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This brochure provides information about the qualifications and business practices of Alesco Advisors LLC (heretofore referred to as "Alesco"). If you have any questions about the contents of this brochure, please contact us at (585) 586-0970. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Alesco is available on the SEC's website at www.adviserinfo.sec.gov by searching for CRD number 108590.

Since Alesco's annual Brochure filing on March 22, 2023, the following material changes have been made to this document:

Item 4 has been amended to remove the language discussing our branch office in Buffalo, New York. As of the date of this filing, the Buffalo, New York branch office is no longer open.

Items 4 & 10 have been amended to remove the language discussing our ownership stake in Layline Advisors, LLC. In December 2023, Alesco sold its ownership stake in Layline Advisors, LLC.

Item 4 has been amended to remove the language discussing our "model program" (also known as an overlay program) arrangement with American Portfolio Advisors, Inc. As of the date of this filing, the arrangement is no longer in effect.

Item 5 has been amended to reflect an updated standard fee schedule.

Items 5 & 14 have been amended to remove language discussing solicitor arrangements with Alesco Advisors. As of the date of this filing, Alesco has no active solicitor arrangements.

Item 8 has been amended to include language discussing investment strategies and risks associated with private fund investments.

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Alesco is a limited liability corporation, with an office located in Pittsford, New York. Alesco was founded in 2000 by James G. Gould, who maintains primary ownership and is also the president. See Alesco's ADV Part 1 for a more in-depth list of individuals with a material ownership interest.

Alesco provides investment management services primarily to institutions (such as foundations, endowments, for-profit organizations, retirement plans, trusts, and estates) and high net worth individuals. In the case of individuals, limited financial, tax, estate and insurance planning are provided to the extent agreed upon by the individuals and Alesco. The planning aspects are conducted in conjunction with the client's other advisors.

Of the clients that Alesco currently services, most clients grant day-to-day management authority to Alesco. This is accomplished through a pre-arranged investment management agreement or with an investment policy statement. Prior to managing client assets, an asset allocation plan is discussed with each client. Other information, such as client investment restrictions, fees (see Item 5), and the client's tax situation, is gathered by Alesco prior to trading the account. Alesco will then make investments for the client with a view to achieving the client's financial goals.

In certain instances, Alesco is hired by a client to perform various consultative services. The extent of these services is pre-determined by Alesco and the client prior to entering into an agreement. Some examples of these services would include, but are not limited to, consolidated reporting, asset allocation recommendations, recommendations on securities held, and retirement plan advisory services (including employee education and security recommendations). In these instances, Alesco may not have discretionary investment authority – it will only make recommendations. Alesco may also act as a subadvisor for clients' accounts. For example, Alesco may share investment advisory responsibilities with another advisor or third-party (such as a retirement plan administrator).

In 2009, Alesco entered into two "wrap" programs. These are programs that combine several services (such as investment management, asset custody, and brokerage commissions) together for a single predetermined "wrap" (or bundled) fee. Generally, clients participating in a wrap fee program pay this single, all-inclusive fee quarterly (or at some other pre-arranged interval) in advance to the program sponsor, based on the net assets under management and any additional investment-related services provided. Alesco receives from the sponsor a portion of the wrap fee for the portfolio management services it provides, that may be less or more than the fees received from direct clients of similar size and mandate. Each program sponsor has prepared a brochure which contains detailed information about its wrap fee program, including the wrap fee charged. Copies of each brochure are available from the program sponsor upon request. The wrap program sponsor has retained Alesco through a separate investment advisory contract. Wrap program clients should note that Alesco will execute transactions for their accounts through the wrap sponsor. Execution prices through a wrap sponsor may be less favorable in some respects than Alesco's clients whose trades are not executed through the wrap sponsor. This is because Alesco may not have the ability to negotiate price or take advantage of combined orders or volume discounts. Wrap program sponsors may limit (or altogether prohibit) Alesco's ability to purchase certain mutual funds that would typically be held in a standard Alesco-managed account. In these instances, a comparable exchange traded fund is used as an alternative. This could have a small effect on the overall performance of the account when compared with non-wrap program accounts.

