

# Advisory Alpha, LLC

## Part 2A of Form ADV: Firm Brochure

*This brochure provides information about the qualifications and business practices of Advisory Alpha, LLC (Advisory Alpha). If you have any questions about the contents of this brochure, please contact us at (866) 530-1400 or by email at: [email@advisoryalpha.com](mailto:email@advisoryalpha.com). 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.*

*We are a registered investment advisor. Registration does not imply a certain level of skill or training.*

*Additional information about Advisory Alpha is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). Advisory Alpha's CRD number is: 158282.*

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## ***Item 2: Material Changes***

This Item identifies and summarizes only those material changes that have occurred since the last annual update of our firm brochure. Since that time, we have had no material changes.

**For existing clients who have previously received our firm brochure (Form ADV, Part 2A), we are providing only this summary of its material changes. Upon your request, we will send you a complete copy of our updated firm brochure at no cost to you. Use our contact information on page 1.**

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## ***Item 4: Advisory Business***

### ***Introduction and Overview***

This brochure contains important information. We encourage you to read it carefully and ask questions if there is any information that you do not understand.

In this brochure, references to “we,” “us,” “our,” or “our firm” refer to Advisory Alpha, LLC (“Advisory Alpha”). Individuals who serve as our managers, officers, employees, and financial advisors may also be referred to as our “investment advisor representatives.” Our firm’s clients and prospective clients are referred to as “you,” “your,” or “our clients.”

Advisory Alpha is a Michigan based investment advisor registered with the SEC since 2011. Our principal owner is Steve Osterink, Jr., CFA®, CFP®, AIF®. Janine Osterink serves as our Chief Compliance Officer. We also do business as Conger Wealth Management and Financial Decisions in the state of Arkansas and have registered DBA names as such in both the state of Michigan and the state of Arkansas.

We have an Investment Team that provides oversight of the investment management process, including portfolio allocation, security analysis, and investment selection. The Investment Team is led by Steve Osterink, Jr., CFA®, CFP®, AIF® and Steve Osterink Sr. Other members include Jon Lohr CFA®, CFP®, Nick Heinrich, CFP®, Michael Baker, and Janine Osterink.

### ***Delivery of Advisory Services***

We provide advisory services to clients through our investment advisor representatives as well as through subadvisory or co-advisory relationships with other independent, third party registered investment advisors.

*Investment Advisor Representatives* - For clients we serve directly, the investment advisor representative assigned to each client will assist you in establishing and managing your accounts. The assigned investment advisor representative is responsible for gathering information on your age, investment experience, time horizon, liquidity, risk tolerance, financial history, goals, objectives, and financial concerns in order to assist you in selecting from our managed portfolio and specialty solution offerings. The assigned investment advisor representative will also provide you with initial and ongoing information and education concerning the investments selected. We generally maintain discretionary authority to determine the securities to buy and sell within the client accounts. Your assigned investment advisor representative should meet with you periodically to discuss these allocation changes.

*Subadvisor Relationships* - We have arrangements in place to act as a subadvisor and provide subadvisory services to clients of appropriately registered, third party investment advisors. These subadvised clients will enter into an advisory agreement directly with the third party investment advisor, and we will have no direct client relationship with you. The third party investment advisor is responsible for providing you a copy of our firm brochure and

establishing the fee that you pay, which will be specified in the signed advisory agreement. We receive a portion of the total advisory fees for our advisory services, as agreed upon in the subadvisory agreement we have with the third party investment advisor. An investment advisor representative affiliated with the third party investment advisor will assist you in selecting from our managed portfolio and specialty solution offerings that align with your investment objectives, risk tolerance, and time horizon. This investment advisor representative will also provide you with initial and ongoing information and education concerning the investments selected. As a subadvisor, we generally maintain discretionary authority to determine the securities to buy and sell within the subadvised client accounts. The third party investment advisor's investment advisor representative should meet with you periodically to discuss these allocation changes.

*Co-Advisor Relationships* - We have arrangements in place to act as a co-advisor and provide advisory services to clients of appropriately registered, third party investment advisors. These co-advised clients will enter into an advisory agreement directly with us and the third party investment advisor. The third party investment advisor is responsible for providing you a copy of our firm brochure and establishing the fee which you pay, which will be specified in the signed advisory agreement. We receive a portion of the total advisory fees for our advisory services, as agreed upon in the co-advisory agreement we have with the third party investment advisor. An investment advisor representative affiliated with the third party investment advisor will assist you in selecting from our managed portfolio and specialty solution offerings that align with your investment objectives, risk tolerance, and time horizon. This investment advisor representative will also provide you with initial and ongoing information and education concerning the investments selected. As co-advisor, we generally maintain discretionary authority to determine the securities to buy and sell within the co-advised client accounts. The third party investment advisor's investment advisor representative should meet with you periodically to discuss these allocation changes.

### ***Managed Portfolios***

We've designed a variety of managed portfolio offerings, grouped by series, that invest in various diversified investment allocations structured towards a wide range of investment goals.

*Accumulate Series* - Diversified strategies that provide broad exposures to stock markets and strive to provide long-term capital appreciation.

*Classic Series* - Diversified allocation strategies including traditional investment exposures familiar to most investors that span a range of risk and return levels.

*Core Series* - Institutional-quality and extensively-diversified asset allocation strategies that span a range of risk and return levels.

*Direct Series* - Individual equity strategies delivering targeted factor exposure and investment themes while also seeking tax benefits through sophisticated trading and rebalancing processes.

*Factor Series* - A range of strategies utilizing investment products that apply a factor-based security selection process.

*Hedged Series* - Strategies composed of customized structured product investments that attempt to deliver varying levels of return and tangible downside protection.

*Horizon Series* - A collection of innovative bond ladder strategies constructed using high yield securities and designed for immediate income or long-term reserve objectives.

*Income Series* - Diversified strategies that provide broad exposures to income-generating assets and strive to provide varying levels of yield opportunities.

*Manager Series* - A range of strategies utilizing independent investment managers who focus on security selection and undergo extensive due diligence and ongoing scrutiny.

*Treasury Series* - A collection of flexible bond ladder strategies constructed using individual treasury securities and designed for immediate income or long-term reserve objectives.

*American Series* - Diversified asset allocation strategies constructed using mutual funds only available through the American Funds F-2 Direct platform and that span a range of risk and return levels.

*Monument Series* - Diversified asset allocation strategies constructed using subaccounts only offered through the Nationwide Monument Advisor platform and that span a range of risk and return levels.

### ***Specialty Solutions***

*401(k) Plan Solution* - We offer a comprehensive retirement plan solution and serve as the 3(38) Fiduciary, which means that you give us discretionary authority to manage the retirement plan's assets. Our 401(k) Plan Solution is a turnkey employer-sponsored retirement plan solution that includes low-cost investment choices, managed portfolio options, fiduciary coverage, and advanced plan design capabilities. This allows you to shift your fiduciary responsibility to us for the selection of your investments. We offer five professionally-managed asset allocation strategies for plan participants. All five strategies are fully diversified and actively managed with the goal of maximizing potential returns at each risk level. Plan participants are also given the option of constructing their own investment portfolios using a selection of investment choices. The asset allocation strategies are made available at no additional expense.

*Cash Balance Plan Solution* - We offer a comprehensive cash balance plan solution and serve as the 3(38) Fiduciary, which means that you give us discretionary authority to manage the

retirement plan's assets. Our Cash Balance Plan Solution is a specialized defined benefit plan that is combined with a 401(k) plan with the goal of providing accelerated savings and significant tax reductions for successful businesses with consistent revenue. This allows you to shift your fiduciary responsibility to us for the selection of your investments. The investment strategy is guided by one or more of our managed portfolio offerings based on your risk and return goals.

