

# SENDERO®

**ITEM 1 – COVER PAGE**  
**FORM ADV PART 2A**  
**FIRM BROCHURE**  
**March 2024**

**Sendero Wealth Management**

250 W. Nottingham, Suite 300  
San Antonio, TX 78209  
210-805-0171

This Brochure provides information about the qualifications and business practices of Sendero Wealth Management, LLC ("Sendero"). If you have any questions about the contents of this Brochure, please contact us at [support@sendero.com](mailto:support@sendero.com). 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.

Sendero is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Sendero is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Sendero who are registered or are required to be registered, as investment adviser representatives of Sendero.

Our brochure can be requested by contacting the Chief Compliance Officer at 210.805.0171 or by emailing [Compliance@sendero.com](mailto:Compliance@sendero.com). Our brochure is also available on our website, [www.sendero.com](http://www.sendero.com).

## ITEM 2 - MATERIAL CHANGES

Since we filed our last annual amendment in March 2023, we have the following material changes to report:

### Item 4: Advisory Services:

Sendero offers customized investment strategies to help our clients preserve, protect, and grow their wealth. We offer traditional asset allocation, manager selection, and sophisticated investment oversight to our clients. Sendero focuses on clients with 3MM or more in investable assets, and;

Most advisory accounts serviced by Sendero use Pershing Advisor Solutions ("PAS"), which utilizes its affiliated broker-dealer to execute trades, Pershing LLC. Some advisory accounts serviced by Sendero also use Fidelity Investments ("Fidelity"), which utilizes its affiliated broker-dealer to execute trades, Fidelity WealthscapeSM.

### Item 5: Fees and Compensation:

As of March 1, 2024, all new clients are billed using a tiered schedule with a maximum rate of 1.0% on the first \$4,000,000, with lower rates on higher tiers when a tiered fee schedule is utilized, except in extenuating circumstances, such as having an especially large and complex portfolio or holding a majority of assets in fixed income or cash.

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## ITEM 4 – ADVISORY BUSINESS

Sendero Wealth Management (“Sendero”) is a boutique, partner-led firm created to help families and select institutions focus on navigating wealth and the complexities surrounding wealth. We have an experienced investment team, having managed billions of dollars. Through real world experience, we have developed the expertise to deal with complex, multi-generational family needs, and we have incorporated institutional investment practices to create a disciplined and thoughtful approach to the potential challenges families face.

Sendero’s partners bring decades of personal experience to each situation. Our goal is to create and sustain a repeatable, long-term plan for our clients that includes public and private investments, acquisition and disposition of business and personal assets, risk management, family office management, family foundation management, and multi-generational legacy training. Additionally, we have developed a dedicated program that focuses on women’s differentiated needs surrounding wealth.

Founded in 2008, Sendero is a privately owned, partner-led firm headquartered in San Antonio, Texas. The ownership of Sendero Wealth Management is allocated between Sendero Partners (88.4%) and a passive, client investor (11.6%) of the firm. Sendero Partners is the parent company of Sendero Wealth Management, LLC and Sendero Securities, LLC, (“Sendero Securities”), a FINRA member broker-dealer.

Sendero manages client portfolios on both a discretionary and non-discretionary basis as selected by the client in the Sendero Advisory Agreement.

### Sendero Guidance Process

At Sendero, we identify the clients’ financial values and associated goals through a dynamic and collaborative process. The Sendero Guidance Process (“SGP”) is designed to discover what is important to our clients and includes in-depth conversations around goals and values, financial planning, and a comprehensive reporting of a client’s financial picture.

The SGP assists our clients in the review, evaluation, and formulation of investment objectives and policies and helps them develop asset allocation strategies. These strategies are developed based on the information provided to Sendero in the Client Profile, in discussions with our client, and in the client’s Investment Policy Statement (“IPS”), as applicable.

We assist our clients in the selection of a combination of investment strategies to manage all or a portion of their assets in a manner consistent with the client’s financial circumstances, investment objectives, risk tolerance, and any restrictions they wish to impose on the management of the assets. Sendero will only identify investment managers that are included in our advisory program (“Investment Managers”) pursuant to an agreement between Sendero and the Investment Manager (the “Sub-Adviser Agreement”), or strategies that are approved by Sendero’s Investment Committee. Investment Managers or strategies not included in our advisory program will be evaluated on a case-by-case basis.

Clients can impose reasonable restrictions on the management of their accounts, such as restrictions on investing in certain securities or types of securities. Each client should note, however, that restrictions imposed by a client can adversely affect the composition and performance of the client’s investment

portfolio. Each client should also note that each investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, the performance of client investment portfolios within the same investment objectives, goals, and/or risk tolerance will differ, and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with those of other clients of Sendero.

We provide continuous, regular, and ongoing monitoring and due diligence of strategies approved by the Investment Committee with which the assets have been invested, as well as ongoing and continuous recommendations regarding the retention or termination of such strategies, according to our client's investment objectives.

