

DTS Group LLC

Part 2A of Form ADV

Brochure

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This brochure provides information about the qualifications and business practices of DTS Group, LLC ("DTS Group" or "the firm"). If you have any questions about the contents of this brochure, please contact us at 415 497-7533. 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.

DTS Group delivers its Form ADV Part II with each new client's investment advisory agreement. Following the signature of the investment advisory agreement, the client has 5 days to unconditionally rescind the contract at no charge. Form ADV Part II is also provided annually to existing clients if there are material changes or upon request.

Additional information about DTS Group is also available on the SEC's website at: www.adviserinfo.sec.gov.

Material Changes

As of February 2023, DTS Group applied for the transition from a California state investment advisor registration to an investment advisor registration with the SEC. The reason for this change is due to additional client assets under management over the SEC threshold of \$110 million that have been invested in cash & short term instruments to facilitate liquidity for clients and not subject to management fees. Such funds will remain on the firm platform and will be subject to advisory agreements.

In addition and although the firm's business activities and client base have not changed materially, the firm is in the process to change its name to "Sonoma West LLC" ("Sonoma West"). Sonoma West is currently the holding company for DTS Group which continues to do business and is registered as an investment advisor with the Financial Industry Regulatory Authority ("FINRA"). There have been no changes in ownership. All required legal and compliance matters will be addressed to make this change effective in 2024.

The provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act require significant changes for the registration of financial advisors and required disclosures with Form ADV.

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Advisory Business

DTS Group provides investment management and advisory services to its clients, consisting of high net worth individuals and associated trusts, profit sharing plans, charitable organizations and other legal entities. Clients generally work with the firm under one or more of the following arrangements:

- Under a discretionary arrangement – in which the client grants the firm the discretion and authority to supervise, invest and trade assets placed under its management consistent with established client objectives and guidelines
- Under a non-discretionary arrangement – in which the firm provides varying services based upon mutual agreement

- Under a consulting arrangement – for varying consulting services based upon mutual agreement

The firm may also provide some material elements of financial planning as needed to its clients. Financial planning may include financial statement preparation and analysis, income tax planning, education planning, risk management, retirement planning and estate planning. The firm may or may not charge additional fees for financial planning.

In providing its services, the standard of care imposed upon the Firm shall be to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Furthermore, whether the firm may acquire, or not acquire, securities or property for itself or for any other client will not be considered in determining the advisability of acquiring or not acquiring similar securities or property for the portfolio account of any client.

DTS Group, in consultation with each client, structures a portfolio to meet the investment goals, risk tolerance and other guidelines as specified by the client. Client assets are generally invested in open end, no-load mutual funds or other pooled investment vehicles. Under some circumstances, investments are made in individual equities or fixed income securities and closed end mutual funds. Some client assets may be invested in certain private investment funds or other separate account vehicles managed by other advisors.

Clients can place reasonable restrictions on the firm's investment discretion. For example, some clients have asked not to sell certain securities where the client has a particularly low tax basis.

DTS Group was founded in 2005 as a California Limited Liability Company by Noel Murphy as its sole managing member. As of December 2021, the California Limited Liability Company name was changed to Sonoma West, LLC.

As of March 2024, the firm managed \$200,000,000 on a discretionary basis and \$45,000,000 on a non-discretionary basis on behalf of approximately 60 clients.

Fees and Compensation

DTS charges most of its clients an annual investment management fee based on the following schedule:

<u>Assets under management</u>	<u>Annual Fee</u>
On the first \$2 million	1.00%
Amounts in excess of \$2 million & up to \$5 million	0.85%
Amounts in excess of \$5 million & up to \$10 million	0.75%
Amounts in excess of \$10 million	0.50%

The basic hourly fee for non-discretionary accounts (primarily for individuals) is \$400 per hour. The total fees for such services will vary depending on the nature and complexity of each client's financial circumstances and the services authorized and performed.

Clients may direct the firm to maintain "unsupervised assets" within the portfolio for the convenience of the client. The firm generally does not charge a management fee on unsupervised assets and is not responsible for the supervision or suitability of such assets.