*Multiple Employer Plan Solution* - We offer a comprehensive multiple employer plan solution and serve as the 3(38) Fiduciary, which means that you give us discretionary authority to manage the retirement plan's assets. Our Multiple Employer Plan Solution is a single retirement plan program for multiple adopting employers that may offer powerful advantages, such as simple plan structure, fiduciary protection, and compressed expenses. This allows you to shift your fiduciary responsibility to us for the selection of your investments. We offer five professionally-managed asset allocation strategies for plan participants. All five strategies are fully diversified and actively managed with the goal of maximizing potential returns at each risk level. Plan participants are also given the option of constructing their own investment portfolios using a selection of investment choices. The asset allocation strategies are made available at no additional expense.

*Simple IRA Plan Solution* - We offer a Simple IRA plan solution with accounts generally opened through a directly-held mutual fund platform. Our Simple IRA Plan Solution is an efficient and cost-effective retirement savings platform that includes professionally managed portfolio options and seamless technology designed for small employers. Versions of our managed portfolio offerings are offered and constructed using the mutual funds made available by the platform. This can provide efficient diversification for specific account types, ease of making account contributions, and simple access to certain mutual fund managers. The fund companies may assess certain administrative fees, the selected mutual funds are subject to various internal expenses, and we charge a management fee.

*Defined Benefit Plan Solution* - We offer customized duration matching strategies for high net worth investors and institutional clients. Our Defined Benefit Plan Solution is a customized approach that uses fixed income ladders and institutional investment strategies to focus the investment policy and portfolio allocation of intuitional investors on matching current and future liabilities. These strategies attempt to maximize the ability to meet future, defined cash flow needs for certain investors, such as defined benefit plans. We charge a management fee, and depending on the specific client, other services providers such as actuaries and third party administrators may be involved, each with their own fees and expenses.

*529 Plan Solution* - We offer a 529 Plan solution with accounts generally opened through a directly-held mutual fund platform. Our 529 Plan Solution is a college savings platform that provides contribution flexibility, potential tax advantages, and professional investment management. Versions of our managed portfolio offerings are offered and constructed using the mutual funds made available by the platform. This can provide efficient diversification for

specific account types, ease of making account contributions, and simple access to certain mutual fund managers. The fund companies may assess certain administrative fees, the selected mutual funds are subject to various internal expenses, and we charge a management fee.

*Variable Annuity Solution* - We offer a series of portfolios on a fee-based variable annuity platform. Our Variable Annuity Solution is a low-cost variable annuity platform that includes professionally managed portfolios and powerful tax planning flexibility. Versions of our managed portfolio offerings are offered and constructed using the subaccounts made available by the variable annuity platform. This allows for larger tax-deferrals and it allows you to consolidate variable annuity gains under a single contract. With access to the various subaccounts through the variable annuity platform, all portfolio models are appropriately managed and diversified according to the stated investment objective. The variable annuity platform assesses certain administrative fees, the selected subaccounts are subject to various internal expenses, and we charge a management fee.

*Donor Advised Fund Solution* - We offer our managed portfolios through a donor advised fund platform. Our Donor Advised Fund Solution is a cost-effective charitable giving platform that provides professional investment management as well as potential advanced tax and legacy planning benefits. There are numerous potential tax advantages associated with donor advised funds, making them not only a powerful charitable planning tool but also a unique tax planning tool. The donor advised fund administrator assesses certain administrative fees, the selected investment holdings are subject to various internal expenses, and we charge a management fee.

*Health Savings Account Solution* - We offer our managed portfolios through a health savings account platform. Our Health Savings Account Solution is a technology-driven health savings platform for those with high deductible health insurance plans which integrates a liquidity account and professionally managed investment account. The professionally managed investment account is opened and managed through our existing custodians and provides access to greater investment flexibility relative to typical health savings accounts. The health savings account administrator typically does not assess an administrative fee; however, the selected investment holdings are subject to various internal expenses, and we charge a management fee.

*Managed Participant Portfolio Solution* - We offer our managed portfolios through self-directed retirement plan platforms. Our Managed Participant Portfolio Solution is a series of professionally managed portfolio offerings that provide active, ongoing investment management to individual plan participants within select company-sponsored retirement plans. This solution does not require that these plan participants separate from service or distribute assets from their company-sponsored retirement plan. The goal is to provide these plan participants with greater access to investment choices and professional investment management. Typically, retirement plan sponsors and providers will not charge an additional fee for this solution but we charge a management fee.



*1031 Exchange Solution* - We offer private real estate strategies to facilitate 1031 exchange transactions and are compensated through our Financial Planning Solution. Our 1031 Exchange Solution offers private real estate strategies which may provide deferral of real-estate related capital gains as well as added portfolio diversification and income yield. These services generally include assistance in evaluating and conducting due diligence on appropriate real estate investment options, coordination of the transaction in an attempt to optimize the intended tax benefits, integration of the investment exposure into your broader portfolio and financial plan, and communication with external tax professionals as necessary. The Qualified Intermediary assesses certain administrative fees, the private real estate providers assess certain management and internal expenses, and we charge a financial planning fee.

*Financial Planning Solution* - We offer a comprehensive range of financial planning services, which includes General Services, ERISA Services, and Investment Planning. The final fee structure and specific services are documented in the advisory agreement with clients. Our Financial Planning Solution is a flexible financial planning program that accommodates a wide range of planning needs, allowing for customized pricing arrangements and includes payment management technology. These engagements may be for one-time, initial planning and/or ongoing planning services and these services may be based on fixed, hourly fees or asset-based fees.

- General Services may pertain to tax-related and other non-investment related matters and may include but are not limited to: tax considerations; retirement planning; college planning; private placements; and real estate transactions.
- ERISA Services may include but are not limited to investment due diligence, employee education, and other 3(21) fiduciary services. As a 3(21) fiduciary, we will make recommendations but it is ultimately up to you, as the plan sponsor, to decide whether and how to act. As a 3(21) fiduciary, we will not have discretionary authority to invest and reinvest your assets without prior consent and therefore we will share responsibility for the selection of investments.
- Investment Planning Services include building and managing custom portfolios delivered with or without discretionary authority. You may impose restrictions on investing in certain securities. If you choose to impose restrictions on our portfolio management, you should be aware that it could cause your account to underperform compared to similar portfolios that do not apply such restrictions. If your restrictions prevent us from properly servicing the account, we reserve the right to end our relationship with you.

### *Other Types of Advisory Services*

*Subadvisor Selection* - When appropriate for your situation, we may also select a third party manager to act as a subadvisor for your account. When we do so, we will select a manager whose style and talent best fits your individual needs and objectives. Your advisory agreement with us gives us the authority to hire or fire these managers on your behalf. Once a subadvisor is selected, we will continue to monitor their performance. In these arrangements, you will

typically sign an advisory agreement with them in addition to the advisory agreement you will sign with us.

*Tax Preparation* - We offer tax preparation for personal, trust, and business clients. All tax preparation and planning services are provided by properly qualified and licensed individuals and may be outsourced to independent accounting firms.

### ***Department of Labor Fiduciary Status***

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

### ***Assets under Management (AUM)***

On February 29, 2024, our total assets under management ("AUM") are \$2,997,055,995.

Discretionary assets under management are \$2,997,055.995 for 20,609 accounts and we have no non-discretionary assets under management or accounts.

### ***Assets under Advisement (AUA)***

On March 14, 2023, our total assets under advisement ("AUA") are \$396,498,136. These are assets in which we provide consulting, performance reporting, and billing services, but not ongoing management and trading authority.

The combined total of Assets under Management and Assets under Advisement are \$3,393,554,131.