Alesco participates as an investment manager with discretionary trading authority in the following wrap programs (program sponsors are listed parenthetically):

- LPL Financial Manager Access Select Program (LPL Financial Corporation)
- LPL Financial Manager Select (LPL Financial Corporation)

Separately, in 2011 Alesco entered into a "model program" (also known as an overlay program) arrangement with RBC Wealth Management. Under this program, Alesco provides RBC (known as the program sponsor) with an asset allocation for a model portfolio and provides updates of the model portfolio on a regular basis. RBC has investment discretion to accept, reject, or modify Alesco's trade recommendations and apply them to their clients' accounts. As a result, Alesco does not classify these accounts as discretionary assets under management. RBC is solely responsible to execute transactions and for providing best execution for such trades. RBC receives

payment directly from the client, and compensates Alesco a percentage of the fee received. The program is formally referred to as the Consulting Solutions Program.

We offer an automated investment program (the “Schwab Program”) through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds (“ETFs”) and a cash allocation. The client may instruct us to exclude up to three ETFs from their portfolio. The client’s portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. (“CS&Co”). We use the Institutional Intelligent Portfolios® platform (“Platform”), offered by Schwab Performance Technologies (“SPT”), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Schwab Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, “Schwab”). We, and not Schwab, are the client’s investment advisor and primary point of contact with respect to the Schwab Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Schwab Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Schwab Program. The Platform enables us to make the Schwab Program available to clients online and includes a system that automates certain key parts of our investment process. This system includes an online questionnaire that helps us determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the system in response to the client’s answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The system also includes an automated investment engine through which we manage the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). We charge clients a fee for our services as described below under Item 5 Fees and Compensation. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the Schwab Program. Schwab does receive other revenues in connection with the Schwab Program. We do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts at CS&Co. that are not enrolled in the Schwab Program. If we do not meet this condition, then we pay SPT an annual licensing fee. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Schwab Program be maintained with CS&Co. Schwab Program portfolios managed by Alesco are under no obligation to purchase or sell the same securities that it may be purchasing or selling for other portfolios under its management.

In 2022, Alesco began providing financial planning services for individuals who are not currently investment management clients. For these services, Alesco receives a fixed financial planning fee.

Alesco’s current regulatory Assets Under Management (as stated in its Part 1 of Form ADV) is approximately \$4,430,226,612 as of February 29, 2024. In addition to Alesco’s Assets Under Management, Alesco provides consulting services, where Alesco does not have discretionary (or non-discretionary) trading authority, but provides advice on investment policy, security selection, investment manager analysis, and/or consolidated reporting. Alesco is paid a fee for these consulting services. As of February 29, 2024 the total of these assets was approximately \$793,722,441.

In most cases, client advisory fees are based on assets under management (in certain instances, Alesco will negotiate a fixed fee amount with the client, but these instances are generally rare). Alesco's tiered fee schedule for managed accounts is provided below:

- .90% annually for amounts between \$0-\$500,000
- .60% annually for amounts between \$500,000-\$2,000,000
- .40% annually for amounts between \$2,000,000-\$10,000,000
- .35% annually for amounts between \$10,000,000-\$50,000,000
- .30% annually for amounts above \$50,000,000

Generally, fees are billed semi-annually in advance for a six-month period. Should an account terminate, a prorated rebate will be issued to the client for unearned fees. If the client terminates the Investment Management Agreement within the first five days after both parties have signed, he or she may do so without advance notice and any prepaid fees will be returned in their entirety. Although the fee schedule displayed above represents the standard management fees charged by Alesco, fees may be negotiable. This is determined on a case-by-case basis, and any variation from the above fee schedule must be approved by a senior manager at Alesco. Starting in 2013, clients that are new to Alesco may be charged a minimum management fee that could effectively be higher than the fee that would be generated using the above fee schedule. This would generally apply to accounts that are under Alesco's stated minimum account size. The presence of a minimum fee is fully disclosed to the client prior to signing an investment management agreement with Alesco.

As discussed in Item 4, Alesco participates as an investment manager in two wrap programs and one model (overlay) programs. Though a client participating in these programs does not pay Alesco directly, a portion of the fee that they pay to the program sponsor is paid to Alesco in accordance to an agreement that Alesco has with each of the program sponsors. The total wrap fee could be greater than the fee charged directly to clients of Alesco that do not participate in these programs. However, the minimum account size accepted by Alesco is lower for clients in wrap programs. There are additional services provided by the wrap program sponsor that could also increase the overall wrap fee. Alesco does not have any control over the fee charged to the individual wrap program client.

