

**Form ADV Part 2A: Firm Brochure**

March 27, 2024

**Invex Advisors LLC**

2 Alhambra Plaza, Suite PH II  
Coral Gables, FL 33134

Telephone: (786) 425-1717  
Fax: (786) 425-1718

Invex Advisors LLC is an investment advisor that is registered with the Florida Office of Financial Regulation and the Securities and Exchange Commission. Registration with the Florida Office of Financial Regulation and the Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Invex Advisors LLC. If you have any questions about the contents of this brochure, please contact us at (786) 425-1717. The information in this brochure has not been approved or verified by the Florida Office of Financial Regulation or the United States Securities and Exchange Commission.

Additional information about Invex Advisors, LLC. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The searchable IARD/CRD number for Invex Advisors, LLC is 164519.

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated March 16, 2023, we have the following material changes to report:

### **Item 4 Advisory Business**

- We updated information on the private funds we advise, removing the Invex Dynamic Allocated Segregated Portfolio.

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

- We added information about dually registered investment adviser representatives.

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

- We added information on our affiliated investment adviser: Invex Next, LLC
- Invex Advisors shares certain employees who hold management positions with Invex Next. Carlos Barrientos serves as Chief Compliance Officer of both Invex Advisors LLC and Invex Next LLC.

### **Item 3 Table of Contents**

Item 1 Cover Page	Page 1
Item 2 Summary of Material Changes	Page 2
Item 3 Table of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 6
Item 6 Performance-Based Fees and Side-By-Side Management	Page 8
Item 7 Types of Clients	Page 9
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 9
Item 9 Disciplinary Information	Page 17
Item 10 Other Financial Industry Activities and Affiliations	Page 17
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 19
Item 12 Brokerage Practices	Page 20
Item 13 Review of Accounts	Page 23
Item 14 Client Referrals and Other Compensation	Page 24
Item 15 Custody	Page 24
Item 16 Investment Discretion	Page 25
Item 17 Voting Client Securities	Page 25
Item 18 Financial Information	Page 26
Item 19 Requirements for State-Registered Advisers	Page 26
Item 20 Additional Information	Page 26

## **Item 4 Advisory Business**

Invex Advisors LLC is an investment adviser formed in 2012 based in Coral Gables, FL. We are organized as a limited liability company under the laws of the State of Delaware and are owned by Invex Holdings, Inc. Invex Holdings, Inc. is owned by Invex Controladora S.A.B. de C.V.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to Invex Advisors LLC and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

Our firm provides investment advisory services to individual high net worth individuals, to which we provide investment advisory services pursuant to managed account relationships, banking institutions, and investment companies that include three private funds incorporated in Cayman Islands.

### **Portfolio Management Services**

We offer discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives.

If you participate in our discretionary portfolio management services, we require you to grant us discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without obtaining your approval prior to each transaction. We will also have discretion over the broker or dealer to be used for securities transactions, and over the commission rates to be paid. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms.

You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing.

We may also offer non-discretionary portfolio management services. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

### **Adviser to Affiliated Private Funds**

We serve as the investment adviser to the Invex Income Fund, Invex Short Duration Strategy, and Invex Global Opportunities (the "Fund," whether one or more) organized under the laws of Cayman Islands and governed by the Cayman Islands Monetary Authority. The directors of the Fund are Mike Kara and Remy Obermann. The Fund is an exempted company limited by shares and registered as a segregated portfolio company which is registered as a mutual fund. The custodian is Pictet & Cie out of Luxembourg, and the administrator of the Fund is FundPartner Solutions (Europe) S.A. The Fund is designed to allow its Shareholders in each Segregated Portfolio to collectively invest in accordance with the investment objectives and strategies set out in the Fund's Private Placement Memorandum.