## ***Item 5: Fees and Compensation***

### ***Asset-Based Fee Arrangements***

We generally charge asset-based fees which means that fees are calculated as a percentage of your total assets under management, and range from .10% to 1.70% depending on the services

provided. Individual accounts may be assessed differing fees but the average asset-based fee for your total assets will not exceed 1.70%. This fee arrangement applies to clients managed by investment advisor representatives or through subadvisor or co-advisor relationships. You are never charged additional fees to cover the fee sharing arrangements associated with subadvisor or co-advisor relationships, and fees shared will not exceed any limit imposed by any regulatory agency. These fees are negotiable depending on your needs and the complexity of your situation. In all cases, the final fee schedule is outlined in each client's advisory agreement. When we serve as a subadvisor or co-advisor, you will sign the third party investment advisor's advisory agreement and you are therefore subject to the provisions set forth in that advisory agreement.

Generally, asset-based fees are paid quarterly in arrears. However, in some cases fees may be paid quarterly in advance or monthly in arrears. If you are billed in advance and terminate the advisory agreement before the end of the billing period, any unearned fees will be returned to you based upon the provisions set forth in the advisory agreement signed. If you are billed in arrears, no refund applies and you will be responsible for paying the prorated portion of the advisory fees that were earned prior to termination, whether by fee deduction, wire transfer, or check. Fees associated with new accounts are pro-rated based on the time invested. When accounts are billed in arrears, fees associated with cash-flows (contributions and withdrawals) are pro-rated based on the timing of the cash flow. You may terminate your advisory agreement with thirty (30) days' written notice. You may also terminate your advisory agreement without penalty within five (5) business days of signing the advisory agreement. Asset-based fees are generally withdrawn directly from your account with your written authorization, including accounts established through subadvisor or co-advisor arrangements. You may remove this authorization for direct billing of fees at any time by notifying us in writing. Other payment methods are available upon request.

### ***Hourly and Fixed Fee Arrangements***

Hourly and fixed fees are generally assessed for certain specialty solution offerings, such as the financial planning solution, and in some cases for a combination of investment management, financial planning, and tax preparation services. These fees may be a one-time, project-based engagement or associated with ongoing services. Hourly fees are between \$50 and \$400 per hour while fixed fees are determined on a case-by-case basis, but generally range from \$1,000 to \$10,000. The fees are negotiable and the final fee schedule will be outlined in the advisory agreement you sign. Fees are typically paid in arrears upon completion. However, some investment advisor representatives may choose to require up to one-half of the fee (estimated hourly or fixed) payable upon engagement, with the balance generally being due upon delivery or completion of the agreed upon services. Engagements for these services will be completed within 6 months if \$1,200 or more is billed in advance. In such cases, the fee will be no more than one-half of the proposed project fee. You may terminate your advisory agreement without penalty within five (5) business days of signing the advisory agreement. Hourly and fixed fees are generally invoiced (billed directly to you) and paid via check. Other payment methods are available upon request.

### ***Minimum Fee***

Some investment advisor representatives may choose to include a minimum annual fee as a condition for starting and maintaining a relationship. This fee may be implemented or waived at the discretion of the investment advisor representative and will be fully disclosed as part of the advisory agreement presented when establishing our relationship.

### ***Clients Are Responsible For Third party Fees***

You are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Insurance products, such as annuities, may also have associated fees and expenses. All third party fees are separate and distinct from the fees and expenses that we charge. Please see Item 12 of this brochure regarding brokerage practices. If you are working with a third party investment advisor who is using us as a subadvisor, the third party investment advisor will charge additional fees and expenses. The total fee may be higher than the fees that we charge to our clients not working with a third party investment advisor.

Exchange Traded Funds (ETFs) and mutual funds typically charge their shareholders various transactions and operating expense costs associated with the establishment and operation of the funds. These fees will generally include a management fee, shareholder servicing, other fund expenses, and sometimes a distribution fee. Because of differences in distribution and often lower transaction costs, total operating expense ratios for ETFs have been historically less than those for corresponding mutual funds. These separate fees and expenses are disclosed in each fund's prospectus, which is available from the fund or we can provide it to you upon your request. Consequently, for any type of fund investment, it is important for you to understand that you are directly and indirectly paying two levels of advisory fees and expenses: you pay one layer of fees to the fund and one layer of advisory fees and expenses to us. Generally speaking, most funds may be purchased directly, without using our services or incurring our advisory fees.

### ***Subadvisory fees***

When we use a third party manager as a subadvisor, the fee we charge will include our advisory fee and the advisory fee charged by the subadvisor. We do not retain any portion of the subadvisory fee but pass it on to the subadvisor. Details of the subadvisor's fee, which is in addition to our fee, will be disclosed to you in the subadvisor's disclosure brochure and related advisory agreement. You should read both carefully and retain for your records.

### ***Termination of Services***

If you terminate your advisory agreement with us, you must notify us in writing or transfer your assets from the custodian. Similarly, if you work with a third party investment advisor and you terminate that relationship, it will terminate our services as well.

### ***Outside Compensation for the Sale of Securities to Clients***

Our investment advisor representatives may accept compensation for the sale of securities or other investment products, including asset-based sales charges, service fees from the sale of

mutual funds, and commissions and other payments associated with insurance-based products. This outside compensation is independent of the products and services offered through us. You can purchase these products from third party providers (e.g., a broker dealer, a life insurance company, or an insurance marketing organization) that are not affiliated with us and we encourage you to ask about the compensation paid in connection with the sale of these products.

### ***Item 6: Performance-Based Fees and Side-By-Side Management***

We do not charge performance-based fees or other fees based on a share of capital gains or capital appreciation of your assets.

### ***Item 7: Types of Clients***

We generally provide advisory services to the following types of clients:

- Individuals
- High-Net-Worth Individuals
- Other registered investment advisors
- Defined Contribution & Defined Benefit Retirement Plans
- Corporate and Institutional Investors

### ***Minimum Account Size***

There is no account minimum.

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

#### ***Methods of Analysis and Investment Strategies:***

We provide a variety of portfolio models through our managed portfolio and specialty solution offerings which are designed for a wide range of investors with diverse wealth management objectives. The typical structure of our portfolio models is a “fund of funds” approach where we research and manage ETFs and mutual fund holdings, but our strategies may also include individual securities. On an ongoing basis, our Investment Team undertakes an extensive research process that re-evaluates the asset class selection, asset allocation, holding selection, and portfolio rebalancing needs for each portfolio model.

*Asset Class Selection* – Properly defining and selecting the individual asset classes that are consistent with the objectives of each strategy

*Asset Allocation* – Implementing and adapting the asset class weightings as a result of each strategy’s investment research and forecasting processes

*Holding Selection* – Selecting, monitoring, and replacing the specific holdings based on a disciplined process directed by the objective of each strategy

*Portfolio Rebalancing* – Crafting and deploying an appropriate rebalancing approach based on the intent of each strategy

***Risks Involved with Our Managed Portfolios and Specialty Solutions:***

*Active Management Risk* - This process concentrates on factors that are believed to lead to the quality and future success of particular money managers. The risk assumed is that the manager will fail to perform as expected.

*Asset Allocation Risk* - The success of asset allocation depends upon the manager's ability to make decisions that will achieve an account's objectives. Asset categories may not perform as expected due to economic and market influences both foreign and domestic and anticipated returns may not be realized.

*Commodities-Related Risks* – Commodities may provide protection against inflation and/or the inability of fiat currencies to maintain their store of real value as well as increased diversification through reduced correlations relative to other asset classes. However, it is also important to understand that commodity-related investments are often highly volatile and can be significantly affected by commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.

*Credit Risk* - The value of a portfolio may change in response to changes in the credit ratings of the portfolio's securities. Generally, investment risk and price volatility increase as a security's credit rating declines.