However, the firm may charge a fee on certain unsupervised assets such as the case when it is asked to provide ongoing reporting or research of unsupervised private investments. To date, the firm has not charged such fees to any clients. If it were, DTS Group would communicate this intention in advance to the client and follow the provisions for fees specified in its standard advisory agreement.

The firm may negotiate a different investment advisory fee arrangement with the client, including a flat fee arrangement based on the nature of the client's account.

The firm has negotiated lower fees for certain clients, such as charitable organizations or family members and friends.

The firm charges fees quarterly in advance based on the total market value of the account value at the end of the prior quarter. The initial quarterly fee for a new client is pro-rated based upon the date the client assets are transferred to the firm's management or as negotiated between the firm and the client.

Most clients authorize the firm to deduct fees automatically from their brokerage accounts, but clients may request that DTS send quarterly invoices to be paid by check.

If a client terminates the investment management agreement with the firm in the middle of a billing period, the firm will refund any unearned investment management fee to the client on a pro-rata basis based upon the time remaining in the quarter.

In addition to investment management fees, clients bear trading costs and for certain investments (i.e., private placements) the custodian may charge the client a nominal fee to custody such investments.

To the extent that clients' accounts are invested in mutual funds, these funds pay a separate layer of management, trading, and administrative expenses.

DTS Group believes its fees are competitive with those fees charged by other investment advisors for comparable services. However, comparable services may be available from other sources for lower fees than those charged by the firm.

Performance-Based Fees

DTS Group does not charge any performance fees. It is the opinion of DTS Group that fees based on performance can encourage a level of risk-taking that is not aligned with the interests of the client. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to the firm.

Types of Clients

DTS Group primarily provides customized investment management services to high-net-worth individuals & associated trusts, estates, pension & profit sharing plans, charitable organizations and other legal entities. The firm's minimum client size is generally \$2,500,000 but this amount is negotiable.

Methods of Analysis, Investment Strategies and Risk of Loss

DTS Group uses a variety of methods to evaluate the overall financial markets, asset classes and various types of securities. The firm performs its own internal research and analysis as well as receives research and analysis from third parties. Additionally, the firm reviews statements and reports provided by other investment advisors who are providing investment management services to firm clients. This analysis varies depending on the security in question.

After developing an investment policy for each client, the firm creates an investment strategy. This strategy integrates the client's needs and goals with current developments in the economic and financial markets.

The firm primarily invests for relatively long time horizons, often for a year or more. The firm's investment philosophy is founded on the premise that investors can build a strong, secure future by following a long-term investment program, and by diversifying their investments across multiple asset classes and money managers. However, market developments could cause the firm to sell securities more quickly.

Depending on a client's investment objectives, the firm may engage in option writing. The use of option writing poses additional risks that are discussed in detail with any clients who are considering the use of these investment vehicles.

Mutual funds are an investment vehicle and the investment strategies, objectives and types of securities utilized by mutual funds vary widely.

All mutual funds incur operating expenses in connection with the management of the fund. Mutual funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from mutual fund to mutual fund. In addition, mutual funds charge shareholders (individual investors in the funds) other types of fees such as a sales load or a transaction fee. These charges also vary widely among funds.

The firm generally invests assets in no-load mutual funds of which there are two types: no-loads and "true" no-loads. A so-called no-load mutual fund nevertheless is allowed to assess an annual charge of no more than 0.25% to cover the fund's marketing and distribution costs (an SEC "Rule 12b-1" fee). A "true" no-load mutual fund assesses no Rule 12b-1 fee.

Even though the firm invests in no-load funds, clients will still pay management fees and other "indirect" fees and expenses as charged by each mutual fund in which they are invested in addition to those fees charged by DTS Group.

Closed end funds and other pooled investments vehicles have different expense structures. Client is advised to consult with the firm regarding the various fee structures.

All investing involves a risk of loss and the investment strategy offered by the firm could lose money over short or even long periods. Performance could be negatively impacted by a number of different investment risks including but not limited to market risk, which is the chance that overall markets will decline. Markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Disciplinary Information

The firm and its owner have never been involved in any legal or disciplinary events and have never been the subject of a client complaint.