Clients of our firm may be solicited to invest in the Fund and are hereby advised that our firm and/or its associated persons may have an incentive to recommend the Fund over other investments and that the advisory fees charged by our firm are separate and apart from the fees associated with investing in the Fund. The Fund is offered only to certain sophisticated investors and only via private placement

memorandum and other offering documents. Investors and prospective investors should refer to the Fund's offering documents for a complete description of the investment objectives, risks, fees, and other relevant information regarding the Fund.

The compensation arrangements we have with the Fund present a conflict of interest because we may have a financial incentive to recommend that you invest in the Fund. While we believe that the compensation arrangements that we have with the Fund are competitive, such compensation may be higher than the compensation charged by other firms providing the same or similar services. You are under no obligation to purchase shares in affiliated or other private funds.

The fees we charge are separate and in addition to any fees and expenses charged by the Fund. For any client with investment in the Fund, we will not charge a management fee for the amount invested in the Fund. You should refer to the prospectus for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Fund.

In providing our services, we seek to achieve capital appreciation generally through long and short investments in publicly traded and privately traded debt securities but may also make other types of investments on behalf of our clients as we deem appropriate.

Our firm tailors our advisory services to the individual needs and specified investment mandates of our clients. With respect to the Fund, we adhere to the investment strategy set forth in the offering memorandum. With respect to our managed account assets, we adhere to the investment strategy set forth in each managed account agreement.

#### **Wrap Fee Program**

We do not participate in any wrap-fee programs.

#### **Types of Investments**

We primarily offer advice on private funds and Bonds. Refer to the *Methods of Analysis, Investment Strategies and Risk of Loss* below for additional disclosures on this topic.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

#### **IRA Rollover Recommendations**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. 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.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

### **Assets Under Management**

As of December 31, 2023, we provide continuous management services for \$534,747,000 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **Portfolio Management Services**

Our annual fee for portfolio management services varies between 0.20% to 2.00% depending upon the market value of your assets under our management, the type and complexity of the asset management services provided, as well as the level of administration requested either directly or assumed by the client. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion. Our firm may engage in profit sharing agreements on income in excess of previous defined benchmark established on each individual agreement.

With respect to our managed accounts, investors are charged a management fee based on a percentage of assets under management pursuant to the managed account agreement, calculated and payable on a quarterly basis. Our annual portfolio management fee is billed and payable, quarterly in arrears, based on the balance at end of billing period.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable with each customer prior to signing the agreement, depending on individual client circumstances.

Investors who have engaged the firm to provide investment advisory services on a managed account basis are eligible to terminate the managed account agreement on 45 days prior written notice. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian, call our main office number located on the cover page of this brochure.

**Adviser to Private Fund**

We receive a .50% for the Invex Dynamic Allocation Segregated Portfolio, 1.50% for the Invex Global Opportunities, 0.65% for the Invex Short Duration and 1.50% for the Invex Income Fund per annum fee from the funds (paid by Pictet & Cie) for acting as the investment adviser to the Fund. This fee is separate and apart from any fee we may charge other clients of Invex who may be invested in the Fund. As such, a conflict of interest exists in that we have a financial incentive to recommend the Fund to our clients. However, as a fiduciary, we are required to act in our Clients' best interests at all times and will only recommend the Fund to clients when we believe that it is suitable and appropriate for them. The Fund is offered only to certain sophisticated investors and only via private placement memorandum and other offering documents. The Fund has other, internal, costs and expenses. Investors and prospective investors should refer to the Fund's offering documents for a complete description of the investment objectives, risks, fees, and other relevant information regarding the Fund.

Underlying investors in the Fund can withdraw money at any time, so they are not likely to pay a management fee in excess of what they owe.

The management fee is charged to our client, the Fund, and no separate management fee is charged to individual investors who have invested at the fund level.

Our firm also receives performance-based fees from the Fund based on a percentage of each underlying investor's annual net realized and unrealized profits at the end of each year or upon a withdrawal or redemption if prior to the end of the year (but only on the amount withdrawn or redeemed), subject to a high water mark limitation. The performance-based fee is 20% of the excess of the performance above the benchmark.