*Default Risk* - High Yield bonds are considered speculative and are susceptible to default or decline in value due to adverse economic and business developments.

*Dilution Risks* - Issuers of private placements may be required to raise additional capital. Future issuance of additional securities could dilute the ownership stakes of issuer's then-existing owners, and there can be no assurance that the effects of such dilution will not be substantial. Additionally, any new class units that might be issued in the future may negatively impact the issuer's then-existing owners.

*Emerging Markets Risk* - Investments in emerging markets may be subject to a greater risk of loss than investments in more developed markets. Emerging markets may be more likely to experience inflation risk, political turmoil and rapid changes in economic conditions than more developed markets. Emerging markets often have less consistency in accounting and reporting requirements, unreliable securities valuation and greater risk associated with custody of securities.

*Equity Market Risk* – Stocks have risk in that their returns and the principal invested in them is not guaranteed and they are subject to changing market conditions. Small stocks are more volatile than large stocks and are subject to significant price fluctuations.

*Foreign Risk* – Foreign investments are subject to the same risks as domestic investments and additional risks, including international trade, currency, political, regulatory and diplomatic risks, which may affect their value. Also, foreign securities are subject to the risk that their market price may not reflect the issuer's condition because there is not sufficient publicly available information about the issuer.

*Inflation Risk* - The value of assets or income from investments may be worth less in the future as inflation decreases the value of money.

*Interest Rate Risk* - Portfolios may change in response to the movement of interest rates. The price of a fixed income security will generally fall when interest rates rise.

*Liquidity Risk* - Markets can experience a decline in liquidity which can negatively impact the prices of various security types and increase the difficulty to sell these securities. Further, the ability to purchase or sell large positions of certain securities may take time and have an impact on the price.

*Market Index Risk* – Many of the investments we utilize are largely influenced by the value of the indices they track or the asset class they represent. As the index value or asset class changes in response to news and general economic conditions of domestic, international and commodity/natural resource markets in general, so will the value of the ETF or mutual fund. This can result in a loss of your initial investment.

*Political Risk* - Government decisions may damage the value of your investments. Changes to social security, benefits law, and tax law may impact your financial decisions. Any foreign investments may be impacted by the decisions of their local governments.

*Portfolio Rebalancing Risk* - Depending on the rebalancing strategy implemented, long-term or short-term trading may be involved. Trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short-term trading generally holds greater risk and you should be aware that there is a material risk of loss using short-term strategies.

*Privately Held Investment Risks* – Privately held investments typically hold more risk to the investor than publicly traded investments since they do not fall under the same regulatory requirements. As they are not publicly traded, an active market may not readily exist, which means they lack liquidity. They also typically have substantial fees relative to other types of

investments. Additionally, investments in privately held companies or products have differing tax ramifications which can be complex in nature.

*Sector Risk* - When a substantial portion of assets is devoted to a particular market sector or industry, there is potentially greater volatility compared to broadly diversified strategies. A market sector or industry may underperform the market as a whole for a variety of reasons.

*Tax Risks* - Some of the products offered are subject to tax law that is complex and subject to varying interpretations. Moreover, the effect of existing income tax laws and possible changes in such laws will vary with the particular circumstances of each investor. You should consult with and rely on your own tax professional with respect to the possible tax consequences, including risks and advantages, of an investment.

*Timing Risk* - While it is likely that stocks will gain over the next two decades, this may not be the case over the short-term. If you need to protect your principal investment over the short-term, timing is an important risk to consider.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

***Risks of Specific Securities Utilized in Our Managed Portfolios and Specialty Solutions:***

Investing in securities involves risk. Seeking to obtain higher rates of return on investments typically entails accepting higher levels of risk. We or your investment advisor representative will work with you to identify the balance of risks and rewards that is appropriate and comfortable for you. However, it is still your responsibility to ask questions if you do not fully understand the risks associated with any investment or investment strategy. Also, while we strive to render our best judgment on your behalf, many economic and market variables beyond our control can affect the performance of your investments and we cannot assure that your investments will be profitable or that no losses will occur in your investment portfolio.

**Past performance is one consideration with respect to any investment or investment advisor, but it is not a predictor of future performance.**

We or your investment advisor representative will discuss with you the investment risks of the recommended securities to determine the investment objectives that will guide your portfolio selection. We will explain and answer any questions you have about these kinds of investments, which present special considerations.

*Exchange Traded Fund (ETF)* - ETFs are registered investment companies that derive their value from a basket of securities such as stocks, bonds, commodities or indices, and are traded on market exchanges. ETFs are usually traded on a secondary market at a market price that may be higher or lower than its net asset value and may not have liquidity under severe market conditions. There may be brokerage commissions associated with buying and selling ETF shares. ETFs are generally passively managed vehicles which are designed to seek the



investment results that correspond to the price and yield of an index. Sometimes referred to as “tracking error,” expenses and other factors may affect the performance of an ETF so that the ETF’s performance does not exactly match the performance of its respective underlying indexes. However, certain ETFs are actively managed and do not just seek to passively track an index; instead, they seek to achieve a specified investment objective using an active investment strategy. The value of an ETF will fluctuate with the value of its underlying securities. Equity-based ETFs have a similar risk profile to that of equities, while fixed income-based ETFs have a risk profile that is similar to bonds.

*Exchange-Traded Note (ETN)* - ETNs are issued as senior, unsecured, unsubordinated debt obligations of an underlying bank or other financial institution. They are linked to the performance of an index, underlying security, or commodity. Similar to ETFs, ETNs trade on a market exchange. However, unlike ETFs, ETNs carry credit risk related to the issuer’s ability to pay back the note. This means that the market value of ETNs can be adversely affected by downgrades in the creditworthiness of the underlying issuing financial institution. In the extreme case that the issuer of the ETN goes bankrupt, you may lose your entire investment. In contrast, if an ETF were to suffer bankruptcy or close, you would usually receive cash for the market value of the basket of securities or, in the case of larger positions, you may request to take distribution of the underlying securities. While the performance of ETNs is linked to the performance of an underlying index, security, or commodity, you do not own any underlying assets.

*Open-End Mutual Fund* - An open-end fund is a registered investment company that does not have restrictions on the number of shares the fund can issue. Generally, open-end funds are actively managed, meaning that the portfolio manager buys and sells securities with the goal of outperforming the fund’s stated benchmark. These funds may have significant tracking error or active risk, which is the risk of fund returns deviating from the benchmark returns. Open-end fund shares are bought and sold on demand at their net asset value (NAV), which is based on the value of the fund’s underlying securities and is calculated at the end of the trading day. When a large number of shares are redeemed, the fund may sell some of its investments to pay the investor. This may lead to liquidity risk which is caused by a lack of ready cash to properly handle shareholder transactions.

