

# Disclosure Brochure

March 28, 2024



This brochure provides information about the qualifications and business practices of Artesa Financial Group, LLC (hereinafter "AFG" or "the Firm"). If you have any questions about the contents of this brochure, please contact Christy A. Cannon at (936) 760-2215. 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 Artesa Financial Group, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Artesa Financial Group, LLC is a registered investment adviser. Registration does not imply any level of skill or training.

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## Item 2. Material Changes

This Item discusses only the material changes that have occurred since AFG's last annual update filed March 16, 2023. The Firm updated Item 4 to disclose that it uses the Pontera platform to assist with management of clients' accounts that are "held away" from the client's primary custodian. The Firm updated Item 12 to remove all references to TD AMERITRADE, Inc. as a custodian recommended by the firm. Charles Schwab & Co., Inc. is now the primary custodian for client accounts.

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## Item 4. Advisory Business

AFG is an investment adviser providing wealth management services including: asset/liability planning, investment advice, asset allocation strategies and portfolio construction recommendations. Offering conservative guidance based on a risk-first methodology, AFG understands that traditional allocations can be limited in capturing investor's personal concerns in collaboration with current market risks. Utilizing an independent structure and a defined process we seek to obtain an objective and thorough understanding of the complexities of an investor's life. Ultimately, AFG seeks to provide solutions that are unique to each client's current and future financial circumstances.

AFG has been in business since June 2010. Frank E. Cannon is the principal owner of AFG. As of January 31, 2024, AFG had \$94,780,627 of assets under management, all of which was managed on a discretionary basis.

Prior to engaging AFG to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with AFG setting forth the terms and conditions under which AFG renders its services (collectively the "Agreement").

This disclosure brochure describes the business of AFG. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of AFG's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on AFG's behalf and is subject to AFG's supervision or control.

### Wealth Management Services

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Clients generally engage AFG to manage all or a portion of their assets on a discretionary basis.

AFG primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs") and individual debt and equity securities in accordance with the investment objectives of the client. AFG also provides advice about real estate investment trusts ("REITs"), master limited partnerships ("MLPs") and any other type of investment held in clients' portfolios at the beginning of the advisory relationship. AFG also may provide advisory services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, AFG recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

The Firm uses the Pontera platform made available by Pontera Solutions, Inc. ("Pontera"), a third-party online platform, to assist with management of clients' accounts that are "held away" from the client's primary custodian. Unless otherwise agreed to in the Advisory Agreement, the Firm charges the same fees for the management of held away assets. To facilitate use of the Pontera platform, the client securely logs into the Pontera site and entitles the Firm to manage the assets.

Pontera charges the Firm for each account that it manages on the platform. Clients do not pay any additional fee to Pontera or the Firm in connection with platform participation. The fees on the held-away accounts are generally directly debited on a pro rata basis from client accounts. The exception for this is directly-managed held-away accounts, such as 401(k)s. Those fees will be withdrawn from the client's taxable accounts on a pro-rata basis.

AFG tailors its advisory services to the individual needs of clients. AFG consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. AFG ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance. Clients are advised to promptly notify AFG if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon AFG's management services.

Certain of AFG's Supervised Persons, in their individual capacities, are also licensed insurance agents and will earn commission-based compensation for selling insurance products. Insurance commissions earned by these individuals are separate and in addition to fees received by the Firm. This creates a conflict of interest as Supervised Persons who are licensed insurance agents have an incentive to recommend insurance products to clients for the purpose of generating commissions. Clients are also advised that it remains their responsibility to promptly notify AFG if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising AFG's previous recommendations and/or services. Clients are not obligated to act upon the AFG recommendations and, if clients elect to act on any of AFG's recommendations, they are not obligated to effect such recommendations through AFG. AFG does not sponsor or offer a wrap fee program.

### **Item 5. Fees and Compensation**

AFG offers its services for a fee based upon assets under management. In addition, as discussed in Item 10 of this brochure, certain of AFG's Supervised Persons may, in their individual capacities, offer insurance products under a separate commission-based arrangement. Other than certain of AFG's Supervised Persons possible offer of insurance products under a commission arrangement, as discussed in Item 10 of this brochure, neither AFG nor its Supervised Persons 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.

