your funds (i.e., performance fee). No adjustment will be made to the fee for cash and/or securities added or withdrawn if the Account terminates prior to our monthly fee adjustment for such activity.

### **General Information About Fees for Program Services**

You should be aware that fees charged for the Program could be higher or lower than those otherwise available if you were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory service provided. Advisory Programs typically assume a normal amount of trading activity and, therefore, under circumstances, prolonged periods of inactivity will result in higher fees than if commissions were paid separately for each transaction. The overall costs associated with your relationship with us (and the compensation we receive) vary depending on several factors, including:

- Your particular investment advice requirements and product preferences
- The value of your Account or household relations with us
- The frequency of trades and other account activity
- The type, scope, and frequency of services provided.

The Program Fee is negotiable based upon these and other subjective factors, as well as our point-in-time views of the prevailing market prices for similar investment services. As a result of negotiated Program Fees, certain Clients have a lower Program Fee for their Accounts than other Clients.



If you liquidate securities prior to initiating or after terminating Program services, you will be subject to customary brokerage charges with respect to that transaction, in addition to any fees for Program Services that are applicable during the period. For eligible securities purchased previously in a brokerage account and subsequently moved into an advisory Account, these securities will be included in the calculation of fees for Program services.

A portion of the Program Fee will be paid to our IARs in connection with the introduction of Accounts as well as for providing Client-related services within the Programs. This compensation could be more or less than a IAR would receive if you paid separately for investment advice, brokerage, and other services. If an IAR wishes to discount the Program Fee below certain levels, they can do so under certain circumstances. IARs generally will earn reduced compensation resulting from the discount. This creates an incentive for IARs to not discount.

In an advisory Account, you pay fees based on the value of assets in your Account. The investment advisory Program agreement outlines the amount of your fee. These fees are generally paid quarterly, in advance. Certain advisory Programs have higher total fees than other advisory Programs based on several factors including, but not limited to, management fees, and administrative fees. A conflict of interest exists to the extent that we have a financial incentive to recommend a particular advisory Program that results in additional or greater compensation to us.

Unless agreed to otherwise in writing, you authorize us to deduct fees at the rates indicated in the Fee Schedule for your Program quarterly from your Account(s). The Program Fee will generally be applied in advance. For the purposes of calculating fees in the Custom Choice Program, "Account Value" shall mean the sum of the long market value of all Program eligible mutual funds, including accrued income. For the purposes of calculating fees in the Asset Advisor and Private Investment Management "Account Value" means the aggregate value of all eligible long positions, including accrued income, cash, and cash alternatives held in the Account, offset by the value of the short positions held in the Account. When you initially enter a short position, the cash proceeds from the short sale will not affect your Account Value for billing purposes, but once the value of the short position changes, this change will be reflected in your Account Value. Accordingly, if your Account has a short position that reflects an unrealized gain, the Account Value will increase by the amount of that unrealized gain. Similarly, an unrealized loss will reduce your Account Value by the amount of such loss. Note that if you use the proceeds of a short sale to purchase additional securities, those securities are included in the long positions used to calculate your Account Value.

Margin debit balances do not reduce the Account Value and purchasing eligible securities with proceeds from a margin loan increases your Account Value by the value of those positions. If the margin loan proceeds are reinvested in securities, the Account Value will be affected by any changes in the value of those securities. You will also be charged margin interest on the debit balance in your Account. Margin interest is in addition to the Program Fee. The interest charges, combined with the Program Fee, may exceed the income generated by the assets in your Account and, as a result, the value of your Account may decrease.

In determining the Account Value, we will use the closing prices or, if not available, bid prices of the last recorded transactions for listed securities, options, and over-the-counter securities. For mutual funds, we will use the fund's most current net asset value, as computed by the fund company. We will use information provided by quotation services believed to be reliable in determining the Account Value. If any such prices are unavailable or believed to be unreliable, we will determine prices in good faith to reflect our understanding of fair market value.

The Program Fee will be applied to cash alternatives (i.e., money market funds) held inside the Account (except for the Custom Choice Program). Due to trade date or settlement date accounting, the treatment of accrued income, short positions and other factors, the Account Value used in the

calculation of fees could differ from that shown on your monthly Account statement and/or performance report. For more details on *Program Fee on Cash Balances*.

Whenever there are changes to your fee schedule, the schedule charges previously in effect shall continue until the next billing cycle. We can amend your Client Agreement at any time. Any changes we make to your Client Agreement will be effective after 15 days written notice to you. Your continued use of the services indicates your agreement to the modified terms.

### **Market Timing in Mutual Funds**

Market timing is defined as excessive short-term purchase and sale transactions or exchanges with the intention of capturing short-term profits in violation of the terms of the fund's prospectus. We will not support market timing strategies or activities for mutual funds or any extreme trading activity that we deem, in our sole discretion or by direction of the fund company, detrimental to the interest of average mutual fund shareholders, or contrary to the policies or interest of mutual fund companies with whom we maintain relationships. We, in our sole discretion or by direction of the fund company, reserve the right to reject any transactions or to assess a redemption fee for any partial or full liquidation executed in which the Account trading appears to be inconsistent with the fund's prospectus. Furthermore, when asked by a fund company, we will cooperate and aid in its attempt to identify and impede the efforts of anyone engaged in market timing or extreme trading activity. If the fund company notifies us to reject or cancel a trade for any reason, we reserve the right to cancel it without prior notice to you or any other Client. We will not be held accountable for any losses resulting from market timing activities or any action taken under our market timing policies. Finally, the frequency of mutual fund transactions and exchanges is subject to any limits established by the applicable mutual funds and us.

### **Margin Loans and Securities-Based Loan Programs**

You may be eligible to use margin in your non-retirement Accounts or pledge your non-retirement Account assets as collateral for margin loans ("Margin Loans"). You may also be able to pledge your non-retirement Account assets as collateral for loans obtained through certain unaffiliated loan programs ("Securities-Based Loan Programs"). It is important that you fully understand the costs, risks, and conflicts of interest involved in pledging your Account assets for a Margin Loan or Securities-Based Loan.