*Structured Product* - Structured products are unsecured debt securities of an issuer that are linked to the performance of an underlying asset, such as a basket of securities or market index. As unsecured debt securities, structured products are not backed by collateral and they are subject to the creditworthiness of the issuer to make interest payments and repay principal. Structured products are typically the combination of a note (or other corporate bond) and a derivative (such as an option). Structured products are complex and may use advanced trading techniques such as leverage, options, futures, swaps, and other derivatives which lead to additional risks. Investing in a structured product should not be compared to investing in the underlying asset, as the features and risks may differ significantly. The structured product may not provide a return, may lose all principal invested, and/or may provide a return significantly

less than what you could have received by investing directly in the underlying asset or other security. Structured products may not be appropriate for those seeking current income, as they may not pay interest or the interest they pay may vary in amount or timing. You should carefully read the offering documents and make sure you fully understand the specific terms and conditions for that product. Structured products may not be listed on a national securities exchange and a guaranteed secondary market does not exist for structured products. Issuing banks and other parties may be willing to repurchase them prior to maturity. This value appears in an account, represents an estimate of the current repurchase value and may be at a substantial discount from your original investment. Therefore, you may not be able to sell the structured product prior to maturity. Structured products are long-term investments designed to be held to maturity, at which point the issuing bank is obligated to provide a value consistent with the terms of the investment. Structured products have an uncertain tax treatment due to limited guidance. You should consult with a tax advisor prior to investing in a structured product. Market-Linked CDs (MLCDs) and Principal Protected Notes (PPNs) are two types of structured products. PPNs are not FDIC insured, whereas MLCDs are FDIC insured. FDIC coverage generally applies to the amount of invested principal only. If you hold more than the FDIC-insured limitations in deposits with the issuing bank, you will not receive the benefit of FDIC insurance for any balance in excess of FDIC limits. For more information, please visit [www.fdic.gov](http://www.fdic.gov).

*Variable Annuity* - Variable Annuities are tax-deferred investments structured to convert a sum of money into a series of payments over time. Variable annuity policies have limitations and are not viewed as short-term liquid investments. An insurance company's fulfillment of a commitment to pay a minimum death benefit, a schedule of payments, a fixed investment account, or another form of guarantee depends on the claims-paying ability of the issuing insurance company. The financial ratings quoted for an insurance company do not apply to the separate account and its subaccount. The insurance company offering a variable annuity will charge several fees, including annual contract charges that compensate the insurance company for the cost of maintaining and administering the contract, mortality and expense risk (M&E Risk) charges based on a percentage of a subaccount's assets to cover costs associated with mortality and expense risk, and administration fees that are based on a percentage of a subaccount's assets to cover the costs involved in offering and administering the subaccount. You will also be charged ongoing fees related to the management of the fund and possibly be subject to surrender charges if you make a withdrawal prior to a specified time. If the variable annuity subaccount is invested in a money-market fund, the money market fund is not FDIC-insured, may lose money, and is not guaranteed by a bank or other financial institution.

*Fixed Indexed Annuity* - Fixed Indexed Annuities are long-term financial products designed largely for asset accumulation and retirement needs. All guarantees are backed by the claims-paying ability of the issuing insurance company. Annuities generally contain fees and charges which include, but are not limited to, surrender charges, administrative fees and for optional contract riders and benefits. Withdrawals and death benefits may be subject to income tax. If withdrawals and other distributions are received prior to age 59 ½, a 10% penalty may apply.

Annuities typically carry surrender charges for several years that may be assessed against withdrawals. Certain annuity product features, such as stepped-up death benefit, a bonus credit, and a guaranteed minimum income benefit, will generally incur additional fees. If you are investing in an annuity through a tax-advantaged plan such as an IRA, you will get no added tax advantage. Any comments regarding safe or secure investments or guarantees of income refer only to fixed insurance products and do not refer in any way to securities or investment advisory products.

*Bonds* - Investing in the bond market is subject to risks, including market, interest rate, issuer credit, inflation risk, default risk, and liquidity risk. The value of most bonds and bond strategies is impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise. Bond investments may be worth more or less than the original cost when redeemed.

*Municipal Bonds* - Municipal Bond investing is subject to risks, including market, interest rate, issuer credit, inflation risk, default risk, and liquidity risk. The value of most bonds and bond strategies is impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise. Bond investments may be worth more or less than the original cost when redeemed. Income from municipal bonds may be subject to the Alternative Minimum Tax (AMT), and capital appreciation from discounted bonds may be subject to state or local taxes. Capital gains are not exempt from federal income tax.

*Equities* - Equities are securities that represent the ownership of a fraction of the issuing corporation, which entitles the shareholder to a proportion of the corporation's assets and profits. Stocks are typically bought and sold on stock exchanges and trading must conform to government regulations meant to protect investors from fraudulent practices. Corporate property is legally separated from that of the shareholder, which limits the liability of both the corporation and the shareholder. There is broad market risk involved with any form of stock market investing, known as systematic risk. However, investing in individual equities can introduce unsystematic, or stock-specific risk which impacts those investing in a certain industry, company, or specific area of the stock market. This risk is typically characterized as business, financial, strategic, operational, and legal risk. Unsystematic risk can be highly unpredictable and can have a more probable likelihood of occurrence relative to systematic risk.

*529 Program* - A 529 program is a tax-advantaged savings plan designed to help pay for education. 529 programs are intended to be used only to save for Qualified Education Expenses. These programs are not intended to be used, nor should they be used, for the purpose of evading federal or state taxes or tax penalties. You should seek tax advice from an independent tax advisor based on your particular circumstances. Most 529 plans are invested in exchange-traded funds or open-end mutual funds; however, other investment types are possible such as stable value funds, certificates of deposit, and separate accounts. Before

investing, you should consider whether you or your designated beneficiary's home state offers any state tax benefits or other state benefits such as financial aid, scholarship funds, and protection from creditors, that are only available for investments in such state's 529 qualified tuition program.

*Health Savings Account* - A Health Savings Account is a tax-advantaged savings plan designed to help pay for eligible medical expenses. These accounts are available to individuals and families who have high-deductible health plans. Health Savings Accounts are not intended to be used, nor should they be used, for the purpose of evading federal or state taxes or tax penalties. You should seek tax advice from an independent tax advisor based on your particular circumstances. Most Health Savings Accounts function similarly to traditional savings accounts; however, other investment types are possible such as exchange-traded funds and open-end mutual funds.

*1031 Exchange* - 1031 Exchanges are governed by the IRS tax code associated with the deferral of capital gains on the sale of an investment property when subsequently purchasing a "like kind" property that is the same in nature and character. Substantial fees and expenses could be incurred and there are strict timing limitations imposed on these transactions. For example, if the transaction is not properly constructed and executed in a timely manner, all tax benefits associated with the transaction may be lost while potentially incurring additional tax liability. As 1031 exchanges are based on real estate investments for which there may be no readily available market, there is liquidity risk. Additionally, the following real estate investment risks are possible: no guarantee of cash distributions; operational risks associated with property management and ownership; risk of the property being overleveraged; tax risks; interest rate risks; economic risks; risks of terrorism; environmental risks; liability risks; zoning, city ordinance, and or legal compliance risks; title and escrow risks; credit risks; and risks of obsolescence.

*Delaware Statutory Trust (DST)* - A Delaware Statutory Trust (DST) is a trust formed by a sponsor and managed by trustees or managers for real estate investment purposes and is only available to accredited investors who meet certain income and net worth requirements. DSTs identify as separate legal entities; this means the owners have limited liability in regard to the operations and assets in the trust. Typically, DSTs are sector-specific but can include diversified exposure to residential, healthcare, office, and industrial property options. The risks involved with investing in DSTs include the potential for excessive fees, lack of liquidity, lack of share value transparency, distributions that may come from the principal investment, an inability to collect rent, vacancies, inflation and other increases in operating costs, and adverse changes in laws and regulations applicable to owners of real estate. It is important for you to review all offering materials from the product sponsor.

*Real Estate Investment Trust (REIT)* - A Real Estate Investment Trust (REIT) is a company or investment trust that retains diverse portfolios of real estate assets. Privately traded REITs are only available to accredited investors who meet certain income and net worth requirements.

Publicly traded REITs have shares that can be bought and sold on major stock exchanges. Typically, REITs are sector-specific but can include diversified exposure to residential, healthcare, office, and industrial property options. The risks involved with investing in REITs can include the potential for excessive fees, lack of liquidity, lack of share value transparency, distributions that may come from the principal investment, an inability to collect rent, vacancies, inflation and other increases in operating costs, and adverse changes in laws and regulations applicable to owners of real estate. It is important for you to review all offering materials from the product sponsor.