Our fees are generally non-negotiable, but we have the discretion to waive all or a portion of the management fee and/or the performance-based compensation. Each client bears all of its own organizational and operational expenses, including, without limitation (but only to the extent applicable):

- legal fees (including settlement costs);
- costs of any litigation or investigation involving the clients' activities;
- filing fees and expenses;
- accounting costs (including tax preparation and audit expenses);
- administration costs;
- costs associated with reporting and providing information to investors;
- withholding and/or transfer taxes;
- other out-of-pocket expenses;
- proxy expenses;
- expenses related to underwriting and private placements;
- brokerage commissions, mark-up/down;
- interest on debit balances or borrowings; and
- custodial fees.

Each investor in the fund bears its pro rata share of the fund's expenses and each investor in a managed account will bear its pro rata share of the managed account's expenses. For more information on brokerage transactions and costs, please see Section 12: Brokerage Practices. Therefore, any client with investment in the fund will not be charged a management fee for the amount invested in the fund.

**Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

### **Dually Registered Investment Adviser Representatives**

Persons providing investment advice on behalf of our firm are investment adviser representatives with Invex Next LLC, an affiliated investment adviser. For additional information about compensation we receive, see Item 10 - Other Financial Industry Activities and Affiliations.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm are registered representatives with Invex, LLC, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, in certain circumstances, these persons may receive compensation in connection with the purchase and sale of securities or other investment products, including asset-based sales charges, service fees or 12b-1 fees, for the sale or holding, of mutual funds. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice to advisory clients on behalf of our firm who are registered representatives have an incentive to recommend investment products based on the compensation received rather than solely based on your needs. Persons providing investment advice to advisory clients on behalf of our firm can select or recommend, and in many instances will select or recommend, mutual fund investments in share classes that pay 12b-1 fees when clients are eligible to purchase share classes of the same funds that do not pay such fees and are less expensive. This presents a conflict of interest. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm who receives compensation described above. For additional information about compensation we receive, see Item 10 - Other Financial Industry Activities and Affiliations.

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

Performance-based fees based on individual client accounts are only permitted to be charged to clients having a net worth greater than \$2,100,000 or for whom we manage at least \$1,000,000 immediately after entering an agreement for our services. Performance-based fees are fees based on a share of capital gains or capital appreciation of a client's account. A performance fee based on individual client accounts is equal to 20% of the performance of the Net Asset Value per Share of each Class, which applies a performance fee subject to high water mark multiplied by the number of Shares in issue in the relevant Class during the calculation period. No performance fee will be due if the Net Asset Value per Share of such Class before performance fee turns out to be below the high water mark for the relevant calculation period. Refer to the *Fees and Compensation* section above for additional information on this topic.



Not all our clients are charged or allocated performance-based compensation. We manage accounts that are charged performance-based fees while at the same time managing accounts (perhaps with similar objectives) that are not charged performance-based fees ("side-by-side management"). Performance-based fees and side-by-side management create conflicts of interest, which we have identified and described in the following paragraphs.

Performance-based fees create an incentive for our firm to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In order to address this potential conflict of interest, a senior officer of our firm periodically reviews client accounts to ensure that investments are suitable and that the account is being managed according to the client's investment objectives and risk tolerance.

Performance-based fees may also create an incentive for our firm to overvalue investments which lack a market quotation. In order to address such conflict, we have adopted policies and procedures that require our firm to "fairly value" any investments, which do not have a readily ascertainable value.

Our firm charges a performance-based fee to the Fund, however, any client with investment in this fund will not be charged a performance-based fee on such holdings in the Fund.

Side-by-side management might provide an incentive for our firm to favor accounts for which we receive a performance-based fee. For example, we may have an incentive to allocate limited investment opportunities, such as initial public offerings, to clients who are charged performance-based fees over clients who are charged asset based fees only. To address this conflict of interest, we have instituted policies and procedures that require our firm to allocate investment opportunities (if they are suitable) in an effort to avoid favoritism among our clients, regardless of whether the client is charged performance fees.