As discussed in greater detail in Item 4, Alesco entered into an automated investing program with Schwab Performance Technologies ("SPT"). Alesco serves as an investment manager in this program. Alesco charges the client an investment management fee for its services. If the client's account exceeds \$1 million, the management fee charged to the client may exceed the rate stated above in the tiered fee schedule. The full fee charged by Alesco is disclosed to the client of the program in an investment management agreement. As described in Item 4, clients do not pay fees to SPT or brokerage commissions or other fees to Charles Schwab & Co., Inc. as part of the Program. Schwab does receive other revenues in connection with the Program. Brokerage arrangements are further described below in Item 12.

Alesco furnishes investment consultative services (for a full description of these services, see paragraph four of Item 4 in this document). Fees for consulting services are negotiated on an individual client basis taking into account the nature and number of services and size of the account.

Typically, fees are deducted directly from a client's account. A client receives a notice of the management fee (usually mailed), which discloses the amount of fees deducted from the account. A client also receives a statement from their independent custodian, which would reveal this amount after it is deducted. As an alternative, the client has the option to be invoiced for management fees, rather than having the fee deducted directly from the account.

Brokerage commissions and miscellaneous brokerage fees (such as wiring fees or asset transfer fees) may also be incurred. When Alesco has the authority to select a broker-dealer custodian, minimizing these costs is taken into consideration during the selection process. These fees would be disclosed on a custodian statement and are also available from Alesco upon request. Separately, mutual fund and exchange traded fund expenses would affect the performance of an individual security held in a client's portfolio. These expenses would be embedded in the unit price of a security and would not be listed on a client's custodial statement. The expense ratio (the

percentage of fees charged annually on an individual security) is available in the fund's prospectus (also, Alesco can provide this information to the client upon request). Alesco does not recommend the use of "load funds."

Alesco does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

In 2022, Alesco began providing financial planning services for individuals who are not currently investment management clients. For these services, Alesco receives a fixed financial planning fee.

Alesco does not charge performance-based fees. Typically, Alesco charges an asset-based fee, which is based on a percentage of assets managed. For a full discussion of Alesco's fee arrangements, please see Item 5 in this document.

Alesco has a stated account minimum of \$3 million (for the purposes of this minimum, an account may be defined as a “client relationship,” which could consist of multiple accounts). In certain instances, Alesco makes exceptions for smaller relationships that Alesco feels may have the potential to achieve this minimum value. As stated in Item 5, clients participating in a wrap program or a model program have a minimum account size far less than the \$3 million minimum. Alesco negotiates this minimum size with the wrap program sponsors. For greater detail on this, see Item 5.

For the Schwab Performance Technologies (“SPT”) program that is discussed in Item 4, clients eligible to enroll in the Program include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The minimum investment required to open an account in the Program is \$20,000 (with a minimum “relationship size of \$50,000 per client). This minimum may be relaxed from time-to-time, based on Alesco’s discretion. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

For a more complete discussion regarding the different types of clients to whom Alesco generally provides investment advice, see Item 4 in this document.

Alesco invests its clients' assets in accordance with each client's needs. Alesco considers the investment time horizon of the client, the client's ability to assume risk, the client's need for income, the taxable nature of the client's assets, and other factors to assist the client in formulating an asset allocation strategy. The implementation of the asset allocation involves buying and selling investment securities. This involves risk of loss that the client should be prepared to bear.

The specific selection of investments is based on internal analysis of competing investment products. Alesco utilizes fundamental analysis and asset allocation theories, including quantitative modeling, to formulate investment decisions.

Though Alesco may invest in a multitude of securities, index-based and systematic mutual funds and exchange traded funds (ETFs) are the most commonly recommended types of securities for accounts where Alesco serves as the discretionary investment manager. These types of securities seek investment results that correspond generally to the price and yield performance, before fees and expenses of a specific index or market segment. As with any equity and fixed income security, investment return and principal value of an investment will fluctuate so that a client's shares, when sold or redeemed, may be worth more or less than the original cost.

The primary risk associated with portfolios managed by Alesco is market risk. This is the risk that the overall market declines. This includes the equity market, the bond market, and the markets for other asset classes which may be used in a client's portfolio.

A risk specifically associated with index mutual funds and ETFs is tracking error. Tracking error occurs when an index mutual fund or ETF does not match the corresponding index return. This may be the result of the expense ratio charged on the index mutual fund or ETF (see Item 5 for a discussion on fund expense ratios), or numerous other factors. Alesco closely monitors each recommended mutual fund and ETF for tracking error and may choose to replace the security with a similar fund with lower tracking error.