### ***Item 9: Disciplinary Information***

We have no legal or disciplinary events that are material to your evaluation of us or the integrity of our management to disclose.

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

#### ***Registered Representatives of Broker Dealers***

Several of our investment advisor representatives are also registered representatives of various broker dealer firms. You should be aware that broker dealer services are subject to SEC Regulation Best Interest, are generally described in the broker dealer's Form CRS, pay a commission, mark-up, mark-down, or other transaction-related compensation such as mutual fund 12b-1 fees, and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of an investment advisor. This compensation is typically disclosed in transaction confirmations and/or periodic account statements. Despite these conflicts, we strive to follow the highest ethical standards in performing our advisory services. You are not required to implement the plan or purchase the products offered through any of our investment advisor representatives in their capacity as a registered representative of a broker dealer firm. We do not offer commissionable products and will always seek to act in your best interest.

#### ***Insurance Activity***

Various investment advisor representatives of our firm are also licensed insurance agents. From time to time, they will offer clients advice or products from insurance-related activities. You should be aware that these services pay a commission and involve a conflict of interest, as commissionable products can conflict with the fiduciary duties of an investment advisor. Steve Osterink, Jr. has an indirect, minority ownership interest in Clear Creek Insurance, LLC which creates a conflict of interest because Steve Osterink, Jr. will be indirectly benefited as a result of the commissions generated by clients.

#### ***Tax Preparation***

Some investment advisor representatives of our firm are also tax consultants or certified public accountants. From time to time, they will offer clients services and advice relative to those roles. You should be aware that these services can incur a fee separate and distinct from those

related to the services provided through us. As such, a conflict of interest could arise should a client utilize these outside services alongside our advisory services. We seek to lessen this potential conflict of interest by disclosing any fees in advance.

#### ***Relationships with Co-Advisors and Subadvisors***

As described in Item 4, “Advisory Business,” we act as a co-advisor or subadvisor by providing our investment management services to the clients of third-party investment advisors. Among the third-party investment advisors we serve is Clear Creek Wealth Management, LLC in which Steve Osterink, Jr. has an indirect, minority ownership interest. A minority ownership interest such as this creates a conflict of interest because Steve Osterink, Jr. will be indirectly benefited as a result of the fees generated by clients who use both Clear Creek Wealth Management, LLC and Advisory Alpha. A minority ownership relationship creates an incentive for a third-party advisor, such as Clear Creek Wealth Management, LLC, to recommend Advisory Alpha’s co-advisory or subadvisory services to its clients. Our advisory, co-advisory, and subadvisory services serve all clients of all third-party primary advisors on a fair and equitable basis without favoring any one of them over another, and we always seek to obtain best execution for all client accounts, whether managed solely by us or through our relationships with a third-party advisor.

#### ***Selection of Other Investment Advisors and How We are Compensated for Those Selections***

Occasionally, we select additional investment advisors or managers to serve as subadvisors for specific clients. Please see Item 4, “Advisory Business” and Item 5, “Fees and Compensation” for additional information on our use of third party money managers.

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

#### ***Code of Ethics***

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Outside Business Activities, Compliance Policies and Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available to you free upon request.

#### ***Participation or Interest in Client Transactions***

We do not recommend that you buy or sell any security in which we or one of our related persons has a material financial interest.

### ***Investing Personal Money in the Same Securities as Clients***

We and our investment advisor representatives may buy or sell securities or hold a position in securities identical to the securities recommended to clients. This may provide an opportunity for our investment advisor representatives to buy or sell the same securities before or after recommending the same securities to you resulting in our investment advisor representatives profiting based on the recommendations they provide to you. These transactions create a conflict of interest. We will always document any transactions that could be construed as conflicts of interest, and our investment advisor representatives will always transact your business before their own when similar securities are being bought or sold. We often group all similar trade orders together into block orders prior to execution. This may offer pricing advantages relative to trading each account individually. In these situations, trade orders for our investment advisor representatives' personal accounts may be included and executed at the same share prices given to clients.

## ***Item 12: Brokerage Practices***

### ***Custodian Selection***

When you engage us directly for our portfolio management services, we generally require that you establish an account at National Financial Services LLC/Fidelity Brokerage Services LLC, or Charles Schwab to use their custody, brokerage, and clearing services. These custodians are qualified to hold your assets and offer services to independent investment advisors, which include custody of securities, trade execution, and clearance and settlement of transactions. We ask that you give us a written direction in our advisory agreement to use one of our custodial partners as the custodian for your account(s). Additionally, while we may recommend a custodian to you, you will make the final selection and open your account with them by entering into a separate account agreement directly with them. We do not open the account for you, although we may assist you with the paperwork in doing so. Even though your account is maintained with them, we will have discretion to use them or other brokers to execute trades for your account as described below.

When we act as a subadvisor for a third party investment advisor, the custodian and broker selection is determined by the third party investment advisor. Generally, in subadvised accounts that we manage, the third party investment advisor will use the custody and brokerage services of National Financial Services LLC/Fidelity Brokerage Services LLC, or Charles Schwab.

### ***Factors Used to Select Custodians***

We have a duty to obtain best execution for client transactions, which means we must execute transactions in such a manner that your total costs or proceeds in each transaction are most favorable under the circumstances. In selecting the custodian to execute securities transactions, we consider the full range of services offered by the custodian, including, but not limited to:

- Combination of transaction execution and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (buy and sell securities for your account);
- Ability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.);
- Availability of investment research and tools that assist us in making investment decisions. These include recent news, graphs, charts, historical earnings data, balance sheet data, estimates of future earnings, and other information;
- Quality of services, including additional reports that include gains and losses (both realized and unrealized);
- Competitiveness of the price of services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices. We believe the brokerage services from our custodial partners are competitive with comparable firms for comparable services.
- Reputation, financial strength, and stability;
- Prior service to us and our other clients; and
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us”).

In selecting Charles Schwab as the broker and custodian for certain of its current and future client accounts, we take into consideration our arrangement with Charles Schwab as to obtaining price discounts for Charles Schwab’s automatic portfolio rebalancing services for investment advisors known as “iRebal”. The standard iRebal annual license fee applicable to us is \$100,000. That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the Charles Schwab platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the Charles Schwab platform will bring a full reduction of fee with the commitment of \$20 million in taxable net new assets being placed on the Charles Schwab platform each year for as many as three years or more. The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute “plan assets” of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which includes IRAs). If we do not maintain the relevant level of taxable assets on the Charles Schwab platform, we may be required to make a penalty fee payment to Charles Schwab calculated on the basis of the shortfall. Although we believe that the products and services offered by Charles Schwab are competitive in the market place for similar services offered by other brokers or custodians, the arrangement with Charles Schwab as to the iRebal service may affect our independent judgment in selecting or maintaining Charles Schwab as the broker or custodian for client accounts.



### ***Relationships with Prime Brokers***

Under a Prime Broker agreement, we may "trade away" for certain transactions. Fixed income transactions may be traded away for liquidity or best execution purposes. Fixed Income securities that are traded away are subject to Prime Broker fees, which is a different brokerage cost (may be better or worse depending on the complexity of the order) than if the trades were done at the client's custodian. These bonds will be custodied in the client's account at their custodian. Equity transactions may be traded away in certain circumstances for best execution purposes. Equities that are traded away receive a net price (price of the security inclusive of the Prime Broker's commission, which is a different brokerage cost and may be better or worse, depending on the complexity of the order, than if the trades were done at the client's custodian). These equities will be custodied in the client's account at their custodian. Brokerage fees incurred from trading through one of our Prime Brokers is shown on client's trade confirmations and statements.