## **Item 7 Types of Clients**

As noted in Item 4, we provide investment management services to a private fund, together with individual high net worth individuals, to which we provide investment advisory services on a managed account basis.

In general, we require a minimum of \$50,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management.

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

### **Private Funds**

We provide investment advisory services to Invex Income Fund, Invex Short Duration Strategy, and Invex Global Opportunities. We tailor our advice to each private fund or investor based on the investment objective and restrictions (if any) set forth in the applicable offering memorandum, organizational documents, investment management agreement, limited liability agreement, limited partnership agreement and/or subscription agreements.

Investing in private funds involves risk of loss that the investor should be prepared to assume. These losses may include the loss of principal; a reduction in earnings (including interest, dividends and other distributions); and the loss of future earnings. Such risks may also include, without limitation:

- concentration risk
- credit risk

- derivatives risk
- equity risk
- fixed income risk
- foreign investment risk
- high yield risk
- leveraging risk
- liquidity risk
- management risk
- market risk
- repurchase policy risks
- small and medium capitalization company risk
- funds risk
- issuer and non-diversification risk
- digital assets risk
- custody and prime brokerage risk
- cybersecurity risk
- health events and other catastrophic risk

A more detailed description of the risks associated with each particular investment strategy is included in the Offering Documents of the respective Fund, a copy of which is provided to prospective Fund Investors and should be carefully reviewed prior to investing in the Funds.

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

We also use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

**Technical Analysis** - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

**Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

**Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long term, which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if

the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short term in other investments.

**Short-Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

**Risk:** Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short term, which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

**Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

**Risk:** If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

**Option Writing** - a securities transaction that involves selling an option. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell a particular security at a specified price on or before the expiration date of the option. When an investor sells a call option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. When an investor sells a put option, he or she must pay the strike price per share if the buyer exercises the option, and will receive the specified number of shares. The option writer/seller receives a premium (the market price of the option at a particular time) in exchange for writing the option.

**Risk:** Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

**Trading** - We may use frequent trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Frequent trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk. This may include buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses.

**Risk:** When a frequent trading policy is in effect, there is a risk that investment performance within your account may be negatively affected, particularly through increased brokerage and other transactional costs and taxes.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

## **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

## **Recommendation of Particular Types of Securities**

We primarily recommend Mutual funds and Bonds. However, we may advise on other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible

to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment.

**Money Market Funds:** A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

**Bonds:** Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

#### **Leveraged Exchange Traded Funds:**

Leveraged Exchange Traded Funds ("Leveraged ETFs" or "L-ETF") seek investment results for a single day only, not for longer periods. A "single day" is measured from the time the L-ETF calculates its net asset value ("NAV") to the time of the L-ETF's next NAV calculation. The return of the L-ETF for periods longer than a single day will be the result of each day's returns compounded over the period, which will very likely differ from multiplying the return by the stated leverage for that period. For periods longer than a single day, the L-ETF will lose money when the level of the Index is flat, and it is possible that the L-ETF will lose money even if the level of the Index rises. Longer holding periods, higher index volatility and greater leverage both exacerbate the impact of compounding on an investor's returns. During periods of higher Index volatility, the volatility of the Index may affect the L-ETF's return as much as or more than the return of the Index. Leveraged ETFs are different from most exchange-traded funds in that they seek leveraged returns relative to the applicable index and only on a daily basis. The L-ETF also is riskier than similarly benchmarked exchange-traded funds that do not use leverage. Accordingly, the L-ETF may not be suitable for all investors and should be used only by knowledgeable investors who understand the potential consequences of seeking daily leveraged investment results.