Individual ETFs and index funds are unable to significantly outperform the target index. By their very nature, it should not be the goal of the ETF or index fund manager to beat the index, but rather to replicate the index return. Alesco aims to optimize the client portfolio's overall risk-adjusted return via diversified investment exposure across multiple assets classes.

For some clients, depending on individual circumstances, Alesco invests in funds that own private assets. Such investments are also subject to illiquidity risk, where investors' ability to access their capital when needed may be restricted. Operational risks may be greater for private investments, and they may lack diversification compared to publicly traded investments. Valuing private investments may involve subjective judgments and may not accurately reflect their true market value. Private investments typically offer limited disclosure and transparency compared to publicly traded securities and often charge management fees, performance fees, and other expenses which impact an investor's return.

Alesco has no legal or disciplinary events that are material to a client's or prospect's evaluation of the advisory business or the integrity of management.

This would include:

- Criminal or civil action in a domestic, foreign or military court of competent jurisdiction
- An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority
- A self-regulatory agency (SRO) proceeding

Alesco is an independent and employee-owned firm, without material industry affiliations. There are no reportable related persons. The firm and its employees are not registered, nor do they have applications pending to register, as the following: (1) a broker-dealer (or a registered representative of a broker-dealer), (2) a futures commission merchant, (3) a commodity pool operator, and (4) a commodity trading advisor.

Alesco does not receive compensation from other advisors, except in situations where an advisor hires Alesco to perform investment management services (this is known as a sub-advisory arrangement – Alesco performs investment management services and the other advisor may perform other duties, such as wealth management services). This arrangement is disclosed in full to clients of both advisors.

Similarly, Alesco serves as an investment manager in several “wrap” programs, which is described in detail in Item 4.

Alesco maintains a Code of Ethics, which, among other topics, addresses employee trading activities in their personal accounts. Employees are prohibited from engaging in transactions which may put their interests ahead of client interests. Supervision of transactions is accomplished through required quarterly personal transaction reports and annual securities holdings reports.

The Code requires all employees to comply with applicable securities laws, to report violations of the Code or such laws to the Alesco's Chief Compliance Officer, to obtain consent to trade or recommend certain securities (such as certain securities held in client accounts) for their own accounts, and to abstain from trading for their own accounts or recommending any securities placed on Alesco's Prohibited List (such as securities of issuers where an Alesco employee or client is an insider or has material non-public information about such issuers). Securities also include options on securities. In addition, there are restrictions on the value of gifts that an employee may accept from a client, person, or firm doing business with Alesco. There are also restrictions related to employee negotiation of personal account brokerage fees with brokers doing business with Alesco. An employee may not for his or her own account sell securities to or purchase securities from a client nor may the employee without prior written consent of the Chief Compliance Officer, serve as a director, general partner, or trustee of a public corporation or partnership.

Alesco does not recommend to clients securities in which Alesco has a material financial interest.

Employees are allowed to purchase securities that are recommended to clients. Although most of Alesco's recommended securities would be classified as non-reportable (securities, such as open-end mutual funds, that would not need to be reported under SEC rule 204A-1(e)(10)), the Code of Ethics establishes the proper procedures for pre-clearing trades through the firm's compliance officer and/or portfolio management staff. This pre-clearance requirement would help to ensure that the employee is not front-running a client order in a particular security (which is a risk for any investment firm dealing with reportable securities not excluded from the aforementioned SEC rule).

A complete copy of the Code of Ethics may be obtained free of charge upon request to Alesco.

Alesco does not obtain any soft dollar benefits from any of its broker-dealer custodians. A “soft dollar” arrangement refers to an established agreement between an investment manager and a broker-dealer that would encourage a manager to place a trade with a particular broker-dealer in exchange for services that are for the benefit of the investment manager’s clients. Although this is a common industry practice, Alesco does not participate in this type of arrangement.

Most of the broker-dealer custodians that Alesco recommends to clients provide research materials upon request (or they allow Alesco access to their database of education or research-related materials, often provided to all advisors who do some form of business with the custodian). As stated above, Alesco is under no formal agreement to direct business with these broker-dealer custodians and the availability of such materials has minimal influence on the recommendation Alesco provides to clients regarding custodial selection.