### ***Your Brokerage and Custody Costs***

For our direct clients who have accounts at one of our custodians, the custodians do not charge you separately for custody services, but are paid by charging you commissions or other fees on trades that they execute or that settle in your account. We negotiated our commission rates with them on behalf of all our clients and not with respect to any specific client. While these commission rates may be higher than available from other discount and online brokers, we believe that the additional services and investment reports provided are of more value to us and our clients than the lower priced alternatives that provide fewer services. Therefore, we have our custodians execute most individual securities trades for your account to minimize your trading costs. We also use these custodians for most ETF and mutual fund transactions because they provide a wide array of no-load or institutional class mutual fund shares with no transaction costs to our clients. While it is our objective to obtain the lowest transaction costs possible for our clients, due to some account or asset transfer processes it is possible for clients to be charged transaction costs that exceed the amount of the transaction itself. In an effort to prevent these egregious fees to our clients, we maintain a policy that enforces a procedure by which transactions such as these are flagged for review in order to properly reverse or reduce these costs. Generally, we have determined that having our custodians execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above in the section titled, "Factors Used to Select Custodians."

In certain situations, the use of margin access through your respective custodian may be approved by us. In these cases, additional fees and interest on margin account balances may apply. These fees and interest costs are separate and independent from any fees charged by or paid to us. We receive no additional direct compensation as a result of any client's use of margin access at their custodian. There are risks involved with utilizing margin access, including a potential drop in the underlying security value which will force the client to deposit additional cash or securities to cover the maintenance margin call issued by the custodian. A custodian has the right to increase the minimum amount required in a margin account, sell your securities without notice or sue you if a margin call is not fulfilled. The use of margin is most

suitable for sophisticated investors with a thorough understanding of the risks and requirements involved.

### ***Client Directed Brokerage Arrangements***

Directing us to use a specific broker could, in some transactions, result in higher commissions and charges where we might otherwise go directly to a market maker in the security. Limiting the number of brokers we regularly work with leads to efficiencies that help keep our advisory fees lower.

### ***Soft Dollars***

We have not and do not intend to enter into any contractual third party soft-dollar arrangements. An example of such an arrangement may include a situation where we commit to place a specific level of brokerage commissions and in return the broker pays for various research-related products or services that are generally available for cash purchase.

### ***Products and Services Available to Us***

We generally receive benefits because clients use certain custodians for their brokerage transactions and custody services or because our subadvisory services are available through certain custodians. The services made available may be used to benefit all clients' accounts, as well as our personal and proprietary accounts. The services include, among others, brokerage, custodial, and administrative support, recordkeeping, and related services that are intended to support us in conducting business for your account and in serving your best interests. These programs and services are essential to our service arrangements and capabilities. The availability of the services from these custodians benefits us because we do not have to purchase them separately. While this is a potential conflict of interest, we believe that this is mitigated by the following:

- You will make the final selection when choosing the custodian.
- All of the services received are provided by custodians on an unsolicited basis.
- Custodians do not pay us any compensation or give us referrals in exchange for recommending their services to clients.
- The services provided are not tied to a specific level of brokerage activity or commissions achieved.
- In all cases, you will be provided with a copy of all applicable firm brochures which describe the applicable brokerage practices.

### ***Aggregation of Client Orders***

We may aggregate orders for securities transactions for more than one client based on our trade aggregation and allocation policy. In doing so, we strive to treat you fairly and will not favor one client or proprietary account over another. When executed, we will allocate the aggregated order in accordance with policies and procedures intended to achieve fair treatment. The purpose of aggregating orders is to obtain the same price for each client in any given security, obtain better execution for the aggregated order than might be achieved by processing each of

the transactions separately, expedite the placement and processing of trade orders, as well as for our administrative convenience. The following standards are maintained for aggregated orders:

- Disclose the trade aggregation policies and procedures to all clients;
- Aggregate transactions only if consistent with our duty of best execution;
- Allocate orders on a pro rata basis for partially filled orders;
- Do not favor any client over another, and each client participating in the order will participate at an average share price of all transactions in that security on the day of execution;
- Allocate transaction costs on a pro rata basis for each client's participation in the transaction. Some brokers charge brokerage commissions to each participating client in accordance with the size of that client's part of the aggregated order, regardless of the total size of the aggregated order;
- Maintain accurate records relating to the aggregated trades, including a list of each client account that is included in an aggregated order, as well as the securities held by, bought, and sold for that client;
- Do not hold client assets collectively any longer than necessary to settle the purchase or sale transaction;
- Do not receive any additional compensation or remuneration as a result of any aggregated order;
- Render individual advice and treatment to each client;
- Make allocation decisions in a timely manner, which generally means prior to placing the order;
- Exclude orders for ERISA plan clients and clients having a directed brokerage relationship from aggregated orders for those Non-ERISA plan clients who do not have a directed brokerage relationship (even within the same broker). A consequence of not aggregating a client's order with other orders for the same securities is that the client may not obtain as good a price or as low a cost in a separate transaction as clients whose orders have been aggregated; and
- Perform periodic reviews of all aggregated orders and block allocations to ensure that our policies and procedures are adhered to and that trades are being allocated in a fair and equitable manner.

### ***Trade Rotation***

To help ensure equal investment opportunity for all clients, we have implemented a regular rotation in the order by which trades are placed at each Custodian. The order in which trades are executed at each Custodian is sequentially rotated for each regular trading cycle. Trading cycles generally occur on a daily, weekly, and quarterly basis. In situations where it is beneficial for one or more Client to purchase or sell a security (limited investment opportunities), we will allocate the opportunity proportionally among the eligible clients. Our proprietary accounts and personal accounts will not be traded in a favorable manner over client accounts.

### ***Trade Error Policy***

We have the responsibility to process orders correctly, promptly, and in your best interest. The purpose of our trade errors policies and procedures is to identify and correct any trade errors as promptly as possible without disadvantaging you or benefiting us in any way.

Examples of trade errors may include:

- Purchase or sale of an incorrect or unintended security or number of securities for a client;
- Purchase or sale of a security for the incorrect or unintended client;
- Purchase or sale of a security that was not authorized by you or is inconsistent with applicable law or regulations (e.g. prohibited transaction under ERISA);
- Purchase or sale transpositions (where an intended purchase is entered as a sale, or vice versa); and
- Trade misallocations.

In most cases, we can correct all trade errors through an error account with the applicable Custodian. If a trade error does occur and a trade correction is needed, we will not pass the costs (including any losses) on to you, will bear all costs associated with correcting the trade error, will not use Soft Dollars to pay for correcting the trade error, and will not use another client's account to correct the trade error. If a trade error results in a gain, the gain will be given to charitable causes. When we act as a subadvisor for a third party investment advisor, the trade error policies and procedures of the third party investment advisor will apply if a trade error occurs. However, if it is our trade error, the trade error will be corrected through our error account at the client's custodian.

### ***Item 13: Review of Accounts***

#### ***Frequency and Nature of Periodic Reviews and Who Makes Those Reviews***

Our Investment Team conducts regular due diligence on all of our managed portfolio and specialty solution offerings. The Investment Team also regularly implements target allocation adjustments and rebalancing for client accounts using our portfolio models. In addition, your assigned investment advisor representative (or the third party investment advisor who uses us as a subadvisor or co-advisor) reviews your accounts at least annually, unless you engaged us for one-time, project-based services. These individuals are instructed to review your investments based on your investment policies, risk tolerance, and investment objectives. All of our clients are assigned to these reviewers.

#### ***Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Reviews may be triggered by material market, economic, or political events, or when requested by you due to changes in your financial situation (such as retirement, termination of employment, physical move, or inheritance).