**Leveraged ETF Leveraged Risk:** The L-ETF obtains investment exposure in excess of its assets in seeking to achieve its investment objective — a form of leverage — and will lose more money in market environments adverse to its daily objective than a similar fund that does not employ such leverage. The use of such leverage could result in the total loss of an investor's investment. For example: a 2X fund will have a multiplier of two times (2x) the Index. A single day movement in the Index approaching 50% at any point in the day could result in the total loss of a shareholder's investment if that movement is contrary to the investment objective of the L-ETF, even if the Index subsequently moves in an opposite direction, eliminating all or a portion of the earlier movement. This would be the case with any such single day movements in the Index, even if the Index maintains a level greater than zero at all times.

**Leveraged ETF Compounding Risk:** Compounding affects all investments, but has a more significant impact on a leveraged fund. Particularly during periods of higher Index volatility, compounding will cause results for periods longer than a single day to vary from the stated multiplier of the return of the Index. This effect becomes more pronounced as volatility increases.

**Leveraged ETF Use of Derivatives:** The L-ETF obtains investment exposure through derivatives. Investing in derivatives may be considered aggressive and may expose the L-ETF to greater risks than investing directly in the reference asset(s) underlying those derivatives. These risks include counterparty risk, liquidity risk and increased correlation risk (each as discussed below). When the L-ETF uses derivatives, there may be imperfect correlation between the value of the reference asset(s) and the derivative, which may prevent the L-ETF from achieving its investment objective. Because derivatives often require only a limited initial investment, the use of derivatives also may expose the L-ETF to losses in excess of those amounts initially invested. The L-ETF may use a combination of swaps on the Index and swaps on an ETF that is designed to track the

performance of the Index. The performance of an ETF may not track the performance of the Index due to embedded costs and other factors. Thus, to the extent the L-ETF invests in swaps that use an ETF as the reference asset, the L-ETF may be subject to greater correlation risk and may not achieve as high a degree of correlation with the Index as it would if the L-ETF only used swaps on the Index. Moreover, with respect to the use of swap agreements, if the Index has a dramatic intraday move that causes a material decline in the L-ETF's net assets, the terms of a swap agreement between the L-ETF and its counterparty may permit the counterparty to immediately close out the transaction with the L-ETF. In that event, the L-ETF may be unable to enter into another swap agreement or invest in other derivatives to achieve the desired exposure consistent with the L-ETF's investment objective. This, in turn, may prevent the L-ETF from achieving its investment objective, even if the Index reverses all or a portion of its intraday move by the end of the day. Any costs associated with using derivatives will also have the effect of lowering the L-ETF's return.

**Options Contracts:** Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Selling options is more complicated and can be even riskier.

The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize their value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continue to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk substantial losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.

- Writers of call options could lose more money than a short seller of that stock could on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or decline unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.

**Derivatives:** Derivatives are types of investments where the investor does not own the underlying asset. There are many different types of derivative instruments, including, but not limited to, options, swaps, futures, and forward contracts. Derivatives have numerous uses as well as various risks associated with them, but they are generally considered an alternative way to participate in the market. Investors typically use derivatives for three reasons: to hedge a position, to increase leverage, or to speculate on an asset's movement. The key to making a sound investment is to fully understand the characteristics and risks associated with the derivative, including, but not limited to counterparty, underlying asset, price, and expiration risks. The use of a derivative only makes sense if the investor is fully aware of the risks and understands the impact of the investment within a portfolio strategy. Due to the variety of available derivatives and the range of potential risks, a detailed explanation of derivatives is beyond the scope of this disclosure.

**Structured Products:** A structured product, also known as a market-linked product, is generally a pre-packaged investment strategy based on derivatives, such as a single security, a basket of securities, options, indices, commodities, debt issuances, and/or foreign currencies, and to a lesser extent, swaps. Structured products are usually issued by investment banks or affiliates thereof. They have a fixed maturity, and have two components: a note and a derivative. The derivative component is often an option. The note provides for periodic interest payments to the investor at a predetermined rate, and the derivative component provides for the payment at maturity. Some products use the derivative component as a put option written by the investor that gives the buyer of the put option the right to sell to the investor the security or securities at a predetermined price. Other products use the derivative component to provide for a call option written by the investor that gives the buyer of the call option the right to buy the security or securities from the investor at a predetermined price. A feature of some structured products is a "principal guarantee" function, which offers protection of principal if held to maturity. However, these products are not always Federal Deposit Insurance Corporation insured; they may only be insured by the issuer, and thus have the potential for loss of principal in the case of a