### **Margin Loans**

Margin accounts are offered where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider that: (i) if you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account, or withdraw funds; and (ii) you are using the investments that you own in the account as collateral.

Certain Advisory Programs may permit margin borrowing and trading. We will not extend margin in an advisory Account unless authorized by you through a separate margin agreement. You are responsible for notifying us if you decide that you no longer want to use margin in your Account. You may also discontinue use of margin in your Account according to the terms of the Client Agreement. We are not responsible for any losses resulting from our failure or delay in implementing such instructions.

- Margin Loans Are Subject to Separate Terms and Conditions. If you take out a Margin Loan, the terms, and conditions applicable to the Margin Loan are governed by the Margin Disclosure Statement and the Client Agreement. You should carefully review the terms, conditions, and risk disclosures for Margin Loans and understand that such risks are heightened in the event you hold a concentrated position in your pledged Account or if your pledged Account makes up all, or substantially all, of your overall net worth or investable assets. Certain eligibility requirements must

be met, and documentation in the form of a separate margin agreement must be completed prior to using margin.

- Costs Are in Addition to Advisory Fees. As discussed above, if you use margin to purchase additional securities, your Account Value increases and therefore the amount of fees you pay will increase. You will also be charged margin interest on the debit balance in your Account, which is in addition to the Program Fee. This results in additional compensation to us.

Money borrowed in a margin account is charged an interest rate that is subject to change over time. This interest payment is in addition to other fees associated with your account. Pershing and Steward Partners, in its capacity as a broker/dealer, charges interest on margin loans to clients. Under its agreement with Pershing, Steward Partners sets the interest rate for margin loans in a range up to 300bps above the Pershing base lending rate depending on the amount of the margin advance. Steward Partners has a conflict of interest in recommending to you a margin loan because Steward Partners (in its capacity as a broker-dealer) receives a markup on the interest charged on the loan.

- The interest charged on a Margin Loan can be higher than the interest charged on Securities-Based Loans, or lending services provided by third parties.
- We Have an Incentive to Recommend the Use of Margin. The increased asset-based fee and interest that you pay on a Margin Loan provides an incentive for your IAR to recommend the use of margin. Your IAR also has an incentive to use margin to purchase additional securities and other assets instead of selling existing securities or other assets. We address these conflicts by disclosing them to you.
- Margin Loans May Not Be Suitable for You. Using margin is not suitable for all investors. As described in the next paragraph, the use of margin increases leverage in your Account and therefore increases risk to a portfolio. We generally believe the use of margin is most appropriate when short in duration. Before deciding to use margin, you should consider the intended duration and total cost of the Margin Loan, as well as other options available to you, such as alternative loan options or liquidating your Account assets.
- Using Margin Involves Higher Risks. Generally, we believe that the use of margin adds risk to a portfolio that you should not assume unless you are prepared to experience significant losses. Losses in the value of an asset purchased on margin will be magnified because of the use of borrowed money. You can lose more funds than amounts deposited in margin accounts. In addition, you generally will not benefit from using margin unless the performance of your Account exceeds interest expenses on the Margin Loan plus advisory fees incurred. You should also understand that the use of margin can negatively impact our ability to rebalance your Account. You should carefully consider whether the additional risks are appropriate prior to using margin due to the increased potential for significantly greater losses associated with using margin. You assume full responsibility for the use of margin in your Account. **Please see the Margin Disclosure Statement and the Client Agreement for more details on the risks of margin use. You should read this documentation carefully.**

### **Securities-Based Loan Programs**

You may pledge your Account assets as collateral for Securities-Based Loan Programs with our consent and where you are eligible under the programs. For your Account to be eligible to serve as collateral for a Securities-Based Loan, your Account may not also serve as collateral for a Margin Loan. If you wish to use your Account as collateral for a Securities-Based Loan, we will automatically discontinue the availability of margin for your Account.

There are risks, costs, and conflicts of interests associated with Securities-Based Loan Programs. You are encouraged to speak with your IAR to the extent you have questions about how your Account

may be used in connection with a Securities-Based Loan Program and how such arrangement should be taken into consideration when discussing the management of your Account.