For various reasons, clients sometimes direct Alesco to work with a particular broker-dealer of their (the client’s) choosing. In these instances, Alesco’s ability to negotiate commissions may be affected and Alesco may be unable to obtain the best price and execution for the client’s account. This may result in the client paying higher commissions than would be available from other brokers. It may also result in restrictions upon the securities available for purchase or sale for the client’s account, such as (1) the purchase of bonds where the designated broker may have a limited inventory and, therefore, may be unable to offer the desired bonds to the client, or (2) the purchase or sale of certain mutual funds which may not be custodied with all brokers. The inability to purchase or sell such securities may affect the overall portfolio return.

Alesco will sometimes aggregate multiple client trades as one order to obtain the same price execution. This typically occurs when the firm makes a firmwide trade. Orders for each security purchase and/or sale are often blocked for accounts by custodian, and a policy establishes the order of placement by each custodian for certain firmwide trades. Alesco generally places trades on an individual client basis.

Many of the custodians that are utilized by clients of Alesco provide various support services to Alesco. Some of those services help us manage or administer our clients’ accounts. Several support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. The availability to us of the custodians’ products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Several custodians also provide access to resources (such as technology consulting, publications, and access to educational materials or presentations).

Regarding the Schwab Performance Technologies (“SPT”) program outlined in Item 4, the program includes the brokerage services of Charles Schwab & Company, Inc. (“CS&Co.”). While clients are required to use CS&Co. as their custodian and broker to enroll in the program, the client decides whether to do so and opens its account with CS&Co. by entering into an account agreement directly with CS&Co. We do not open the client’s account through the program. SPT may aggregate purchase and sale orders for exchange traded funds across accounts enrolled in the program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the program. We do not pay CS&Co. fees for its services in connection with the program, so long as we maintain \$100 million in client assets in accounts at CS&Co. that are not enrolled in the program. In light of our arrangements with CS&Co., we may have an incentive to recommend that clients maintain their accounts with Schwab. This is a potential conflict of interest. We believe, however, that our selection of CS&Co. as custodian and broker is in the best interests of clients that utilize their custody and brokerage services.

Reviews range from one to four or more times per year. The frequency of reviews depends in part upon events impacting the client or assets of the client, as well as the schedule of the client. Events that can trigger a review include changes in the conditions of the securities markets, a change in the financial status or goal of the client (including cash inflows or outflows), or a change in the marital or other status of the client (or in that of any related person). Reviews are generally conducted in person (or through the use of video conferencing technology) by one or more representatives of Alesco, such as the President, a Principal, a client advisor, and/or the Chief Investment Officer. Written reviews are typically provided. When the client cannot formally meet with one of the aforementioned Alesco representatives, they may request a written review. In-person reviews for clients of any program discussed in Item 4 (wrap, overlay, and automated investment programs) are not typically conducted unless the client requests a meeting. Upon request, Alesco will make a reasonable effort to schedule a review in-person, by video conference, or by telephone.

Alesco does not receive an economic benefit for providing investment advice or other advisory services to its clients from someone who is not a client.

Alesco does not currently provide compensation for client referrals to anyone who is not an employee of Alesco.

Alesco has the ability to deduct fees from client accounts and therefore, by definition, has custody of client assets. Aside from this, Alesco utilizes the services of several qualified broker-dealer custodians to place trades on client accounts and physically custody client assets. These custodians provide account statements at least quarterly (and, in most cases, statements are issued monthly). Clients should carefully review those statements. Alesco does not formally issue statements, however, clients are encouraged to compare Alesco-prepared performance review material and billing statements with the figures provided by their independent custodian.

Alesco has obtained client-provided website credential information (including personal usernames and passwords) for a few clients. This would allow select employees of Alesco to access client accounts at a qualified custodian. Without this information, the firm would otherwise not be able to access these accounts. The websites allow users the ability to transfer assets (Alesco retains credential information for several other clients as well, but Alesco does not have the ability to transfer assets out of the accounts on these sites).

An employee of Alesco serves as a trustee on two separate trust account relationships managed by Alesco.

For some accounts, clients have provided Alesco the ability to process third-party transfers from their investment account to an outside third-party (such as a bank account or service provider not matching the name on the originating client account). Alesco has strict procedures in place to verify these requests.

In 2018, asset movement authorization changes made internally by a major custodian utilized by Alesco has created a notable increase in the assets and number of clients reported in Item 9(A)(2) of Alesco's Form ADV Part 1 since 2019. This, along with the reasons described above (for reasons other than management fee deduction), account for the totals disclosed in this item. Alesco has retained an independent accounting firm to perform an annual surprise exam to review custody situations where such an exam is required.