liquidity crisis, or other solvency problems with the issuing company. Investing in structured products involves a number of risks including but not limited to: fluctuations in the price, level or yield of underlying instruments, interest rates, currency values and credit quality; substantial loss of principal; limits on participation in any appreciation of the underlying instrument; limited liquidity; credit risk of the issuer; conflicts of interest; and other events that are difficult to predict.

**Private Placements:** A private placement (non-public offering) is an illiquid security sold to qualified investors and is not publicly traded or registered with the Securities and Exchange Commission.

**Risk:** Private placements generally carry a higher degree of risk due to illiquidity. Most securities that are acquired in a private placement will be restricted securities and must be held for an extended amount of time and therefore cannot be sold easily. The range of risks is dependent on the nature of the partnership and is disclosed in the offering documents.

## Item 9 Disciplinary Information

Neither our firm, nor any of our members, managers, officers, directors, or employees have been involved in any criminal or civil actions in a domestic, foreign or military court.

Neither our firm, nor any of our members, managers, officers, directors, or employees have been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm, nor any of our members, managers, officers, directors, or employees have been involved in any self-regulatory organization proceedings.

## Item 10 Other Financial Industry Activities and Affiliations

### Registrations with Broker-Dealer

Gerardo Reyes Retana and Carlos Barrientos are registered as representatives of a broker-dealer in connection with their association with an affiliated person of the firm, Invex LLC, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

We act as the investment adviser to a registered investment company (the "IC"). Where appropriate, we will exercise our discretionary authority and without further approval from you, we will invest a percentage of your assets in the IC. This creates a conflict of interest because we will receive compensation as your investment adviser through our firm and as the investment adviser to the IC. Except as otherwise required by law for ERISA assets, we do not offset any compensation we receive against fees or expenses you may otherwise pay to us and/or any of our affiliates. Fees charged by the IC are separate and in addition to our advisory fees as disclosed above at *Fees and Compensation*. You should refer to the prospectus for a complete description of fees, investment objectives, risks and other relevant information associated with investing in the IC. Refer to the *Investment Discretion* section below for additional disclosures on our discretionary authority to manage your investment account.

### Arrangements with Affiliated Entities

We are affiliated with Invex, LLC through common control and ownership. The affiliate is a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Persons providing investment advice on behalf of our firm are also registered representatives with our affiliate broker dealer. In their capacity as registered representatives, in certain circumstances, these persons may receive commission-based compensation in connection with

the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate from our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs.

Referral arrangements with an affiliated entity present a conflict of interest for us because we may have a direct or indirect financial incentive to recommend an affiliated firm's services. While we believe that compensation charged by an affiliated firm is competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use the services of any firm we recommend, whether affiliated or otherwise, and may obtain comparable services and/or lower fees through other firms.

Our firm has sponsored the formation of a private fund, as described in Section 4, Advisory Business. Our Fund does not have independent management. Although this arrangement may give us heightened control and discretion over our vehicle, we manage any potential conflicts of interest by adhering to the investment strategy and investment allocation policy discussed in the offering documents of the private investment vehicle. Where appropriate, we will exercise our discretionary authority and without further approval from you, we will invest a percentage of your assets in the Fund. This creates a conflict of interest because we will receive compensation as your investment adviser through our firm and as the investment adviser to the Fund. Except as otherwise required by law for ERISA assets, we do not offset any compensation we receive against fees or expenses you may otherwise pay to our and/or any of our affiliates. Fees charged by the Fund are separate and in addition to our advisory fees as disclosed above at *Fees and Compensation*. You should refer to the prospectus for a complete description of fees, investment objectives, risks and other relevant information associated with investing in the Fund. Refer to the *Investment Discretion* section below for additional disclosures on our discretionary authority to manage your investment account.