- Securities-Based Loan Programs Are Subject to Separate Terms and Conditions. If you have elected to participate in a Securities-Based Loan Program, the terms, and conditions applicable to that Securities-Based Loan Program are governed by the applicable Securities-Based Loan documents and other service agreements and are not included or described further in this brochure. You should review carefully the terms, conditions and any related risk disclosures for the Securities-Based Loan Program and understand that risks are heightened in the event you hold a concentrated position in your pledged Account or if your pledged Account makes up all, or substantially all, of your overall net worth or investable assets. Certain eligibility requirements must be met, and documentation must be completed prior to obtaining Securities-Based Loans.
- Interest Rates for Securities-Based Loan Programs Differ. In certain circumstances, more than one Securities-Based Loan Program product may be available to you. The interest rate charged for the Securities-Based Loan may be higher than interest rates available through other loan programs from unaffiliated financial institutions. The Securities-Based Loan through our custodial relationships are generally more profitable for us than other loan programs from other financial institutions and gives us an incentive to recommend these Securities-Based Loan Programs.
- Costs Are in Addition to Advisory Fees. The costs, including interest, associated with a Securities-Based Loan Program are not included in the Program Fee and will result in additional compensation to us and our IARs. The interest charges on your Securities-Based Loan Program, combined with the Program Fee, may exceed the income generated by your pledged Account assets and, as a result, the value of your Account may decrease. You are encouraged to carefully consider the total cost of taking out a Securities-Based Loan, and any additional compensation that we and your IAR will receive, when determining to take out and/or maintain a Securities-Based Loan against your Account assets.
- We Have an Incentive to Recommend the Use of Securities-Based Loan Programs. Since SPIS and your IAR are compensated through asset-based advisory fees paid on your Account, we benefit if you draw down on your Securities-Based Loan, which preserves asset-based advisory fee revenue and generates additional loan-related compensation, rather than sell securities or other investments in your Account, which would reduce the assets in your Account and our asset-based advisory fee revenue. This presents a conflict of interest for your IAR when addressing your liquidity needs. In addition, where a Securities-Based Loan is secured by both brokerage and advisory assets, a IAR will benefit if your brokerage assets are liquidated prior to or instead of your advisory assets because the IAR would be able to maintain advisory Account assets subject to the Program Fee. We address these conflicts by disclosing them to you.
- Securities-Based Loan Programs May Not Be Suitable for You. There are other lending products that may be suitable for you and for which we and your IAR would receive different or no compensation. You are responsible for independently evaluating if a Securities-Based Loan is appropriate for your needs, if the lending terms are acceptable, and whether the Securities-Based Loan will have potential adverse tax or other consequences for you.
- There Are Limitations on the Use of Securities-Based Loan Proceeds. Except for margin accounts, where the loan proceeds can be used to purchase, carry, or trade securities, the proceeds of Securities-Based Loan may not be used to (a) purchase, carry, or trade securities or (b) reduce or retire any indebtedness incurred to purchase, carry, or trade securities. If your Account is used as collateral for a Securities-Based Loan, the Account is pledged to support the Securities-Based Loan and you are not permitted to withdraw funds or other assets from your Account unless enough collateral remain to continue supporting the Securities-Based Loan (as determined under the applicable Securities-Based Loan Program). Although you are required to satisfy such collateral requirements, you can terminate your advisory relationship with SPIS, at which time the funds and assets in your Account will be treated as a brokerage account at SPIS and the collateral requirements for the Securities-Based Loan will continue to apply.

## **Additional Considerations Associated with Pledging Advisory Account Assets for Margin Loans and Securities-Based Loans**

In addition to the risks mentioned above, if your Account assets are pledged or otherwise used as collateral for Margin Loans or Securities-Based Loans, the exercise of our rights and powers over your Account assets, including the disposition and sale of any and all assets pledged as collateral, may be contrary to your interests and the investment objective of your Account.

- There Are Collateral Maintenance Requirements. When you use margin to purchase securities or draw down on a Securities Based Loan, your Account assets serve as collateral. We can increase our “house” maintenance requirements or call your Margin Loan or Securities Based Loan at any time and for any reason and are not required to provide you with advance written notice. If your Account assets decline in value, so does the value of the collateral. If the required collateral is not maintained, you may need to deposit additional cash or securities as collateral or repay a partial or entire amount of the funds borrowed on short notice. You are not entitled to an extension of time on a margin call. The lender may refuse to fund any advance request due to insufficient collateral. Where the lender assigns different release rates to different asset types, you may be able to satisfy collateral maintenance requirements by selling securities with a low release rate and investing and/or holding the proceeds in assets that have a higher release rate for the loan.
- Liquidation of Securities in a Maintenance Call. Failure to promptly meet requests for additional collateral or repayment, or other circumstances including but not limited to a rapidly declining market, will cause the liquidation of some or all the collateral supporting any Margin Loans or Securities-Based Loans to meet the maintenance requirements. We can sell your Account assets without contacting you. We are not required to notify you of a maintenance call. You will be responsible for any shortfall if your Account assets are insufficient to cover the maintenance deficiency. Even if we have notified you and provided a specific date by which you can meet a maintenance call, we can still take necessary steps to protect our financial interests, including immediately selling your Account assets without notice to you. You should understand that because your Account assets are collateral for the Margin Loans or Securities-Based Loans, in selling such assets, we will seek to protect or advance our interests over your interests. You should expect that our interests will not be aligned with – and will be adverse to – your interests when we sell assets during a maintenance call, and that we may sell assets that you desire to keep or sell them at prices that may be less than the value that we or you believe the assets are worth. You are not entitled to choose which Account assets are liquidated or sold to meet a maintenance call. If there are Account assets that you desire to own during the term of your Margin Loan or Securities-Based Loan, you should not pledge them as collateral. Depending on market circumstances, the prices obtained for your Account assets may be less favorable and may be less than the value that we or you believe the assets are worth. If a margin or maintenance call cannot be fully satisfied from your Account assets, you remain liable for the outstanding debt.
- Impact of Margin and Maintenance Calls on Management of Your Account. In a maintenance call, we might liquidate Account assets that you, your IAR or your third-party Manager otherwise would not sell, and that might not otherwise be in your best interests to sell, and you might not get to choose the assets that are liquidated. We or a third-party Manager will seek to manage your Account as agreed under your advisory Client Agreement and applicable Program Features and Fee Schedule, provided that, if a maintenance call takes place, you should expect that we or your third-party Manager will not be able to manage your Account consistent with our or the third-party Manager’s overall strategy. In addition, to preserve sufficient collateral value to support the loan and avoid a maintenance call, depending on your leverage, a IAR may be inclined to invest your account in more conservative investments, which may result in lower investment performance than more aggressive investments (depending on market conditions). We mitigate this risk by requiring and monitoring to ensure that your Account is managed consistent with your respective investment strategies.
- No Legal or Tax Advice. SPIS and your IAR do not provide legal or tax advice. You should consult with your own Legal counsel and independent tax advisor before using securities as collateral for



loans in order to fully understand the tax implications associated with pledging your Account as loan collateral and the potential liquidation of pledged assets.

### **Other Account Fees**

The fees for Program services do not include certain dealer markups or markdowns, odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic) when applicable, ADR custodial pass through fees, foreign financial transaction taxes when applicable, and any other fees required by law. Cash balances in an Account may be invested in money market mutual funds including, as permitted by law, those with which we have agreements to provide advisory, administrative, distribution, and other services and for which we receive compensation for the services rendered. You should understand that, depending on interest rates and other market factors, the yield that you earn on cash and cash alternatives, including cash sweep funds, CDs and money market funds in an Account, have been, and may continue in the future to be, lower than the aggregate fees and expenses you pay with respect to cash held in an Account (including the Program Fee and any fee and expenses you bear as an investor in a cash sweep vehicle. As a result, you may experience a negative overall investment return with respect to cash held in an Account. Furthermore, in some instances, the effective yield of a cash sweep may be negative.