We provide ongoing performance reporting with respect to the assets, as well as other such reporting when mutually agreed upon by you and Sendero.

### **Discretionary Management**

In its discretionary accounts, Sendero has investment discretion with respect to the agreed-upon investment allocation, client investment objectives and approved IPS ranges. Sendero has discretion to rebalance client portfolios based on the approved IPS ranges, to debit accounts for advisory and Third-Party Investment Manager fees, as agreed upon by the client, and to hire and terminate Third-Party Investment Managers. Sendero has the discretion to substitute Third-Party Investment Managers within the client-approved asset class. This discretion will be used in this manner exclusively and will not be utilized for any other purposes, such as changing client investment objectives. Should this discretion be utilized, Sendero will provide the client with the rationale behind and a description of any such change, upon request. Sendero will only have investment discretion on assets included in the Sub-Adviser Agreement or strategies that are approved by Sendero's Investment Committee. The client must authorize the use of any strategy other than mutual funds, ETFs, or strategy(ies) where Sendero has a Sub-Adviser Agreement. Sendero cannot retain, on the client's behalf, any Third-Party Investment Manager(s) with whom Sendero does not have a Sub-Adviser Agreement. Sendero does not have discretion to move funds without the client's written consent other than to same-name accounts within the same Custodian.

If a client chooses to use a Third-Party Investment Manager or strategies that are not Sendero-approved, that client will not receive the full range of advisory services described in this brochure with respect to the non-approved Third-Party Investment Manager or strategies. Sendero is not responsible for reviewing Third-Party Investment Managers or strategies that are not approved by its Investment Committee or for communicating any information regarding those Third-Party Investment Managers or strategies to any client. Clients, unless otherwise noted in the client agreement, will pay the full Advisory Fee to Sendero for assets invested with Third-Party Investment Managers not approved by the Sendero Investment Committee, even though a client does not receive from Sendero the full range of services and due diligence that the client would receive with respect to Sendero approved Third-Party Investment Managers or strategies.

### **Non-Discretionary Management**

In its non-discretionary accounts, Sendero does not have investment discretion for any of the assets. It is understood that the client is relying on Sendero for general investment advice and the client is under no obligation to act on any investment advice provided by Sendero. Sendero is given the ability to debit client accounts for advisory and Third-Party Investment Manager fees. Sendero does not have discretion to move funds without the client's written consent, other than to same-name accounts with the same Custodian. For these clients, Sendero can only act on behalf of clients upon their express instructions. In such cases,

we cannot act on the clients' behalf in the event of a volatile market with price swings that affect, negatively or positively, the values of the clients' holdings. Any action taken must first be approved by the clients.

### **Assets Under Management or Advisement (AUM)**

As of December 31, 2023, Sendero Wealth Management had \$6.0 billion in assets under advisement, breakdown as follows; \$4.9 billion in non-discretionary assets under advisement and \$1.1 billion in discretionary assets under management.

### **Our Services**

Sendero offers customized investment strategies to help our clients preserve, protect, and grow their wealth. We offer traditional asset allocation, manager selection, and sophisticated investment oversight to our clients. Sendero focuses on clients with \$3MM or more in investable assets.

### **Advisory Services**

We develop and implement investment strategies based on a client's entire financial situation, not just their managed assets. Our open architecture strategy selection process provides a selection of both traditional and alternative investment strategies. We are a privately-owned, independent firm with deep family values and a passion for personalized service.

### **Organization of Wealth**

Sendero provides the expertise to sort through the complexities of investing large pools of assets. We consider a client's assets in the aggregate and present a clear, easy-to-understand analysis of total wealth.

### **Strategic Asset Allocation**

Sendero uses a holistic view of wealth combined with an investment policy directive from the client to gain important insight into the most appropriate asset allocation. Portfolios usually include traditional equity and fixed income securities combined with non-correlated asset classes such as alternative investments, real estate, and private equity.

### **Open Architecture Investment Manager Selection**

Sendero uses an open architecture platform. The strategies and investment vehicles used for client portfolios exercise discretion (buy and sell within our client's account) within the mandate for which they have been hired.

### **Expert Oversight**

We leverage sophisticated analysis and investment techniques to delicately balance a long-term, tax-sensitive discipline with the immediate cash flow needs of each relationship.

### **Sub-Advisory Arrangement**

Sendero uses sub-advisors to assist and provide advisory services in the capacity of sub-advisor for certain clients. This relationship does not affect the fees agreed upon between Sendero and clients.