Alesco accepts discretionary authority to manage securities accounts on behalf of clients. Alesco accommodates restrictions and limitations clients place on this authority. In instances where Alesco is awarded discretionary authority by the client, an investment management agreement is established between both parties (Alesco and the client) that, among other items, establish a limited power of attorney. Separately, a limited power of attorney is often required by the client's independent custodian. This requires the client to allow Alesco access to trade the account and perform other basic administrative services.

Alesco has adopted a policy concerning the voting of proxies on securities held by it for clients (which covers proxies on all securities held by Alesco for clients except those as to which a client has specifically retained voting authority), as well as the resolution of any conflicts between Alesco and such clients concerning voting. This policy will be furnished, upon request, without charge to any client and, otherwise, as required by law.

The policy provides, among other things, that any proxies for exchange-traded funds are voted by Alesco since Alesco conducts research on these securities. However, Alesco does not conduct research on individual stocks in clients' accounts since these are often held at the direction of the client. Thus, in the case of individual stocks, Alesco abstains from voting unless on the face of it, a proposition is so egregious that action is mandated.

The policy also requires that any material conflict between Alesco (and any of its personnel) and a client relating to the voting of a proxy be resolved with the client's consent after disclosure or resolved completely in the client's favor. For purposes of an ERISA-based retirement plan, Alesco votes proxies for the sole benefit of the plan participants.

Records of voting are retained and any client may receive, upon written request and free of a charge, a summary of how Alesco voted any securities held in the client's account.

Since Alesco requires a prepayment of more than \$1,200 in fees per client, six months or more in advance, a balance sheet from the most recent fiscal year is included with this document.

There is no known financial condition that is reasonably likely to impair Alesco's ability to meet contractual commitments to clients.

Alesco has not been the subject of a bankruptcy petition at any time during the past ten years.

Alesco is a federally registered investment adviser with the Securities and Exchange Commission, and is not registered with one or more state securities authorities. Alesco has issued a "notice filing" with several state jurisdictions. Accordingly, Alesco provides each state the requisite filing fee and an offer to review Alesco's Form ADV.

ALESCO ADVISORS LLC

**Balance Sheets
as of December 31, 2023 and 2022
Together with
Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

March 5, 2024

To the Members of
Alesco Advisors LLC:

Opinion on the Balance Sheets

We have audited the accompanying balance sheets of Alesco Advisors LLC (a New York limited liability company) as of December 31, 2023 and 2022, and the related notes to the financial statements.

In our opinion, the balance sheets referred to above present fairly, in all material respects, the financial position of Alesco Advisors LLC as of December 31, 2023 and 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alesco Advisors LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alesco Advisors LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alesco Advisors LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alesco Advisors LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bonadio & Co., LLP

ALESCO ADVISORS LLC

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,681,989	\$ 1,527,874
Cash and equivalents - escrow	2,184,101	2,330,383
Advisory fees receivable	414,232	92,667
Prepaid expenses	<u>50,922</u>	<u>9,667</u>
Total current assets	4,331,244	3,960,591
PROPERTY AND EQUIPMENT, net	53,405	101,506
OPERATING LEASE RIGHT-OF-USE ASSET	608,505	34,159
NON-MARKETABLE EQUITY SECURITIES	83,560	83,560
SECURITY DEPOSIT	<u>20,000</u>	<u>20,000</u>
	<u>\$ 5,096,714</u>	<u>\$ 4,199,816</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 377,739	\$ 252,076
Current portion of operating lease liability	134,491	34,159
Unearned advisory fees	<u>2,214,570</u>	<u>2,145,394</u>
Total current liabilities	2,726,800	2,431,629
OPERATING LEASE LIABILITY, net of current portion	<u>484,598</u>	<u>-</u>
Total liabilities	<u>3,211,398</u>	<u>2,431,629</u>
MEMBERS' EQUITY	<u>1,885,316</u>	<u>1,768,187</u>
	<u>\$ 5,096,714</u>	<u>\$ 4,199,816</u>

The accompanying notes are an integral part of this financial statement.

ALESCO ADVISORS LLC

NOTES TO BALANCE SHEETS DECEMBER 31, 2023 AND 2022

1. THE COMPANY

Alesco Advisors LLC (the “Company”) is an investment advisor registered with the Securities and Exchange Commission under the provisions of the Investment Advisors Act of 1940. Assets under advisement totaled approximately \$5.12 billion and \$4.63 billion at December 31, 2023 and 2022, respectively (unaudited). No individual clients made up more than 10% of assets under advisement at either December 31, 2023 or 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The balance sheets were prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

Recently Adopted Accounting Guidance

ASC 326, *Financial Instruments – Credit Losses*, requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The estimated credit loss is required to be based on historical information, current conditions, and forecasts that could impact the collectability of the amounts. Under the standard, disclosures are required to provide users of the balance sheets with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses.