#### **Investment Management Fee**

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AFG provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by AFG. AFG's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. AFG does not, however, receive any portion of these commissions, fees, and costs. AFG's annual fee is prorated

and charged quarterly, in advance, based upon the market value of the assets being managed by AFG on the last day of the previous quarter. The annual fee varies (between 0.25% and 2.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered. Other providers may offer comparable services for lower fees than AFG.

The Firm includes cash in a client's account in determining the valuation for billing purposes. The Firm may, in its sole discretion, not include cash in determining the fee, especially where a client has a high percentage of cash for reasons other than the Firm's investment management decision. AFG, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), AFG generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("Schwab") for investment management accounts.

AFG may only implement its investment management recommendations after the client has arranged for and furnished AFG with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, Schwab, any other broker-dealer recommended by AFG, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institutions").

Clients incur certain charges imposed by the Financial Institutions and other third parties. These additional charges include brokerage commissions and other transaction costs, custodial fees, reporting charges, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to AFG's fee.

AFG's Agreement and the separate agreement with any Financial Institutions may authorize AFG to debit the client's account for the amount of AFG's fee and to directly remit that management fee to AFG. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to AFG.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees shall be calculated on a pro rata basis.

The Agreement between AFG and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. AFG's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Additions may be in cash or securities provided that AFG reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to AFG, subject to the usual and customary securities settlement procedures. AFG designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. AFG consult with its clients about the options and ramifications of transferring securities as necessary. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charges) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

AFG does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7. Types of Clients**

AFG provides its services to individuals.

#### **No Minimum Account Requirements**

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AFG does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship.

### **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Investment Strategies**

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AFG utilizes a proactive "risk first allocation" process that takes a needs-based approach to clients' financial situations. AFG believes risks to client objectives are dynamic events. Its commitment to clients is to put in place a process that addresses client needs ("Risk Needs") while facilitating investment strategies that seek to preserve, grow, and provide lasting wealth. This begins with getting to know that client ("Comfort Level"),

outlining risk (“Explained Risk”), allocating assets according to the investment environment and then continuously reviewing changes in clients’ needs and global capital markets (“Risk Allocation”).

$$\text{“Risk Need”} + \text{“Comfort Level”} + \text{“Explained Risk”} = \text{Risk Allocation}$$

Investments are allocated within a “risk-first allocation” process that is based on a beta score calculation for each individual client account. The score is generated by Morningstar Office systems and is used to measure the average weighted volatility of each holding within a portfolio. The beta score is formulated by measuring market volatility against a standard benchmark. Where Morningstar Office systems has not assigned a score, the Firm ascribes the score of one (1). A score of one (1) indicates that the investment moves in tandem with the market. A score over one (1) indicates that the stock will rise or fall to a greater degree than the market. The individual average weighted score for each account held at the Firm is added up on a portfolio weighted basis to access the client’s comprehensive financial beta score.

The Firm maintains three beta score portfolio allocation ranges: conservative, moderate, and moderate aggressive. Conservative investment strategies, designed for investors who seek current income and stability rather than growth, are low volatility, income-producing securities that are designed to provide consistent returns, as well as funding for near-to-intermediate term client liabilities and/or reserve need. Moderate investments strategies provide slightly greater market exposure to certain sectors or equity investments, but with a focus on minimizing associated risk. Moderate Aggressive investment strategies, designed for long-term investors who want favorable growth potential and do not need current income, provide higher market exposure to strategic asset classes, sectors, equity investments to pursue growth potential, but still maintaining a focus on minimizing associated risk. Portfolios can be a combination of each “risk first allocation” category or any one or two. AFG does not predetermine “risk-first allocation” targets as each finalized client portfolio is a result of stated needs and determined risk comfort level. The beta score system and portfolio allocation range is designed to act as a written guideline and philosophical understanding of the Client’s needs, and AFG may, in its sole discretion, make allocations that deviate from the beta score system.

Investment strategies within each “risk-first allocation” category can be any one of, or a combination of, the following: individual stocks, individual bonds, ETFs, mutual funds, fixed income, separately managed accounts and /or derivatives. Risk controls which address volatility, diversification and concentration are applied throughout construction of strategies. AFG uses a combination of qualitative and quantitative resources to review factors believed to impact markets->macro-economics, valuation and investor attitude. These factors determine security decisions as follows:

- Fixed Income –credit, curve, currency, and country
- Equity – size, style, sector, currency, and country
- Alternatives – real assets and hedging

### Methods of Analysis

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AFG’s primarily employs fundamental and technical methods of analysis.