### **Ongoing Manager Due Diligence**

Sendero's due diligence team has adopted a hybrid on-site and virtual rotation for annual reviews, based on AUM and complexity of the strategy. The team conducts a high number of visits and/or conference calls each year with approved portfolio managers. Sendero also requests and reviews quarterly updates and annual due diligence questionnaires from all approved managers as part of its ongoing due diligence process. In addition, approved managers often visit the Sendero offices throughout the year. The due

diligence team researches the investment process, current trades in the portfolio, and themes the managers are implementing in the portfolios; evaluates analysts' reports, risk metrics, and attribution reports; and reviews manager personnel and turnover. The relationships with our managers are very important, and we allocate significant capital to the due diligence process. In all the situations discussed above, if the team identifies an issue with any investment or management team, the due diligence team will bring it to the Investment Advisor or Investment Committee's attention for potential action.

### **Custodians and Broker-Dealers used by Sendero**

Sendero uses various non-affiliated custodians in connection with its advisory activities where clients direct brokerage to these firms.

Most advisory accounts serviced by Sendero use Pershing Advisor Solutions ("PAS"), which utilizes their affiliated broker-dealer to execute trades, Pershing LLC. Some advisory accounts serviced by Sendero also use Fidelity Investments ("Fidelity"), which utilizes their affiliated broker-dealer to execute trades, Fidelity Wealthscape<sup>SM</sup>. Clients' transactions in some alternative investments are executed through Sendero Securities, LLC, the firm's affiliated broker-dealer. Other alternative investments, not offered through Sendero, that are used in client portfolios will use various other custodians.

### **Third-Party Service Providers**

Sendero works with various third-party service providers to help support the operational needs of managing and servicing discretionary advisory accounts. These providers perform operational functions such as portfolio reporting, account rebalancing, and trade execution. Third-party service providers may also place transactions with broker-dealers at the direction of Sendero and facilitate operational requests on behalf of clients based on instructions provided by Sendero. When providing these services, the third-party service provider is acting as an agent of Sendero and may charge fees based on a percentage of assets in the accounts they service.

### **Investment Advocates**

We seek to provide intelligent advice for investment situations, recommending prudent and responsibly priced services for each client. When appropriate, we facilitate access to specialists for services beyond our scope of expertise, such as tax or legal advice, for which we receive no referral fees. We consider it our duty to help identify the most appropriate solution for any investment decision impacting our clients.

### **Sendero's advisory services include:**

- Goal Assessment and Prioritization
- Comprehensive Aggregate Reporting
- Spending Policy Development
- Asset Allocation and Diversification
- Public and Private Security Expertise
- New Investment Opportunities
- Market Commentary
- Comprehensive Wealth Management Recommendations

### **Investable vs. Accommodation Assets**

Sendero defines "Investable Assets" as those assets that are utilized in implementing the client's investment strategy. For example, assets transferred into Sendero without restriction as to their holding period or sale would be considered Investable Assets. Typical Investable Assets include listed stocks, bonds, ETFs, and mutual funds and are not included in Sendero's due diligence process. However, Sendero reviews these

assets on behalf of the client to ensure any decisions affecting the Investable Assets fall in line with the client's goals. Sendero will not be responsible for valuing any Investable Asset.

Sendero defines "Accommodation Assets" as those that are held in client accounts and reviewed in connection with client-specific portfolio allocation but are not included in Sendero's due diligence process. Sendero does not conduct any due diligence on Accommodation Assets. However, Sendero reviews these assets on behalf of the client to ensure any decisions affecting the Accommodation Assets fall in line with the client's goals. Typical Accommodation Assets include real estate, collectibles, and non-traded investments. Sendero will not be responsible for valuing any Accommodation Asset.

## ITEM 5 – FEES AND COMPENSATION

Sendero prefers to bill clients quarterly in advance based on the account market value (which, for some clients, includes cash and/or accrued interest) of all deployed and committed capital within the clients' aggregated household portfolio, as of the last day of the preceding calendar quarter. As described below, some clients, however, have arrangements where they are billed other than quarterly in advance. All household assets are not automatically aggregated, the Advisory Agreement sets forth which household(s) and which asset(s) in such households will be aggregated for fee billing purposes.

The annual fee for Advisory Services is based on the market value of the assets under management or advisement. The fee is cumulative and is negotiable with a maximum rate of 1.10%, on the first \$1,000,000, with lower rates on higher tiers when a tiered fee schedule is utilized. We base the management fee on the market value of a client's portfolio as determined by the custodian (or outside pricing service) at the end of the last trading day of the previous calendar quarter.

Unless modified by Sendero, clients have a minimum annual fee, as set forth within their individual fee schedule.

Sendero believes its fees are reasonable in relation to the fees charged by other investment advisers. The amount and method by which fees are charged is established in each client's written agreement with Sendero. In some instances, for Accommodation Assets, a fixed fee will be negotiated, not based on assets under management.