If you invest in foreign stocks or American depository receipts ("ADRs"), you will be subject to foreign tax withholding on the dividends paid or interest earned. An ADR represents underlying shares of a foreign corporation which are held and issued by a bank. While ADRs are traded on U.S. markets, the income and tax withholding are subject to the rules and regulation of the foreign tax authorities with jurisdiction over the underlying corporation. When dividends or interest is paid to investors on such foreign securities, the tax authorities for that country requires the payor to withhold taxes for certain foreign investors. This can negatively impact the rate of return on your investment. U.S. clients could be eligible to reclaim a portion of foreign taxes that are withheld and/or receive a preferential foreign tax rate on foreign securities by filing specific tax forms seeking such relief. We do not provide tax advice. Please consult your tax advisor for specific information on foreign tax withholding, your eligibility to reclaim a portion of taxes withheld and/or receiving a preferential foreign tax rate and the costs associated with these filings.

Any non-brokerage fees that are not included in the fees for Program Services will be charged to your Account separately.

Your IAR may suggest that you use other products and services that we offer, but that are not available through the Program you select ("Excluded Assets" or "Non-Program Assets"). Excluded Assets are not charged a Program Fee and are not considered a part of the Program or Program services. We generally recommend that you hold these Excluded Assets in a separate brokerage Account. If an Excluded Asset purchased for or transferred into your Account later becomes a Program Eligible Asset, the Program Fee will apply to that Asset without prior notice to you. In Asset Advisor, if that Asset is a mutual fund, it may then become subject to the Rebalance Trading System. You will incur any usual and customary brokerage charges and fees imposed on transactions in Excluded Assets which could include (i) any dealer markups and odd lot differentials, transfer taxes, and other fees; (ii) margin interest and operational fees and charges; (iii) any redemption fees, exchange fees and/or similar fees (among which SEC fees are included) imposed in connection with mutual fund transactions whereby we or your IAR receive additional compensation on these Excluded Assets. Where these fees apply, the more transactions you enter, the more compensation that we and your IAR receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. We also have an incentive to recommend that you purchase investment products that carry higher fees, than investment products that carry lower fees or no fees at all.

### **Mutual Funds and Exchange-Traded Funds in Advisory Programs**

When structuring our advisory Program offerings, through our arrangement with FCC, the universe of mutual funds and ETFs that will be made available to advisory Program Clients. Although mutual fund companies typically offer multiple share classes of each of their mutual funds with varying levels of fees and expenses, generally a single share class of each mutual fund is chosen for our advisory Program platform.

The advisory Programs do not seek to offer mutual funds or share classes that are necessarily the least expensive. Investing in mutual funds will generally be more expensive than other investment options available in your advisory Account, such as ETFs. In addition to the Program Fee, you will also bear a proportionate share of each fund's expenses, including investment management fees that are paid to the fund's investment adviser. These expenses are an additional expense to you and not covered by the fees for Program services; rather, they are embedded in the price of the fund. You should carefully consider these underlying expenses, in addition to the Program Fee, when considering any advisory Program and the total compensation we receive.

Other funds and share classes may have different charges, fees, and expenses, which may be lower than the charges, fees, and expenses of the funds and share classes we make available. These funds and share classes are available through other broker-dealers and financial intermediaries, and the Funds directly, including where lower-cost share classes are made available. An investor who holds a less-expensive share class of a fund will pay lower fees over time – and earn higher investment returns – than an investor who holds a more expensive share class of the same fund.

Most of the mutual funds that are included on our advisory Program platform do not pay us 12b-1 fees.

We seek to address these conflicts of interest through a combination of disclosing it to you.

Over time, given funds may offer share classes with lower fees. In these instances, FCC will determine, from time to time in their discretion, whether and in what manner to offer these share classes to our advisory Clients. This may result in shares you own of the given fund being converted to the share class with lower fees or such share class with lower fees being available only for new purchases.

### **Account Termination**

You or we may terminate an Advisory Program Account by notifying the other party in writing of the Advisory Program Account to be terminated and termination will become effective upon the receipt of the notice. If an Advisory Program Account is terminated, we will make a pro-rata refund to you of fees paid to us pursuant to the Agreement for the period after the date of effectiveness of such termination through the end of the then current fee period.

If you choose to terminate your Agreement with any of our investment advisory Programs, we can liquidate your Account if you instruct us to do so. If so, instructed we will liquidate your Account in an orderly and efficient manner. We do not charge for such redemption; however, you should be aware that certain mutual funds impose redemption fees as stated in their fund prospectus. For taxable Accounts, you should also keep in mind that the decision to liquidate security issues or mutual funds will result in tax consequences that should be discussed with your tax advisor.

We will not be responsible for market fluctuations in your Account from the time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner. Factors that affect the orderly and efficient liquidation of an Account might be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable, and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate

an advisory Account, termination orders cannot be considered market orders. It could take several business days under normal market conditions to process your request.

Upon termination of the Account or transfer of the Advisory Share Class into a SPIS retail brokerage account, you authorize us to convert, at our discretion, the Advisory Share Class to the mutual fund's primary share class, typically A shares, without incurring a commission or load without your prior consent. You understand that the primary share class generally has higher operating expenses than the Advisory Share Class, which will negatively affect your performance. Certain mutual fund shares are required to be redeemed as part of the Account termination, as stated in their prospectus.

If a Program Account is terminated, but you maintain a brokerage Account with us, the money market fund used in a "sweep" arrangement could be changed and/or your shares exchanged for shares of another series of the same fund. You will bear a proportionate share of the money market fund's fees and expenses. You are subject to the customary brokerage charges for any securities positions sold in your Account after the termination of Program services.