*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. AFG will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that AFG will be able to accurately predict such a reoccurrence.

### **Risk of Loss**

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#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

#### *Market Risks*

The profitability of a significant portion of AFG's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that AFG will be able to predict those price movements accurately.

#### *Mutual Funds and Exchange Traded Funds*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual funds and ETFs are subject to secondary market trading risks. Shares of mutual funds and ETFs will be listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that a mutual funds' and ETFs' exchange listing or ability to trade its shares will continue or remain unchanged. Shares of the mutual fund or ETF may trade on an exchange at prices at, above or below their most recent net asset valuation (NAV), which is the price that an investor would buy or sell the mutual fund or ETF at. The per share NAV of a mutual fund or ETF is calculated at the end of each business day, and fluctuates with changes in the market value of the mutual fund's or ETF's holdings. The trading prices of a mutual fund's or ETF's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's ETF's shares trading at a premium or discount to NAV.

#### *Real Estate Investment Trusts (REITs)*

AFG recommends an investment in, or allocate assets among, various real estate investment trusts ("REITs"), the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related

holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

### *Master Limited Partnerships (MLPs)*

Master Limited Partnerships ("MLPs") are collective investment vehicles, the partnership interests of which are publicly traded on national securities exchanges. MLPs invest primarily in companies within the energy sector that engage in qualifying lines of business, such as natural resource production and mineral refinement. MLPs are therefore subject to the underlying volatility of the energy industry and may be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation and interest rate fluctuations, among other such factors. In addition, MLPs operate as pass-through tax entities, meaning that investors are liable for their pro rata share of the partnership taxes, regardless of the types of accounts where the interests are held.

## **Item 9. Disciplinary Information**

AFG is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. AFG does not have any required disclosures to this Item.

## **Item 10. Other Financial Industry Activities and Affiliations**

AFG is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Such relationships and arrangements are described below. Neither AFG nor its Management Persons are registered or have an application pending to register as a broker dealer, representative of a broker dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. The Firm does not recommend or select other investment advisers for its clients and that it does not receive compensation directly or indirectly for any such referrals.

### **Receipt of Insurance Commission**

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AFG is under common control with Asset Guardian, LLC, a duly licensed insurance agency. Certain of AFG's Supervised Persons, in their individual capacities, are principals and licensed insurance agents of Asset Guardian, LLC, and in such capacity recommend on a fully-disclosed basis the purchase of certain insurance-related products. While the AFG does not sell such insurance products to its investment advisory clients, it does permit its Supervised Persons, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that

AFG recommends the purchase of insurance products where AFG's Supervised Persons receive insurance commissions or other additional compensation, as there may be an incentive for AFG's Supervised Persons to recommend investment products based on their receipt of such commissions or compensation. AFG seeks to ensure that any such recommendations are provided on a fully-disclosed basis and only when aligned with clients' best interests. AFG's investment advisory clients may purchase insurance-related products from other agents who are not Supervised Persons of AFG.

### **Related Consulting Firm**

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AFG is under common control with Artesa Consulting, LLC ("Artesa Consulting"), which provides individuals, including AFG clients, with recommendations for professional services, including estate planning attorneys, tax attorneys, accountants, insurance providers, and eldercare providers. AFG does not receive a referral fee in connection with recommendations for professional service providers. However, one or more of the Firm's Supervised Persons are principals of Artesa Consulting and are entitled to receive distributions related to their ownership interest in Artesa Consulting. A conflict of interest exists where Artesa Consulting recommends professional service providers and Supervised Persons of AFG receive referral payments or other additional compensation by virtue of their affiliation therewith. AFG and Artesa Consulting seek to ensure that any such recommendations are provided on a fully-disclosed basis and only when aligned with clients' best interests.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

AFG has adopted a code of ethics ("Code of Ethics") in compliance with applicable securities laws that sets forth the standards of conduct expected of associated persons. The Firm's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its associated Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders. The Code of Ethics also requires that certain of AFG's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

The Firm's associated persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. Unless specifically permitted in AFG's Code of Ethics, none of AFG's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of AFG's clients.