Because we have a history of serving our clients' needs individually, earlier clients have different fee schedules or different fee structures. Some earlier clients are not on a "tiered" schedule, and pay the same percentage on all assets, regardless of the size of their account. Some earlier fee schedules had different breakpoints for tiers. Some earlier clients are billed in arrears, in which case the fee is not adjusted for flows in or out of their accounts. Some earlier clients are not charged on cash and/or hold assets not included in the fee calculation, and some clients have particular asset classes charged at a lower rate than other asset classes. This means some clients pay more than other clients with the same amount or same type of assets under our management. As of March 1, 2024, all new clients are billed using a tiered schedule with a maximum rate of 1.0% on the first \$4,000,000, with lower rates on higher tiers when a tiered fee schedule is utilized, except in extenuating circumstances, such as having an especially large and complex portfolio or holding a majority of assets in fixed income or cash.



If the Account is closed during the quarter, fees will be pro-rated based on the number of days the Account was opened during the quarter. Any fees billed in advance, but unearned, will be promptly returned to the client.

Fee adjustments will be made on a quarterly basis for any withdrawals and deposits on the same day whose values would result in a change of \$30 or more in Advisory Fees. No fee adjustment will be made for appreciation or depreciation in the Account's asset value during the quarter. Sendero uses its third-party reporting system to generate invoices for fee billing. Total account values for billing at times will differ slightly from custodial statement values for various reasons, such as when Sendero's internal calculations take place within the cycle that the fees are calculated; however, the values in the custodian's statement are the official record of the account.

"Accommodation Assets" will be excluded from the account market value for billing purposes and will be subject to a separate Advisory Fee, as specifically noted in the client's Fee Schedule.

Where client accounts are managed by third-party managers, Third-Party Investment Manager fees are in addition to Sendero Advisory Fees, are billed at different times based upon the managers' schedule of invoicing, and calculated using a different methodology than is used by Sendero (beginning or end of period, average assets, market values, etc.). Sendero will debit client accounts with PAS and forward to other custodians the invoice provided by the Third-Party Investment Manager for managed accounts not held at PAS. These debited fees are then forwarded to the respective managers. Sendero reviews Third-Party Investment Manager's fees to confirm the calculations are correct before fees are debited from client accounts. Sendero does not receive a portion of third-party manager fees.

For Advisory Fee purposes, alternative investment values are billed using the most recent estimated statement value received from the fund administrator. Sendero's advisory fees for alternative investments held away from Sendero will be debited from your Sendero account on a quarterly basis. Clients understand that Sendero does not conduct an independent valuation of the alternative investments held in client accounts, but instead relies on the estimated valuations provided by the fund administrators. Assets held with Pershing, Fidelity, or other custodians are priced using our third-party software, which receives its pricing feeds from the custodians.

All Sendero clients incur additional charges that are imposed by the respective custodian, including, but not limited to, transaction fees and costs, margin or debit interest, costs associated with exchanging foreign currencies, SEC fees, transfer fees, exchange fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. Such charges, fees, and commissions are exclusive of and in addition to Sendero's fees. Additional fees for work outside our normal services are charged separately. (e.g., divorce, estates, family office, account reconciliations, and foreign transfers).

Excluding certain legacy clients, (as dictated by their individual Advisory Agreement), the rate used each quarter for all fee schedules for Sendero clients will be one-fourth of the annual rate. Accounts are subject to a minimum fee specified in the Client Agreement. The initial fee ("Initial Fee") will be calculated once the Client Agreement is accepted by Sendero, and as of the date the account is funded (the "Commencement Date"). The Initial Fee will cover the period from the Commencement Date until the last day of the initial calendar quarter. The Initial Fee will be calculated proportionately with respect to the number of days in the initial billing period, divided by the number of days in the quarter, and will be based on the market value (including cash and/or accrued interest if any) of the client's assets on the Commencement Date. Thereafter, the quarterly fee will be calculated based on the market value (including cash and/or accrued

interest, if any) of the client's assets as of the last day of the preceding calendar quarter. The quarterly fee for a new account will be charged in arrears and become due on the first business day of the following calendar quarter and will be deducted from the account shortly thereafter. At this first billing, the Initial Fee and subsequent quarter advance fee will be charged.

Clients can make additional contributions into an account at any time, subject to the termination provisions of the client agreement. Additional contributions can be in cash or marketable securities, provided that Sendero and the applicable Third-Party Investment Manager reserve the sole right to decline to accept securities into an account. Clients can withdraw most assets within three (3) business days after providing written notice to Sendero. Alternative investments have varying liquidation terms based on their agreements and withdrawal is delayed per the terms of the investment. For new contributions, a pro-rated fee will be charged on contributions from the date of deposit until the last calendar day of the calendar quarter. Similarly, a pro-rated fee reduction will be made on withdrawals from an account to reflect the time the assets were held in the account during the relevant period. All contribution and withdrawal flows will be captured in the subsequent quarter billing period. In the event of the termination of a Client Agreement, a prorated fee from the previous quarter-end until the termination date will be charged on the assets.