Effective January 1, 2023, the Company adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost. The new accounting pronouncement did not have a material impact on the balance sheets. Results for reporting periods beginning after January 1, 2023 are presented under CECL while prior period amounts continue to be reported and disclosed in accordance with previously applicable accounting standards.

Cash

The Company maintains cash in bank demand deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

Cash and Equivalents - Escrow

The Company generally bills its advisory fees six months in advance and deposits amounts received in savings accounts at well-capitalized financial institutions. The amounts are then generally transferred to the Company’s operating account as the advisory fees are earned. The balance in these accounts may, at times, exceed federally insured limits. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and equivalents held in escrow.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advisory Fees Receivable

Advisory fees receivable represents fees billed to clients but not yet collected. If necessary, the Company maintains an allowance for credit losses for estimated losses resulting from non-payment of advisory fees. Accounts for which no payments have been received for several months are considered delinquent and customary collection efforts are begun. Accounts are written off after all reasonable collection efforts have been exhausted. Advisory fees receivable consisted of the following as of December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Advisory fees receivable	\$ <u>414,232</u>	\$ <u>92,667</u>	\$ <u>289,253</u>

Allowance for Credit Losses

The Company operates in the financial services industry and its accounts receivables are primarily derived from customers. The Company recognizes an expected allowance for credit losses that is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist, and receivables evaluated individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible.

The estimated allowance for credit losses is based on historical, current, and expected future conditions. The historical component is derived from a review of the Company's historical losses based on the aging of receivables. Based on the Company's specific review of outstanding account balances, no allowance for credit losses was deemed necessary at December 31, 2023 or 2022.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is recorded using accelerated methods over the estimated useful lives of the assets, which range from three to seven years for all items other than leasehold improvements. Leasehold improvements are amortized over the shorter of the lease term or the estimated lives of the assets. Normal and routine expenditures for computers and software related items are expensed as incurred unless they are material in nature, in which case they are capitalized and depreciated over the estimated useful life.

Leases

The Company determines if an arrangement is a lease at inception.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease may include renewal and termination options, which are included in the lease term when the Company is reasonably certain to exercise these options.

For all underlying classes of assets, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes fixed short-term lease cost on a straight-line basis over the lease term and variable lease cost in the period in which the obligation is incurred.

The Company elected for the office building lease asset to use the risk-free rate as the discount rate if the implicit rate in the lease contract is not readily determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

In evaluating contracts to determine if they qualify as a lease, the Company considers factors such as if the Company obtained substantially all of the rights to the underlying asset through exclusivity if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Non-Marketable Equity Securities

The Company holds a fifteen percent membership interest in an investment advisor entity that was purchased for \$83,560 in 2019 and is held at carrying value on the accompanying balance sheet at \$83,560 as of December 31, 2023 and 2022. The Company has the option to purchase up to three additional twenty percent membership interests when certain milestones are met. The option to purchase additional membership interests is effective through October 1, 2025.

The Company adjusts the carrying value of non-marketable equity securities up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer and for impairment, if any (referred to as the measurement alternative). All gains and losses on non-marketable equity securities, realized and unrealized, are recognized as a component of income. As of December 31, 2023 and 2022, no upward or downward adjustments had been recorded due to a lack of observable price changes or qualitative impairment indicators.

In February 2024, the Company sold its fifteen percent membership interest in the investment advisor entity for approximately \$121,000.

Unearned Advisory Fees

Advisory fees are recognized monthly as services are provided to clients. The Company generally bills its advisory fees six months in advance based on the market value of the client's account at the beginning of the billing period. Amounts received in advance of revenue recognition are contract liabilities and recorded as unearned advisory fees on the accompanying balance sheets.