When AFG is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been

made not to purchase such security. Similarly, when AFG is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. Access Persons can trade as part of a batch with Firm clients. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds.

Clients and prospective clients may contact AFG to request a copy of its Code of Ethics.

### **Item 12. Brokerage Practices**

As discussed above, in Item 5, AFG generally recommends that clients utilize the brokerage and clearing services of Schwab.

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

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

AFG periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

The client may direct AFG in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and AFG will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by AFG (as described below). As a result, the client may pay higher transaction costs (e.g., brokerage commissions and spreads) or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, AFG

may decline a client's request to direct brokerage if, in AFG's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless AFG decides to purchase or sell the same securities for several clients at approximately the same time. AFG may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among AFG's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among AFG's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that AFG determines to aggregate client orders for the purchase or sale of securities, including securities in which AFG's Supervised Persons may invest, AFG shall do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. AFG shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that AFG determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares will be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when such account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares will be reallocated to other accounts (this will be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations will be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, AFG may exclude the account(s) from the allocation; the transactions will be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares will be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist AFG in its investment decision-making process. Such research generally will be used to service all of AFG's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because AFG does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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AFG receives from Schwab, without cost to AFG, computer software and related systems support, which allow AFG to better monitor client accounts maintained at Schwab. AFG receive the software and related

support without cost because AFG renders investment management services to clients that maintain assets at Schwab. The software and related systems support may benefit AFG, but not its clients directly. In fulfilling its duties to its clients, AFG endeavors at all times to put the interests of its clients first. Clients should be aware, however, that AFG's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may provide an incentive for the Firm to choose one broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, AFG receive the following benefits from Schwab receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services their respective institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

AFG also receives reimbursement from mutual fund companies to cover the cost associated with expenses to attend conferences held by the mutual fund provider. AFG continues to act in the best interest of clients and does not allow this to influence investment decisions.

In addition, AFG also receives marketing support from other service providers, including those that offer securities and/or insurance products held in clients' accounts. This presents a conflict of interest for AFG to choose these providers. However, AFG chooses investments and insurance products for clients' accounts based on the clients' best interests and not the support received from a service provider.

### **Brokerage for Client Referrals**

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AFG does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

## **Item 13. Review of Accounts**

For those clients to whom AFG provides investment management services, AFG monitors those portfolios as part of an ongoing process. AFG conducts regular account reviews on at least a quarterly basis. There are no specific factors that trigger this frequency of review. Such reviews are conducted by one of AFG's investment adviser representatives, Frank E. Cannon or Christy A. Hayes. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with AFG and to keep AFG informed of any changes thereto. AFG shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts.

### **Item 14. Client Referrals and Other Compensation**

AFG is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, AFG is required to disclose any direct or indirect compensation that it provides for client referrals. AFG does not have any required disclosures to this Item.

### **Item 15. Custody**

AFG's Agreement and/or the separate agreement with any Financial Institution may authorize AFG through such Financial Institution to debit the client's account for the amount of AFG's fee and to directly remit that management fee to AFG in accordance with applicable custody rules.

Prior to deducting a fee directly from a client account, AFG requires the client provide written authorization for AFG to deduct advisory fees from the account held with the Financial Institution. The Financial Institutions recommended by AFG have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to AFG. Each time AFG directly deducts a fee directly from a client account, AFG sends the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account and sends the client an invoice or statement itemizing the fee. Such itemization includes the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the time period covered by the fee.

### **Item 16. Investment Discretion**

AFG is given the authority to exercise discretion on behalf of clients. AFG is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. AFG is given this authority through a power-of-attorney included in the agreement between AFG and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). AFG takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

### **Item 17. Voting Client Securities**

AFG is required to disclose if it accepts authority to vote client securities. AFG does not vote client securities on behalf of its clients. Clients receive proxies directly from the Financial Institution and may contact AFG with any questions by calling the number on the cover of this Disclosure Brochure.

### **Item 18. Financial Information**

AFG does not require or solicit the prepayment of more than \$500 in fees six months or more in advance. AFG has not been subject to a bankruptcy petition at any time during the past ten years. In addition, AFG is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. AFG has no disclosures pursuant to this Item.





Prepared by:



**MARKETCOUNSEL®**  
*The Adviser's Advisor®*