### **FinLife Partners Service Offering**

In an effort to enhance the quality and breadth of services that Sendero provides to its clients, and as part of the SGP, Sendero utilizes a suite of digitally powered technology solutions offered by FinLife Partners, a division of United Capital Financial Advisers, LLC, d/b/a Goldman Sachs Personal Financial Management ("FinLife Partners"). FinLife Partners provides to Sendero planning software through the use of certain technology platforms, training relating to use of such technology platforms, and, if elected by Sendero, certain clerical document and data compilation services. FinLife Partners is not in any way involved in, or responsible for, the individual investment management or guidance provided to Sendero's clients. Except for some legacy clients, Sendero does not receive an additional fee for this service.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

With the exception of Alternative Investment Placement Fees received by Sendero Securities, LLC (as noted below), Sendero does not receive any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client).

## **ITEM 7 – TYPES OF CLIENTS**

Sendero provides investment advisory services to select high net worth individuals, families, endowments, and charitable organizations.

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

### **Designing the Right Mix**

Before making any recommendations, Sendero becomes familiar with the client's entire scope of assets as disclosed by the clients, as well as their investment goals, risk tolerance, and distribution requirements

through a questionnaire and multiple discussions. Sendero addresses the unique challenges of wealth in the investment policy statement (IPS) provided to clients as well. Sendero discusses the goals and needs of the portfolio in the near-term (current cash flow), intermediate-term, and long-term legacy. A client's personal and financial goals are vital to the investment process, and we talk about them at each meeting. There can be no guarantee that a client's investment objectives will be met, or that the client will not lose money on the investments recommended.

Our disciplined investment process leads to thoughtful portfolio construction based on asset allocation that aligns with your investment objectives, risk tolerance, time horizon, and cash flow needs. The following key principles are the foundation upon which we construct portfolios:

- Asset allocation is the primary portfolio decision
- Diversification on a key priority
- Active and passive investing are complementary techniques
- Alternative investments require expertise and greater diligence
- Long-term success is dependent on being disciplined

Understanding a client's comprehensive goals and challenges also helps us to provide clients with educational pieces that are important and relevant to them. This comprehensive view allows us to customize a blend of investment strategies to diversify exposure. This blending of asset classes serves to potentially smooth the return variance.

**Stability Assets** – Intended to reduce the volatility or risk profile of a portfolio and includes asset classes such as cash and bonds, multi-strategy, and market-neutral hedge funds.

**Growth Assets** – Intended to grow the assets of a portfolio and will have higher volatility or risk profile. This category includes asset classes such as domestic stocks, international stocks, and REITs.

**Diversifier Assets** – Intended to improve portfolio characteristics and provide independent risks and return drivers than the Stability and Growth assets. This category includes asset classes such as multi-strategy, and market-neutral hedge funds, long/short and hedged equity strategies, real estate, managed futures, and other illiquid investments.

The investment team focuses on creating a long-term strategic asset allocation to serve clients over the long term. Tactical tilts are made to the allocation based on where we are in market cycles and economic drivers in different markets. We express our investment views through active and passive strategies, using active where it can make a meaningful difference through research and judgment, and passive where inexpensive, tax-efficient market exposure is the best solution.

### Strategy Selection

Sendero tends to focus on small to mid-tier managers with significant portions of owner/employee wealth invested in their firm. We also employ the use of index funds and ETFs. Our search process begins with historical quantitative data and portfolio characteristics. We then evaluate numerous qualitative factors to gain a better understanding of the organization, key decision makers, and viability of the strategy. Managers are selected based on their track record as well as their clear vision of how they expect to add value in the future. We believe our due diligence process results in the recommendation of managers with proven investment strategies and reasonable fees. Sendero strives to negotiate the fee down from the public fee schedule.

Sendero team members average over 20 years of experience in researching, selecting, and monitoring alternative strategies. With two partners having run global hedge funds, we believe we have a competitive advantage in researching and selecting these managers. The experience, knowledge, and qualitative insight they bring cannot be replicated or quantified from information in a database. The alternative industry is relatively small, and truly qualified individuals are known by their talent, reputation, and the experience of their teams.

### **Always Perfecting the Strategy**

We are an advocate for each client, focused on the investment environment and how it might impact the overall investment strategy. Our recommendations are designed to help protect our clients' wealth and grow it responsibly over time through varying market conditions. There is no guarantee that this goal will be met, however.

The portfolio construction process results in a diversified portfolio made up of active and passive strategies. We strive to keep costs low but will pay for active managers who have a history of generating meaningful excess returns.

### **Risk of Loss**

A risk of investing with a Third-Party Investment Manager who has been successful in the past is that they will not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a Third-Party Investment Manager's portfolio, there is also a risk that a manager deviates from the stated investment mandate of the strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent business, regulatory, or reputational deficiencies.