Revenue Recognition

The Company provides investment advisory services for client owned marketable security portfolios, generally in exchange for an advisory fee equal to a percentage of assets under advisement and recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606. The Company primarily recognizes contract revenue over time; revenue recognized at a point of time is insignificant. Advisory fees are typically billed six months in advance and are generally paid for at that point in time. Revenue under these types of contracts is then recognized ratably over the six-month performance period as the performance obligations are satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Assets and Liabilities

Contract assets, such as incremental costs to obtain or fulfill contracts, are an insignificant component of the Company's revenue recognition process. Commissions are expensed as incurred as contracts generally have a term less than one year. Contract liabilities represent amounts received from customers before revenue is recognized, resulting in contract liabilities in the form of unearned advisory fees. These amounts are used to support operations as revenue is recognized. Contract liabilities consisted of the following as of December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Unearned advisory fees	\$ <u>2,214,570</u>	\$ <u>2,145,394</u>	\$ <u>2,363,819</u>

All amounts included in unearned advisory fees at December 31, 2022 and 2021 were recognized as advisory fee income in 2023 and 2022, respectively. The difference between the opening and closing balances of the Company's unearned advisory fees results from changes in assets under advisement and the timing of invoicing.

Member Purchase Plan

The Company has a compensatory employee share purchase plan. Under the plan, eligible employees may purchase membership interests in the Company. Employees purchased 2,453 and 1,955 units for \$232,573 and \$204,767 during 2023 and 2022, respectively. As outlined in the Company's Amended and Restated Members Agreement (the "Members Agreement"), the Company has an obligation to repurchase the founding member's shares upon the death of that member. The Company also has the option, but not an obligation, to repurchase any member's shares upon the termination of employment of a member. Any associated purchase price and payment terms are governed by the Members Agreement. In 2023 and 2022, the Company repurchased 2,360 and 640 shares, respectively, from existing members.

Accrued Expenses

The Company has elected the New York State Pass-Through Entity Tax ("PTET") beginning in 2021. Amounts paid by the Company are allowed to be taken as a credit on the members' tax return and is considered attributable to the members.

In 2023, estimated PTET payments on behalf of the members totaling approximately \$730,000 have been recorded as distributions. At December 31, 2023, the Company accrued approximately \$121,000 of distributions for remaining 2023 PTET payments and these are included as a component of accounts payable and accrued expenses on the accompanying balance sheets.

In 2022, estimated PTET payments on behalf of the members totaling approximately \$664,000 were recorded as distributions. At December 31, 2022, the Company accrued approximately \$40,000 of distributions for remaining 2022 PTET payments and is included in accounts payable and accrued expenses on the accompanying balance sheets.

Income Taxes

The Company has elected to be treated as a partnership for federal and state income tax purposes and, as such, the income of the Company is reported in the personal income tax returns of the Company's members.

Estimates

The preparation of the balance sheets in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the balance sheets and accompanying notes. Actual results could differ from those estimates.

3. PROPERTY AND EQUIPMENT

Property and equipment, net, consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 165,027	\$ 165,027
Equipment	144,619	144,619
Computer software	237,714	237,714
Leasehold improvements	<u>88,280</u>	<u>88,280</u>
	635,640	635,640
Less: Accumulated depreciation	<u>(582,235)</u>	<u>(534,134)</u>
	<u>\$ 53,405</u>	<u>\$ 101,506</u>

Depreciation and amortization expense related to property and equipment totaled \$48,101 and \$52,512 for the years ended December 31, 2023 and 2022, respectively.

4. LEASES

The Company leases office space in Pittsford, New York under the terms of an operating lease agreement that expires on March 31, 2028. The Company has an early termination option beginning March 31, 2026.

The Company leased office space in Buffalo, New York through April 30, 2023 under the terms of a month-to-month lease agreement requiring monthly payments of approximately \$800 which is included in short-term lease cost below.

The components of total lease cost for the years ended December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 152,834	\$ 136,313
Short-term lease cost	<u>3,322</u>	<u>9,966</u>
Total lease cost	<u>\$ 156,156</u>	<u>\$ 146,279</u>

In 2023, the Company obtained an operating right-of-use asset in exchange for an operating lease liability in the amount of \$708,887.

Other information related to the operating lease is as follows as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term:	4.25 years	0.25 years
Weighted-average discount rate:	3.60%	0.38%

4. LEASES (Continued)

Future maturities of the operating lease liability as of December 31, 2023 is as follows:

2024	\$	154,160
2025		157,750
2026		157,750
2027		157,750
2028		<u>39,437</u>
Total lease payments		666,847
Less: present value discount		<u>(47,758)</u>
Total present value of lease liability		619,089
Less: current portion of lease liability		<u>(134,491)</u>
Long-term portion of lease liability	\$	<u>484,598</u>

5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 5, 2024, the date at which these balance sheets were available to be issued.