#### ***Content and Frequency of Regular Reports Provided to Clients***

Clients receiving our discretionary investment management services will be provided with reports from the custodian on a monthly or quarterly basis. These are written reports that details your account including transactions, fees and commissions, assets held and asset value.

Clients that engage us for certain specialty solution offerings, such as the financial planning solution, may be provided with a financial plan or written report based on the scope of the agreed upon advisory services. Generally, after the delivery of these advisory services, there are no further reports provided to you. You may request additional plans or reports for an additional fee.

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

##### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)***

We do not have arrangements to compensate third parties for making solicitations on our behalf.

##### ***Compensation to Non – Advisory Personnel for Client Referrals***

We do not compensate individuals and/or entities in exchange for providing client referrals, as described below.

We support a client referral program whereby clients who refer friends/family to investment advisor representatives receive de minimis compensation in exchange for making a referral. De minimis compensation is any compensation that is less than \$1,000 during a 12-month period. Clients are not encouraged to make referrals and typically have no knowledge of our referral program and therefore, no expectation of compensation. Referred individuals are not required to become clients.

Furthermore, some of our investment advisor representatives may maintain a relationship with SmartAsset Advisors (“SmartAsset”), a registered investment advisor and lead-generation company that connects clients with Investment Advisors. Our investment advisor representatives work directly with SmartAsset. SmartAsset refers potential clients to our investment advisor representatives in exchange for a referral fee. All clients referred as part of this arrangement have proactively indicated that they want to be matched to a financial professional in their area. SmartAsset makes the introduction. Clients then choose if they want to work with the investment advisor representative – there is no obligation. The amount of the referral fee is determined between each investment advisor representative and SmartAsset pursuant to a written agreement, but compensation can take the form of a retainer, a flat fee per referral, and/or a percentage of introduced capital. This referral fee is paid by the investment advisor representative, regardless of whether you become a client. No portion of the referral fee is paid by you. Furthermore, the fees you pay for your investment advisor representative’s professional advice will not increase because of the arrangement with SmartAsset. Additional information regarding SmartAsset can be found by visiting [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Neither Advisory Alpha nor our investment advisor representatives are affiliated with SmartAsset.

In addition, some of our investment advisor representatives may maintain a relationship with SmartVestor™ which is an advertising and referral service for financial professionals operated

by The Lampo Group, LLC d/b/a Ramsey Solutions®. Our investment advisor representatives work directly with SmartVestor. SmartVestor also refers potential clients to our investment advisor representatives in exchange for a fee. The SmartVestor program is designed to assist the investment advisor representatives in advertising their services and to facilitate initial introductions between interested clients and the investment advisor representative who are located within their geographic location region. Potential clients enter a zip code and are matched with between three and five different financial professionals located in the potential client's general geographic area. The potential client will be able to view the information about each financial professional that is provided through the SmartVestor website. Potential clients will not be required to provide demographic or financial information about themselves and will then be able to review information about each financial professional that is presented through the SmartVestor website and make a determination as to whether to contact the financial professional and ultimately hire him or her to provide investment advice – there is no obligation. In the event there are more than five participating financial professionals in the geographic area corresponding to a potential client's zip code, SmartVestor will shuffle the financial professionals so that a random selection of five are displayed for each separate search inquiry by a consumer within that geographic area. The amount of the referral fee is determined between each investment advisor representative and SmartVestor pursuant to a written agreement. Compensation usually includes flat fees consisting of a training fee, membership fee and territory fee. This fee is paid by the investment advisor representative, regardless of whether you become a client. No portion of the referral fee is paid by you. Furthermore, the fees you pay for your investment advisor representative's professional advice will not increase because of the arrangement with SmartVestor. Neither Advisory Alpha nor our investment advisor representatives are affiliated with SmartVestor.

#### ***Economic Benefits Provided by Third Parties for Custodial or Brokerage Program Participation***

As disclosed under Item 12 above, we participate in Charles Schwab's customer program and we may recommend Charles Schwab to clients for custody and brokerage services. There is no direct link between our participation in the program and the advice we give to our clients, although we receive economic benefits through our participation in the program that are not typically available to Charles Schwab retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transactions fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. Charles Schwab may also have paid for business consulting and professional services received by our related persons and may also pay or reimburse expenses (including travel, lodging, meals, and entertainment expenses) for our

personnel to attend conferences. Some of the products and services made available by Charles Schwab through the program may benefit us but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at Charles Schwab. Other services made available by Charles Schwab are intended to help us manage and further develop our business enterprise. These benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to Charles Schwab. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us creates a conflict of interest and may indirectly influence our recommendation of Charles Schwab for custody and brokerage services.

### ***Item 15: Custody***

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

We are deemed to have custody of client assets since we have management fees deducted directly from client accounts and paid to us. However, the automatic deduction of advisory fees from client accounts is the only form of custody that we will maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

Funds and securities must be maintained by a custodian, either in a separate account for you in your name or in accounts containing only funds or securities of our clients under our name as agent/trustee for you. You, or an independent representative of you, will direct, in writing, the establishment of all accounts and therefore are aware of the custodian's name, address, and the manner in which the funds or securities are maintained. We will establish reasonable belief that your custodian is sending account statements at least quarterly to you and that the account statements identify the amount of funds and of each security in the account at the end of each quarter, as well as all transactions in the account during the quarter. You should carefully review those statements and are urged to compare the statements against reports received from us. When you have questions about your account statements, you should contact us or the custodian preparing the statement.

### ***Item 16: Investment Discretion***

Discretionary authority is pre-approved authority for us to act according to our own judgment in making investment decisions on your behalf without receiving prior authorization for each investment transaction. Discretionary authority is not required for decisions regarding the

timing of an investment or the price at which the investment is bought or sold but, rather, the authority to decide whether to buy or sell, which securities to transact, and the number of shares or units to transact.

We maintain discretionary authority over most client accounts. You may also grant us discretionary authority to establish and terminate a relationship with a subadvisor for purposes of managing the account or a portion of the account. In this situation, you will grant the subadvisor selected by us with discretionary authority (at the sole discretion of the subadvisor without first consulting with you) for such portion of the account managed by the subadvisor.

Prior to any transaction being implemented for you using discretionary authority, written authorization will be received from you in the signed advisory agreement. Also, you will sign an agreement with your custodian which generally includes a limited power of attorney granting the necessary authority to direct and implement the investment and reinvestment of the assets in your account, but restricts our ability or the subadvisor's ability (if applicable) to direct assets outside of your account. When we provide subadvisory services, we receive discretionary authority in our subadvisory agreement with the third party investment advisor, and in the paperwork you sign with the third party investment advisor. We generally do not have discretionary authority to determine the broker, custodian, or the commission rates paid for transactions.

Although discretionary authority may be granted on most accounts, it may not be used for certain trades, in which case we will be required to contact you to accept or reject our recommendations prior to implementing changes in your account. After you agree to the terms of the trades, we will be responsible for making decisions regarding the timing of buying or selling an investment, and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis and we are not able to reach you, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

### ***Item 17: Voting Client Securities***

We do not vote client proxies. Custodians will forward the proxy voting materials directly to you. All questions on these materials should be directed to the issuers of the associated securities. We, in our discretionary authority over the investment management of your assets, may participate in certain corporate actions as necessary. As a fiduciary, a decision to participate in such corporate actions will only consider what result is in your best interest. In any event where we participate in a corporate action on your behalf, all relevant records will be documented, including the details on the basis for the action taken.



### ***Item 18: Financial Information***

We are required to provide you with certain financial information or disclosures about our financial condition if we have financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients. We have not been the subject of a bankruptcy proceeding and do not have any financial commitments that would impair our ability to meet any contractual or fiduciary commitments to you.