Investing in securities involves the risk of loss that clients should be prepared to bear.

### **Liquidity Risk**

Sendero, at times, in discretionary and non-discretionary accounts, places clients' funds into securities that can only be liquidated under limited circumstances, such as only during certain time periods during the calendar year. Thus, if invested in these securities, should the client need immediate access to their money, outside of the allowable time period, liquidations cannot occur. Sendero, as a fiduciary, must take clients' needs into account. Clients should ensure that they discuss their liquidity needs with their advisor, and if clients believe that liquidity is an important factor in their investments, they should inform their advisor and not invest in such securities.

### **Cybersecurity Risk**

Sendero and its service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information, or various other forms of cybersecurity breaches. Cybersecurity attacks affecting Sendero, and its service providers may adversely impact clients. For instance, cyberattacks may interfere with the processing of transactions, cause the release of private information about Clients, impede trading, subject Sendero to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for issuers of securities in which client accounts may invest, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators,

or other financial institutions. Cybersecurity incidents that could cause them to incur losses, including for example: financial losses, cost and reputational damages, and loss from damage or interruption of systems.

Although Sendero has established its systems to reduce the risk of these incidents from occurring, there is no guarantee that these efforts will always be successful, especially considering that Sendero does not directly control the cybersecurity measures and policies employed by third-party service providers or those of its clients.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Sendero or the integrity of Sendero's management.

Sendero has no activity or information applicable to this Item.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Scott R. McMillian is the Chairman, and Edward A. Hart is the President of Sendero Wealth Management, LLC. However, they are also registered representatives of Sendero Securities, LLC., Sendero's affiliated broker-dealer, which is registered with FINRA. Likewise, Brenda D. Allen, Amaury de Barros Conti, Franklin C. Davis, IV, Tara D. Maxwell, Fred W. Middleton, Fabian Rodriguez, Rodrigo Lopez, Ariel Palomo and George H. Watson, III are all registered representatives of Sendero Securities, LLC.

Sendero Securities' activities are limited to providing services as a placement agent related to alternative investments of Sendero's advisory clients.

## **ADDITIONAL COMPENSATION**

### **Mutual Fund Charges**

To the extent that mutual funds are selected by Sendero to fill components of a client's overall investment strategy, Sendero endeavors to purchase such mutual fund shares at net asset value or on a "no-load" basis. To the extent Sendero is successful in doing so, its clients will not be subject to any initial distribution cost (front-end sales charge) or redemption fee (back-end sales charge), if any, that might be incurred upon the purchase or sale of shares of mutual fund shares. On limited occasions, Sendero purchases mutual funds that pay Pershing and Fidelity a marketing or distribution fee (commonly known as a "12b-1 fee"), which are retained by the custodian. If Pershing and Fidelity receive these fees, it creates an indirect benefit to Sendero, and a potential conflict of interest since Pershing and Fidelity receive additional compensation in connection with their relationship with Sendero. Clients do incur the indirect costs of mutual fund managers' fees in addition to the Advisory Fee paid to Sendero.

### **Support Services Agreement**

Sendero entered into a Support Services Agreement in 2016, wherein Sendero will receive certain approved support services to be paid for by Pershing Advisor Solutions, LLC. The support services agreement consists of services that qualify as brokerage or research services under Section 28(e) of the Securities Exchange Act of 1934 (also known as "soft dollars"), as well as services that do not fit within the safe harbor provided in Section 28(e). This arrangement requires Sendero to present invoices for services provided for approval to PAS. These invoices include expenses related to systems, software, research, and other technology-based

products and services. This arrangement also presents a potential conflict of interest in that the agreement allows Pershing to unilaterally reduce their payments for these services if Sendero directs 15% or more of its assets under management held at Pershing to another custodian. As such, the Firm has a financial incentive to maintain its advisory assets with Pershing.

### **Alternative Investment Placement Fees**

For certain legacy clients, Sendero has, through Sendero Securities, a placement fee relationship in place for alternative investments recommended for client accounts. Such relationships result in Sendero Securities receiving a placement fee, and a portion of the ongoing manager fees based on the account value and performance. It is important to note that the fees payable to Sendero Securities in connection with such relationships are included in the overall fees charged by the alternative investment and do not increase the fees paid, directly or indirectly, by the client. Such fees present a conflict of interest because Sendero is incentivized to retain those alternative investments with whom it has a placement agreement in client accounts.

Clients should be aware that the receipt of additional compensation by Sendero, Sendero Securities, its management, or employees creates a conflict of interest. The receipt of additional compensation could impair the objectivity of Sendero and these individuals when making advisory recommendations.