Other Financial Industry Activities and Affiliations

DTS Group functions as an advisor and a fiduciary. As such, the firm does not have any affiliations with banks, investment companies, brokerage firms, or private funds. In addition, the firm does not receive any referral fees nor does it pay any referral fees for sources of outside business.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

DTS Group has adopted a written code of ethics that defines its standards. Among other things, the code requires firm to act in clients' best interests, abide by all applicable regulations, avoid the appearance of insider trading, and avoid any conflicts of interests that would influence its fiduciary responsibilities.

DTS Group requirements:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and above personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals;
- Comply with applicable provisions of the federal securities laws.

DTS Group restrictions on trading and standards apply to its principal and to family members living in the same household.

The firm is permitted to buy and sell securities for personal investments and to invest in mutual and exchange traded funds held by client accounts. In some cases, the firm may buy or sell funds or securities that are also recommended to clients. To govern such transactions, the firm has adopted a personal securities policy and procedure that outlines the timing and conditions under which employees may buy or sell funds or securities when such funds or securities are also held or traded by clients. The firm trading policy and procedure is designed to ensure that clients are not disadvantaged in any way by the personal securities transactions of the firm.

DTS Group may not provide gifts or entertainment to a client in excess of \$100. The firm will not accept any gifts or entertainment from a client.

DTS Group holds client information in the strictest confidence and is mindful of the trust placed in it by clients. It is the firm's policy that no client information obtained by the firm is sold or made available to third parties for any reason except that:

- Third parties may be used assist in the management or maintenance of client accounts (such as a custodian); and
- Client information may be released in accordance with applicable laws and regulations.

A copy of the firm code of ethics is available upon request.

Brokerage Practices

Brokers and dealers are selected based upon a number of factors, including: providing services of direct benefit to clients such as acting as custodian for the account, providing services that facilitate trading, performance evaluation and other information on securities, their inventory of securities and proven ability to execute, clear and settle transactions, their ability to commit capital, ability to report promptly and accurately, provide prompt and efficient delivery of securities, supply information on securities, including, but not limited to, written and oral research reports, economic and financial data and financial publications.

The firm uses the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. The firm generally recommends that clients establish brokerage accounts with Schwab. The firm does not share in commissions generated by client trades executed at Schwab. The firm has managed client assets held at Schwab for many years and has found Schwab to offer good services at competitive prices. Although DTS Group may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab or another custodian of the client's choice. DTS Group is independently owned and operated and not affiliated with Schwab.

DTS Group primarily recommends that its clients invest in mutual & exchange traded funds and separate account managers. As such, the firm does not face the same issues relating to best execution that an adviser that regularly invests directly in equities and fixed income securities. While not facing the same issues as an advisor that invests directly in equities, the firm will periodically evaluate its primary broker-dealer / custodian to ensure that the overall relationship is satisfying certain key criteria, including:

- Reasonableness of transaction fees and charges
- Ability to maintain the confidentiality of trading intentions
- Timeliness of execution and settlement
- Timeliness and accuracy of trade confirmations
- Client reporting capability
- Custody services provided
- Financial condition
- Business reputation

DTS Group may continue to hold a security in one client account while selling it for another client account. This occurs when client guidelines, risk tolerances, or tax considerations mandate a sale for a particular

client. In some cases, consistent with client objectives and risk, the firm may purchase a security for one client while selling it for another.

Client trades may be executed at different times at different prices due to the timing of recommendations, certain security liquidity constraints, and specific client objectives, risk tolerances, or tax considerations.

While executing transactions for equities and closed end funds, the firm generally uses market orders. For fixed income transactions, firm generally obtains multiple bids or offers or may transfer the fixed income security to a separate account manager to execute the trades since the separate account manager has greater access to fixed income dealers. The separate account manager is not affiliated with the firm.

Mutual funds recommended to clients may impose a redemption charge or similar fee, and the overall cost structure of each fund is evaluated through the firm research process and prior to recommending it as an investment option for clients

The firm receives certain products and services from Schwab free of charge or at discounted rates.

- Schwab provides access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon the firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.
- Schwab Institutional also makes available to the firm other products and services that benefit the firm but may not benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of the firm's accounts, including accounts not maintained at Schwab. Schwab's products and services that assist the firm in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of the firm's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.
- Schwab Institutional also offers other services intended to help the firm manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers.

- Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to the firm. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the firm.
- Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of firm personnel.

The firm does not believe that clients whose accounts are held by Schwab bear any additional costs in connection with products and services. However, the firm would not receive these products and services if client accounts were not held in custody and traded by Schwab. In evaluating whether to recommend that clients custody their assets at Schwab, the firm may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

The Selection of Trading Counterparties

DTS Group can typically trade accounts held at Schwab using other broker/dealers. However, Schwab charges clients trade-away fees that the firm believes outweigh any benefits from trading stocks, mutual funds, or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade the firm solicits bids from several dealers and then executes the trade with the dealer that offers sufficient liquidity and the most favorable pricing.

For clients who elect to have their accounts held by firms other than Schwab, the firm's approach is generally to trade stocks, mutual funds, and ETFs with the chosen custodian, and to trade bonds with the dealer that offers sufficient liquidity and the most favorable pricing or to transfer the bond to a fixed income separate account manager who has access to dealers that offer sufficient liquidity and favorable pricing.

Best Execution Reviews

On a periodic basis the firm evaluates the pricing and services offered by Schwab and other trading counterparties with those offered by other reputable firms. The firm has sought to make a good-faith determination that Schwab and other chosen trading counterparties provide clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by the firm's receipt of products and services from Schwab. Historically the firm has concluded that Schwab is as good as, or better than, the other firms that have been considered. DTS Group would notify its clients if it were to determine that another firm offered better pricing and services than Schwab.

Client Referrals

DTS Group does not compensate Schwab or any other custodian or broker/dealer for referring client accounts.

Trade Error Policy

DTS Group requires that its personnel carefully implement investment management decisions. Nevertheless, if a trade error occurs, it is the firm's policy that the error be corrected as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss.

The firm's policy prohibits its staff from requesting a broker-dealer to accept financial responsibility for a trade error caused by personnel in exchange for the promise of future compensation from commissions.

Review of Accounts

Accounts under management are monitored on an ongoing basis by the firm. Each account is reviewed in detail on at least a weekly basis, as well as in connection with each client meeting or more often as market conditions dictate. DTS Group recommends a quarterly review with the client, either in person, online or by telephone. Clients may request quarterly or semi-annual reviews. As a practice, the firm communicates more than quarterly directly with its clients.

Clients receive account statements directly from their chosen independent custodian on a monthly basis. In addition, clients have access to a secure investment portal to review accounts online and apply varying levels of investment analytics. This portal is accessed via www.dtscapital.com and employs functionality developed by Envestnet, and industry-standard client interface. This level of reporting is provided without cost to all clients regardless of assets under management. The firm may supplement these custodial statements with reports provided quarterly, during client meetings or as requested.

Client Referrals and Other Compensation

DTS Group does not pay any compensation to another investment adviser in connection with that adviser's referral of a client to the firm.

Custody

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but DTS Group can access many clients' accounts through its ability to debit advisory fees. Apart from fee arrangements, the firm does not hold custody of client assets.

Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by the firm.

Investment Discretion

DTS Group has investment discretion over the majority clients' accounts. Clients grant the firm trading discretion through custodial firm limited power of attorney documents aligned with their signed asset management agreement, which delegate discretionary authority that permits the firm to choose the:

1. Types of investments
2. The timing of any buys or sells
3. The broker-dealer to be used in the transaction
4. The commission rate to be paid to the broker-dealer that executes the transaction

Clients can and will place reasonable restrictions on DTS Group's investment discretion. For example, some clients have asked not to sell certain securities where the client has a particularly low tax basis.

Voting Client Securities

In accordance with its fiduciary duty to clients, DTS Group has adopted and implemented the policy to not take responsibility for voting proxies, tender offers, rights offerings and other actions. The firm instructs such issuer-related communications be sent to the client. In a small number of circumstances, clients have requested that the firm advise on these communications as a fiduciary.

Financial Information

DTS Group does not require or solicit any prepayments of fees three months or more in advance.

DTS Group and its principal have never filed for bankruptcy and are not aware of any financial condition that is expected to affect its ability to manage client accounts.