### **Program Fee on Cash Balances**

Your IAR may maintain cash and cash equivalent positions (such as cash sweep, money market funds or CDs) for defensive and liquidity purposes or for dollar cost averaging. If warranted, we will bill on the cash balance based on the investment strategy.

You should understand that the portion of the account held in cash will experience negative performance if the applicable Program Fee charged is higher than the return received on the cash sweep balance.

You should periodically re-evaluate whether their maintenance of a cash balance is appropriate considering your financial situation and investment goals and should understand that this cash may be held outside of your advisory account and not subject to Program Fees.

### **Fee Payments through the Custodian**

At the inception of the relationship and each quarter thereafter, we will notify your Custodian of the amount of the fee due and payable to us through our fee schedule and contract. They will "deduct" the fees from your Account(s) you have designated to pay our advisory fees. If there is activity, each month, you will receive a statement directly from your Custodian showing all transactions, positions, and credits/debits into or from your account; the statements after the quarter end will reflect these transactions, including the Program Fee paid by you to us. At a minimum, you will receive statements quarterly. You should carefully review your statements for accuracy and notify us immediately with any questions or concerns.

### **Cash Sweep Program**

SPIS receives various revenue streams, including, but not limited to substantial revenue sharing payments from Pershing based upon clients' cash sweep balances. The Firm's receipt of these and other revenue streams through its custodial relationship supports and defrays the costs the Firm has related to the ongoing operational and administrative maintenance of client accounts and compensates us for the various services it provides in its role as broker-dealer of record and/or program sponsor for such client accounts. Cash Sweep program(s) should not be viewed as a long-term investment option and are solely used to hold uninvested cash balances.

This compensation structure creates a conflict of interest because cash sweep elections will impact both what you receive in interest and what the firm receives in compensation. The Standard Bank Deposit Sweep. Standard Bank Deposit Sweep will be more profitable to us than the Expanded Bank Deposit Sweep, which means we will receive a greater benefit if you select the Standard Bank Deposit Sweep as your Cash Sweep. In addition to disclosing it to you, this conflict is mitigated by



the controls around billing on cash balances. This conflict is further mitigated because SPIS does not share any portion of this revenue with your IAR.

Unless another option is chosen at account opening, the default cash sweep vehicle is the Dreyfus Insured Deposits Program H ("DIDH"). DIDH is an interest-bearing position that is eligible for Federal Deposit Insurance Corporation (FDIC) insurance coverage. It is important to note that DIDH is not an FDIC-insured product. The product is intended to direct the cash balance in your account to multiple participating program banks in a manner intended to secure pass-through FDIC insurance coverage on your balance from each participating bank.

DIDH offers a higher amount of revenue sharing than other available cash sweep options. The receipt of this revenue sharing presents a conflict of interest because the Firm has a financial incentive to have clients utilize the default cash sweep vehicle. This conflict is mitigated by disclosing it to you. Further, clients should note that although a default cash sweep vehicle is selected, clients have the ability to seek higher yields in other available cash sweep vehicles or money market mutual funds.

If you are seeking the highest yield currently available in the market for your cash balances please contact your IAR to discuss investment options available outside of the available sweep features that may be more suitable for your investment goals.

#### **Other Compensation Considerations:**

##### **Investment Advisory Representative Loans**

Steward Partners Global Advisory, LLC, and its affiliates other than Steward Partners Investment Solutions, LLC (collectively, "Steward Partners"), in order to facilitate the recruitment of IARs and the acquisition of existing registered investment advisory firms ("RIAs") offers recruited IARs and the IARs of acquired RIAs recruitment loans (the "Recruitment Loans"). Any Recruitment Loans would be expected to have a term of up to ten (10) years and would be accompanied by an unrelated bonus agreement which would provide the recipient IAR of the loan with monies over a similar period to repay the loan over time (the "Bonus Agreement"). These Recruitment Loans and the Bonus Agreement payments would constitute an additional economic benefit for our IARs. Any IAR or RIAs that are recruited or acquired, as the case may be, can choose any of the available custodian and clearing platforms that we have established.

The receipt of Recruitment Loans presents a conflict of interest because recruited or acquired IARs are incentivized to recommend that clients move their assets to, and continue to utilize the services of, the Firm rather than basing such recommendations on the client's particular needs or best interest. The Recruitment Loans incentivize Steward Partners, the Firm and its IARs to recommend that existing clients begin or continue to utilize the services of our Firm.

This also presents a conflict of interest as our IARs' compensation and Bonus Agreement payments are directly related to the amount of revenue generated from advisory fees and will be higher as more client assets transfer to or remain with us. Please note that our IARs have a fiduciary duty to act in your best interest.

These conflicts are mitigated by disclosing them to you and by requiring that there be a review of your account at account opening and periodically to determine whether it is suitable and in your best interest in light of your investment objectives, financial circumstances, and other characteristics.

## **Growth Award Program**

The Growth Award Program is intended to incentivize IARs who grow their business by providing them with additional equity ownership in our parent company, Steward Partners Management Holdings ("SPMH"). The program incentivizes IAR's who have a certain amount of growth in revenue as determined by the Firm in its sole discretion. An additional award, representing a percentage of the amount awarded to the IARs, may be distributed among the IARs or IAR's Support Staff. This additional award is subject to the Firm's sole discretion and requires management approval. The review period is based on Calendar Year production (January through December). Please contact us for further information on the Growth Award Program.

This program presents a conflict of interest between the IARs and you as a client since, it creates a financial incentive for the IARs to increase their revenue rather than acting in your best interest. However, as a fiduciary, our Firm and IARs have an obligation to always put your interests first. In assessing whether this standard is met, we must determine whether our recommendations and investment strategies are not only appropriate for you but are in your best interests as well. We periodically evaluate the holdings in your account and the advice provided to you to ensure it aligns with your current investment objectives and risk tolerance. In addition, whenever trading may create a conflict of interest, we have an obligation to obtain your informed consent after providing full and fair disclosure of all material facts. While we cannot mitigate the conflict of interest, we believe the disclosures provided herein are sufficient for you to provide us with your informed consent before we engage in trading activity on your behalf.