Sendero places the interests of its clients first as part of its fiduciary duty as a registered investment adviser. Sendero takes the following steps to address conflicts:

- Sendero discloses to clients the existence of all material conflicts of interest, including the potential for Sendero and our employees to earn compensation from advisory clients in addition to Advisory Fees;
- Sendero discloses to non-discretionary clients that they are not obligated to purchase Sendero-recommended investment products or funds;
- Sendero collects, maintains, and documents accurate, complete, and relevant client background information, including the client's financial goals, objectives, and risk tolerance;
- Sendero management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- Sendero requires that its employees seek prior approval of any outside employment activity in an effort to ensure that any conflicts of interest in such activities are properly addressed;
- Sendero periodically monitors these outside employment activities to verify that conflicts of interest continue to be properly addressed by Sendero; and
- Sendero educates our employees regarding fiduciary responsibilities, including the need to have a reasonable and independent basis for the investment advice provided to clients.

## **ITEM 11 – CODE OF ETHICS**

Sendero has adopted a Code of Ethics for its employees, describing its high standard of business conduct and fiduciary duty to its clients. Sendero and its employees and affiliates agree to abide by Sendero's Code of Ethics (the "Code"). The Code requires that Sendero avoid conflicts of interest where possible and will disclose actual and potential conflicts of interest to the client. The Code sets forth the principle that employees and affiliates owe a fiduciary duty to the client while conducting their own personal affairs, including the duty to avoid serving their own personal interests ahead of clients, avoid taking inappropriate

advantage of their position with Sendero, and avoid any actual or potential conflicts of interest or any abuse of their position of trust.

The Code includes provisions relating to the confidentiality of client information, a prohibition against insider trading, restrictions on the acceptance of significant gifts, the requirement to report certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees and affiliates must acknowledge, in writing, that they have read, understand, and will comply with the terms of the Code.

A copy of Sendero's Code is available to any client or prospective client upon request.

## **ITEM 12 – BROKERAGE PRACTICES**

Pershing and Fidelity make available to the Firm other products and services that benefit the Firm but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or a substantial number of the Firm's accounts. Pershing and Fidelity products and services that assist the Firm in managing and administering accounts include software and other technology that (i) provide access to client account data (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 our fees from our clients' accounts; and (v) assist with back-office functions, recordkeeping, and client reporting.

Pershing and Fidelity also offer other services intended to help us manage and further develop our 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. Pershing and Fidelity may also provide other benefits such as educational events or occasional business entertainment for the Firm's personnel. Sendero 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 we consider and not solely the nature, cost, or quality of custody and brokerage services provided by Pershing and Fidelity, which may create a potential conflict of interest.

### **Best Execution**

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to the other available providers and their services. If the client directs those trades to be executed through another broker-dealer, the client is responsible for negotiating the terms and conditions (including commission rates) relating to all services provided by that broker-dealer. Sendero assumes no responsibility for obtaining the "best execution" of such trades.

Sendero is not required to select the broker that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers, and Sendero may at times pay more than the lowest transaction cost available in order to obtain for itself and/or its clients services and products other than securities transactions execution. Sendero evaluates best execution on a relationship rather than a transactional basis.



### **Principal and Agency Cross Transactions**

In its capacity as an investment advisor, Sendero's policy is that the firm will not participate in principal or agency cross transactions.

Principal transactions are defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction is also deemed to have occurred if a security is "crossed" between an affiliated hedge fund and another client account.

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as a broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions occur when an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, such as Sendero.

### **ITEM 13 – REVIEW OF ACCOUNTS**

Assets for which Sendero is providing investment advisory services, unless otherwise specified by the client, are monitored on a systematic basis and are reviewed at least annually by a principal or other firm-designated person to ensure that the investment advice is consistent with the client's stated investment objectives. Notwithstanding the above, Sendero's supervision processes cause us to review more active accounts and larger accounts on a more frequent basis.

Clients can access reports via the Sendero web portal. The reports are intended to demonstrate the performance of account assets, as well as provide an asset holding summary with daily market values, transactions, and contributions/withdrawals for the relevant period. Clients will also receive brokerage transaction confirmations and monthly and/or quarterly account statements from their custodians. The information in Sendero's reports will [may/often?] vary from the statements provided by the custodian. Where there is a discrepancy between the two, the custodian's report controls.

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Sendero compensates third parties for client referrals ("solicitor"). Sendero's third-party referral arrangements include an agreement with WealthRamp, Inc., an SEC registered investment advisor. When a prospect is referred to us by a compensated solicitor, Sendero will disclose the nature of the arrangement at the time of the referral by providing the client with a copy of this Form ADV Part 2A and a copy of the disclosure statement. If a solicitor is paid more than \$1,000 over a 12-month period, the solicitor must enter into a written agreement with Sendero to receive compensation for prospect referrals. If a solicitor introduces a client to Sendero, Sendero will pay the solicitor a referral fee in accordance with the requirements of Rule 206(4)-1 of the Advisers Act, the rules set forth by the respective state jurisdictions, and the terms of Sendero's agreements with each solicitor. Solicitors only receive compensation after a prospect executes our client agreement and becomes a client. The solicitors are paid a percentage of our collected advisory fee as specified in their agreements. A referred client pays no additional fee for the referral. To the contrary, the advisory fee we earn is reduced by the amount paid to the third party. Clients may request details regarding a particular solicitor's referral agreement by contacting us at the contact information provided on the first page of this document. Referral fees will cease once the solicited client relationship with Sendero is terminated.