Any material conflicts of interest between you and our firm, or our employees are disclosed in our Firm Brochure and in this brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or updated brochures.

## **Strategic Partners**

In addition to commissions or asset-based fees, the firm, receives compensation ("marketing support") from the below categories:

- Packaged Products: certain mutual funds, exchange traded funds (ETFs), variable insurance products, fixed insurance products, direct participation programs, alternative investments, and unit investment trusts (UITs)
- Third-Party Managers: certain third-party money managers offered through accounts custodied away from the Broker-Dealer

The above categories are hereinafter referred to as ("Strategic Partner" or "Strategic Partners"). Strategic Partners are selected, in part, based on the competitiveness of their products, their technology, their customer service and their training capabilities. Strategic Partners have more opportunities than other companies to market and educate our Advisory Representatives on investments and the products they offer. Marketing support payments are typically calculated as a fixed fee. Strategic Partners pay Steward Partners and/or its affiliates, differing amounts of marketing support payments, for which the Strategic Partner receives various benefits. You do not pay more to purchase Strategic Partner investment products through Steward Partners than you would pay to purchase non-partner products or those partner products through another broker-dealer. Additionally, marketing support payments received by our firm and/or its affiliates are not paid to or directed to your Advisory Representative. Nevertheless, a conflict of interest exists, in that your Advisory Representative indirectly benefits from Strategic Partner payments when the money is used to support the costs of product review, marketing or training. This conflict of interest is mitigated by the fact that your Advisory Representative does not receive any additional compensation for selling Strategic Partner products, and that the firm maintains policies and

procedures to ensure recommendations are in your best interest.

Our firm will update information regarding Strategic Partners who participate in marketing support arrangements with Steward Partners and/or its affiliates on its website on a regular basis.

For additional information, including specifics on the marketing support amounts, please refer to our Indirect Compensation Disclosure located at <https://www.stewardpartners.com/files/118678/indirect-compensation-disclosure%201-1-2024.pdf>.

From time to time, our firm and/or its affiliates also receives marketing support payments from companies that are not Strategic Partners, generally to cover meetings expenses.

## Item 5 – Account Requirements and Types of Clients

### Account Requirements

The Firm is not opening new accounts under the programs referenced in this brochure at this time. The information in this brochure is provided for information purposes only to clients transitioning out of these programs at the time of the publication of this brochure.

### Types of Clients

The Firm provides portfolio management services to individuals, high net worth individuals, charitable institutions, foundations, endowments, small businesses, limited liability companies, trusts and corporations.

## Item 6 – Portfolio Manager Selection and Evaluation

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

We will use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

**Charting Analysis** - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index, or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data are used to detect departures from expected performance and diversification and predict future price movements and trends.

- **Risk:** Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Technical Analysis** - involves studying past price patterns, trends, and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

- **Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and

its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

- **Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and can have many fluctuations between long-term expansions and contractions.

- **Risk:** The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

- **Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

**Short-Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

- **Risk:** Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of time.

**Short Sales** - Unlike a straightforward investment in stocks where you buy shares with the expectation that their price will increase so you can sell at a profit, in a "short sale" you borrow stocks from your brokerage firm and sell them immediately, hoping to buy them later at a lower price. Thus, a short seller hopes that the price of a stock will go down in the near future. A short seller thus uses declines in the market to his advantage. The short seller makes money when the stock prices fall and loses when prices go up. The SEC has strict regulations in place regarding short selling.

- **Risk:** Short selling is very risky. A short seller will profit if the stock goes down in price, but if the price of the shares increase, the potential losses are unlimited. There is no ceiling on how much a short seller can lose in a trade. The share price may keep going up and the short seller will have to pay whatever the prevailing stock price is to buy back the shares. However, gains have a ceiling level because the stock price cannot fall below zero. A short seller has to undertake to pay the earnings on the borrowed securities as long as the short seller chooses to keep the short position open. If the company declares huge dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Any such occurrence can skew the entire short investment and make it unprofitable. The broker can use the funds in the short seller's margin account to buy back the loaned shares or issue a "call away" to get the short seller to return the borrowed securities. If the broker makes

this call when the stock price is much higher than the price at the time of the short sale, then the investor can end up taking huge losses.

**Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

- **Risk:** If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

**Option Writing** - a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. For puts, the seller must purchase from the buyer a specified number of shares if the buyer exercises the option. The buyer pays the seller a premium (the market price of the option at a particular time) in exchange for writing the option.

- **Risk:** Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

Our investment strategies and advice will vary depending upon each Client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Additionally, your restrictions and guidelines affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

We will not perform quantitative or qualitative analysis of individual securities. Instead, we will advise you on how to allocate your assets among various classes of securities or third-party money managers. We primarily rely on investment model portfolios and strategies developed by the third-party money managers and their portfolio managers. We may replace/recommend replacing a third-party money manager if there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark.

### **Tax Considerations**

Our strategies and investments can have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Moreover, custodians and broker-dealers must report the cost basis of equities acquired in Client accounts on or after January 1, 2011. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate Clients from losses due to market corrections or declines.

We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. All investment programs have certain risks that are borne by the investor. Investors face the following investment risks:

*Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

*Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.

*Inflation Risk:* This type of risk is the chance that future cash from an investment will not be worth as much due to inflation. Inflation is the increase in the price of goods and services, which causes purchasing power to erode.

*Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*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.

*Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

*Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

### **Recommendation of Particular Types of Securities**

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

**Money Market Funds:** A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing



more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

**Certificates of Deposit:** Certificates of deposit ("CD") are generally a safe type of investment since they are insured by the Federal Deposit Insurance Company ("FDIC") up to a certain amount. However, because the returns are generally low, there is risk that inflation outpaces the return of the CD. Certain CDs are traded in the marketplace and not purchased directly from a banking institution. In addition to trading risk, when CDs are purchased at a premium, the premium is not covered by the FDIC.

**Municipal Securities:** Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

**Bonds:** Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return. **Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors. ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In

addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

**Commercial Paper:** Commercial paper ("CP") is, in most cases, an unsecured promissory note that is issued with a maturity of 270 days or less. Being unsecured the risk to the investor is that the issuer may default. There is a less risk in asset based commercial paper (ABCP). The difference between ABCP and CP is that instead of being an unsecured promissory note representing an obligation of the issuing company, ABCP is backed by securities. Therefore, the perceived quality of the ABCP depends on the underlying securities.

**Real Estate Investment Trust:** A real estate investment trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends

**Limited Partnerships:** A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner has management authority and unlimited liability. The general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and their liability is limited to the amount of their capital commitment. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership. The range of risks are dependent on the nature of the partnership and disclosed in the offering documents if privately placed. Publicly traded limited partnership have similar risk attributes to equities. However, like privately placed limited partnerships their tax treatment is under a different tax regime from equities. You should speak to your tax adviser in regard to their tax treatment.

**Private Placements:** A private placement (non-public offering) is an illiquid security sold to qualified investors and are not publicly traded nor registered with the Securities and Exchange Commission. Risk: Private placements generally carry a higher degree of risk due to illiquidity. Most securities that are acquired in a private placement will be restricted securities and must be held for an extended amount of time and therefore cannot be sold easily. The range of risks are dependent on the nature of the partnership and are disclosed in the offering documents.

**Digital Assets:** Digital Assets generally refers to an asset that is issued and/or transferred using distributed ledger or blockchain technology, including, "virtual currencies" (also known as cryptocurrencies), "coins", and "tokens". We may invest client accounts in and/or advise clients on the purchase or sale of digital assets. This advice or investment may be in actual digital coins/tokens/currencies or via investment vehicles such as exchange traded funds (ETFs) or separately managed accounts (SMAs). The investment characteristics of Digital Assets generally differ from those of traditional securities and currencies. Digital Assets are not backed by a central bank or a national, international organization, any hard assets, human capital, or other form of credit and are relatively new to the market place. Rather, Digital Assets are market-based: a Digital



Asset's value is determined by (and fluctuates often, according to) supply and demand factors, its adoption in the traditional commerce channels, and/or the value that various market participants place on it through their mutual agreement or transactions. The lack of history to these types of investments entail certain unknown risks, are very speculative and are not appropriate for all investors.

**Price Volatility of Digital Assets Risk:** A principal risk in trading Digital Assets is the rapid fluctuation of market price. The value of client portfolios relates in part to the value of the Digital Assets held in the client portfolio, and fluctuations in the price of Digital Assets could adversely affect the value of a client's portfolio. There is no guarantee that a client will be able to achieve a better than average market price for Digital Assets or will purchase Digital Assets at the most favorable price available. The price of Digital Assets achieved by a client may be affected generally by a wide variety of complex factors such as supply and demand; availability and access to Digital Asset service providers (such as payment processors), exchanges, miners or other Digital Asset users and market participants; perceived or actual security vulnerability; and traditional risk factors including inflation levels; fiscal policy; interest rates; and political, natural and economic events.

**Digital Asset Service Providers Risk:** Service providers that support Digital Assets and the Digital Asset marketplace(s) may not be subject to the same regulatory and professional oversight as traditional securities service providers. Further, there is no assurance that the availability of and access to virtual currency service providers will not be negatively affected by government regulation or supply and demand of Digital Assets. Accordingly, companies or financial institutions that currently support virtual currency may not do so in the future.

**Custody of Digital Assets Risk:** Under the Advisers Act, SEC registered investment advisers are required to hold securities with "qualified custodians," among other requirements. Certain Digital Assets may be deemed to be securities. Many Digital Assets do not currently fall under the SEC definition of security and therefore many of the companies providing Digital Assets custodial services fall outside of the SEC's definition of "qualified custodian". Accordingly, clients seeking to purchase actual digital coins/tokens/currencies may need to use nonqualified custodians to hold all or a portion of their Digital Assets.

**Government Oversight of Digital Assets Risk:** Regulatory agencies and/or the constructs responsible for oversight of Digital Assets or a Digital Asset network may not be fully developed and subject to change. Regulators may adopt laws, regulations, policies or rules directly or indirectly affecting Digital Assets their treatment, transacting, custody, and valuation.

## **Asset Allocation**

Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be

incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Adviser may recommend professionally managed investment products like low-cost mutual funds and exchange traded funds (ETFs). As with any investment, past performance is not a guarantee of future results. But costs often do affect investment performance. Adviser attempts to use low-cost products whenever possible, such as index funds and ETFs. Clients should always review and understand an investment's key literature such as a prospectus and annual report.

Adviser constructs portfolios based on different risk and return objectives which are reviewed with each client in order to identify the most appropriate portfolio. Adviser's investment strategy involves analyzing global market conditions to determine how best to allocate portfolios. In addition, Adviser conducts manager research in order to identify the most attractive and suitable securities. We take this approach by working with the client to understand their needs.

Adviser believes in the benefits of diversification through asset allocation. While diversification can help to lower a portfolio's overall volatility (significant price changes), investing always involves a risk of loss that clients should be prepared to bear. Adviser therefore attempts to balance reasonable levels of risk with reasonable levels of return to generate the capital necessary to meet client goals. Individual client risk tolerance and risk capacity are also key factors in the investment planning process.

Asset Allocations Not Static:

Depending on the asset allocation approach, and according to your investment needs, assets within your portfolio may periodically be rebalanced or reallocated as recommended by the investment strategy selected for your account. When market returns have caused asset allocations to extend beyond predetermined limits, your portfolio may be rebalanced back to an original target mix. As our economic outlook evolves, assets within your portfolio may also be reallocated to capture opportunities or manage risk. Investments can go down in value. You can lose some, much or all your invested money. Do not invest money you cannot afford to lose.