## ITEM 15 – CUSTODY

Custody is defined as an investment advisory firm, its related entities, and/or its personnel having direct access to clients' funds or securities. Sendero protects client assets by requiring that clients use a "qualified custodian" that sends their account statements directly to them at least quarterly.

Sendero has custody of client assets to the extent that we have the authority to instruct the custodian to deduct our advisory fee directly from the client account. This fee deduction is reported to the client quarterly in the statements the client receives from their custodian. Clients should contact us if there are any questions about the accuracy of the fee calculation.

Several of Sendero's clients have established instructions to their custodian which allow clients to direct Sendero to send funds from their account with standing instructions. Sendero is considered to have custody over some of these accounts because the amount and/or timing of these transfers is not pre-defined. However, this authority does not necessitate that an outside public accountant conduct surprise examinations of these accounts.

Clients will receive at least quarterly statements from the qualified custodian that holds and maintains clients' investment assets. Sendero urges clients to carefully review such statements and compare the official custodial records to the reports that Sendero provides to the client. Sendero's reports vary from custodial statements for various reasons, including accounting procedures, such as settlement date, cash basis versus trade date, reporting dates, or valuation methodologies of certain securities.

We use a third-party platform to facilitate management of held away assets (e.g., defined contribution plan participant accounts) with discretion. The platform allows Sendero to avoid being considered to have custody of client funds since Sendero does not have direct access to client log-in credentials to affect trades. Sendero is not affiliated with the platform in any way and receives no compensation from the third party for using their platform. A link will be provided to the client allowing the client to connect an account(s) to the platform. Once a client account is connected to the platform, Sendero will review the current account allocations on an ongoing basis.

## ITEM 16 – INVESTMENT DISCRETION

Sendero manages some of its client portfolios on a discretionary basis, discretion is determined by the client at the time of signing the Sendero Advisory Agreement. All grants of discretionary authority must be in writing. If a client wishes to impose reasonable limitations on Sendero's discretionary authority, such limitations must be included in the client agreement or fee schedule, or otherwise submitted to us in writing. The client can change or amend these limitations, as desired, by written instruction to Sendero. Clients should be aware that under the terms of each program and any separate agreement between the client and a third-party portfolio manager, the third-party manager is not obligated to accept limitations on its authority.

Where Sendero receives discretionary authority from the client, this authority allows Sendero to determine the securities bought or sold, the number of securities bought or sold, and with which brokers to transact without having to get the client's consent for each transaction.

## ITEM 17 – VOTING CLIENT SECURITIES

### Third-Party Managed Accounts

Sendero will not vote proxies on client accounts managed by a Third-Party Investment Manager. The manner in which a specific Third-Party Investment Manager addresses conflicts related to proxy voting is set forth in the Third-Party Investment Manager's proxy voting procedures, which will be provided upon request to clients who select the Third-Party Investment Manager. The client's respective custodian will forward to the client, or any person designated by the client, any proxy materials that the custodian receives pertaining to securities held in the account(s). Clients may contact Sendero in the event they wish to know how the client's proxies were voted by the applicable Third-Party Investment Manager.

### Sendero Managed Accounts:

Sendero utilizes the services and voting methodology of Egan Jones ([www.ejproxy.com](http://www.ejproxy.com)) to vote client proxies on all non-third-party managed accounts. Egan Jones has agreed to use their "standard" methodology when voting on behalf of client. This methodology focuses on three guiding principles 1) directors should be accountable to shareholders, and management should be accountable to directors; 2) information on the Company supplied to shareholders should be transparent; and 3) shareholders should be treated fairly and equitably according to the principle of one share, one vote.

A complete description of this voting methodology is available from Sendero upon request.

Clients may "opt out" of this voting service by notifying Sendero in writing.

Unless the client specifically "opts out", Sendero will vote proxies on all non-Third-Party managed accounts. Sendero will utilize the services and voting methodology of Egan Jones's standard proxy method.

For additional information on this voting methodology, please see [www.ejproxy.com](http://www.ejproxy.com).

Unless the client specifically "opts out", Chicago Clearing Corporation ("CCC") has been engaged to provide class action litigation monitoring and securities claim filing services on their behalf. CCC handles the filings from start to finish and charges a contingency fee of 15%, which is subtracted from the client's portion of the litigation payout at the time of payment.

## ITEM 18 - FINANCIAL INFORMATION

Sendero has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy proceedings.