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### **Services Tailored to Individual Client Needs**

All our investment recommendations for Program Accounts are based on an analysis of your individual financial needs. They are drawn from research and analysis we believe to be reliable and appropriate to your financial circumstances. Each of the advisory services we offer is tailored to a specific type of investor and designed to help meet their individual investment objectives, financial needs, and tolerance of risk. A detailed description of these Programs is provided in the "Services, Fees and Compensation" section.

### **Client Restrictions and Instructions**

We will comply with any reasonable instructions and/or restrictions you give us when making recommendations for your Account. Reasonable instructions generally include the designation of particular securities or types of securities that should not be purchased for the Account, or that should be sold if held in the Account. If your restrictions are unreasonable or if we or your IAR believe that the restrictions are inappropriate, we will notify you that, unless they are modified, we will remove your Account from the Program. You will not be able to provide instructions that prohibit or restrict the investment advisor of an open-end or closed-end mutual fund or exchange-traded funds, with respect to the purchase or sale of specific securities or types of securities within the fund. Upon inception, we generally liquidate your preexisting securities portfolio and bring the Account into conformity with your target allocations. If you wish to hold certain positions for tax or investment purposes, you should consider holding these positions in a separate Account.

### **Proxy and Reorganizations**

For Client Directed Advisory Programs (Asset Advisor and Custom Choice) and the FA Directed Program (Private Investment Management, "PIM") if we become aware of proxy voting in connection with a specific security, our obligations will be limited to forwarding to you any materials or other information regarding the solicitation and acting upon your express instructions to us. We will not proxy vote on your behalf.

## **Item 7 – Client Information Provided to Portfolio Managers**

All Clients must provide information on their investment objectives, financial circumstances, risk tolerance and any restrictions they wish to impose on investment activities. We will notify you in writing at least annually to update your information and indicate if there have been any changes in your financial situation, investment objectives or instructions; and you agree to inform us in writing of any material change in your financial circumstances that might affect the way your assets should

be invested. Your IAR will be reasonably available to you for consultation on these matters and will act on any changes deemed to be material or appropriate as soon as practical after we become aware of the change.

## **Item 8 – Client Contact with Portfolio Managers**

The Firm does not place restrictions on a client's ability to contact and consult with their IAR or Portfolio Manager.

## **Item 9 – Additional Information**

### **Disciplinary Information**

We are both a broker-dealer and investment advisory Firm. The disciplinary events listed below are related to the activities of the broker-dealer, investment advisor or predecessor firms.

For more information on broker/dealer related disciplinary events, please visit: <https://brokercheck.finra.org/>

Our investment advisory disciplinary history is available by going to: <http://www.adviserinfo.sec.gov/>

### **Our Firm and Affiliations**

Steward Partners Investment Solutions, LLC ("SPIS"), a limited liability company organized under the laws of the State of Delaware, is a registered investment adviser primarily based in Portland, OR. We are principally owned by Steward Partners Management Holdings, LLC. We became registered with the Securities and Exchange Commission (the "SEC") on September 28, 2006, as a Registered Investment Advisor. Registration of an Investment Advisor with the SEC does not imply any level of skill or training.

The Firm is both a registered investment advisor and a registered broker/dealer. In our combined role as a Broker/Dealer and a Registered Investment Advisor, we may provide comprehensive financial planning advice to its clients as well as standard broker/dealer services for traditional brokerage accounts. This advice can include cash management, risk management (insurance planning/sales), investment planning (including investment advice, supervisory services and/or portfolio checkups), retirement planning (for employees and employers), and/or estate planning strategies.

Some investment advisors are licensed as insurance agents for an affiliate of Advisor. The conflicts of interest associated with the above arrangements and how these conflicts are addressed are described in Section 5, above. Please also see Item 15 of the ADV Part 2A Firm Brochure– Custody, regarding our clearing and custody relationship with Pershing, LLC.

### **Code of Ethics**

The Firm adheres to the code of ethics in compliance with applicable laws and regulations governing our practices. Additionally, the firm adheres to the code of ethics as promulgated by the Certified Financial Planner Board of Standards. The Firm's Code of Ethics will be provided upon request to any client or prospective client. In brief, the Firm provides professional services with integrity, objectivity, and diligence. Firm Associates maintain the knowledge and skills necessary to provide professional services in a competent manner. The Firm will be fair and reasonable in all professional relationships and disclose any conflicts of interest. The Firm protects the confidentiality of all client information. Firm Associates act in a manner that demonstrates exemplary professional conduct. Persons associated with our firm are also required to report any violations of our Code of Ethics

The Firm has adopted a Code of Ethics for all supervised persons of the Firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons at the Firm must acknowledge the terms of the Code of Ethics annually, or as amended.

The Firm uses the same processes and procedures in developing investment strategies (and other financial services) for clients as for its Associates. Thus, Associates will often invest in the same or other investment products as recommended to clients. Any potential conflicts of interest will be disclosed to clients.

The Firm anticipates that, in appropriate circumstances and consistent with clients' investment objectives, we will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which the Firm, its affiliates and/or clients, directly or indirectly, have a position of interest. The Firm's Associates are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and associated persons of the Firm and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for its clients.

Our clients or prospective clients may request a copy of the firm's Code of Ethics by emailing us at: [info@stewardpartnersis.com](mailto:info@stewardpartnersis.com).

Our Firm has a conflict of interest because it influences both what you receive in interest and what it and its employees receive in compensation on the Standard Bank Deposit Sweep. This compensation is subject to change, and we may waive all or any part of this fee at any time without notice. As a result of the fees and benefits described above, the Standard Bank Deposit Sweep will be more profitable to us than the Expanded Bank Deposit Sweep, which means we will receive a greater benefit if you select the Standard Bank Deposit Sweep as your Cash Sweep.

### **Financial Information**

We have no financial condition that is likely to impair our ability to meet our contractual commitments to you.