Certain of our Associated Persons, including executive officers of our firm, may also serve in a control capacity for the Fund. The compensation of these Associated Persons may be based, in part, upon the profitability of the Fund. Our relationship to the Fund may involve sharing or joint compensation, or separate compensation, subject to proper disclosures and the requirements of applicable law.

Invex Advisors is affiliated with Invex Next, a registered investment adviser. Invex Advisors and Invex Next share certain employees and management personnel. Shared employees are governed by both Invex Advisors and Invex Next's Code of Ethics.

### **Dually Registered Investment Adviser Representatives**

Certain of our firm's IARs are also registered as IARs with Invex Next, our affiliated registered investment adviser. IARs may provide asset management services or financial planning and consulting services and earn advisory fees for providing such services on behalf of the affiliate. Therefore, you could receive advisory services from one individual who can act as an IAR on behalf of two separate registered investment advisers. This dual registration is a conflict of interest because your IAR may receive more or less compensation as a result of his or her registration with us and the unaffiliated investment adviser and may have access to different programs and services. If the IAR provides services to you on behalf of our firm, you will be given the Disclosure Brochure of our firm, and the IAR's Form ADV Part 2B. If the services are being provided by the IAR on behalf of the unaffiliated firm, you should receive the Disclosure Brochure of that firm and the IAR's Form ADV Part 2B of that firm. The disclosure brochures describe the services provided, fees charged, conflicts of interest and other important information. You are encouraged to read and review the disclosure brochures for both

our firm and the unaffiliated investment adviser firm as well as client agreements and other disclosure documents provided. If you have questions regarding how these conflicts of interests impact you, you should direct questions to your IAR.

Neither our firm nor any of our members, managers, officers, directors, or employees is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

We do not currently recommend nor do we intend to select other investment advisers for our client.

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

To help ensure that each of our employees conducts his or her affairs, including personal securities transactions, in a manner to avoid serving his or her own personal interests ahead of the interests of our client and to avoid conflicts of interest, we have adopted a code of ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which includes policies and procedures governing personal trading activities of our employees. A copy of the code of ethics is available upon request to our clients and any investor or prospective investor in our services by contacting us at the telephone number on the cover page of this brochure.

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

We act as the investment adviser to a publicly traded mutual fund ("Fund"). Where appropriate, we will exercise our discretionary authority and without further approval from you, we will invest a percentage of your assets in the Fund. This creates a conflict of interest because we will receive compensation as your investment adviser and as the investment adviser to the Fund. Additionally, individuals associated with our firm may buy or sell - for their personal account(s) - investment products identical to those purchased by the Fund. This practice may create a conflict of interest because we have the ability to trade ahead of the Fund and potentially receive more favorable prices than the Fund will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor our Associated Persons shall have priority over the Fund in the purchase or sale of securities.

### **Agency Cross Transactions**

An agency cross transaction for an advisory client occurs when we, or one of our affiliates, acts as a broker for a transaction in which one of our advisory clients is on one side of the transaction and another person (not an advisory client) is on the other side of the transaction. We may, when we consider the transaction to be in your best interest, execute such transactions. We could receive compensation from each party to the transaction, and would therefore have a conflict of interest. Clients may revoke the authorization to effect agency cross transactions at any time by providing us with written notice. In circumstances where we execute an agency cross transaction, we undertake to confirm that the buyer and seller are not related parties and that the transactions are executed at market price. We will review all trades executed as an agency cross for compliance with our best execution policy.

### **Personal Trading Practices**

Employees may invest in the same securities that our firm buys or sells on behalf of our clients. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. However, to mitigate this conflict of interest, we have established a policy that our employees shall not execute a transaction in a security for an account in which an employee has a beneficial interest or exercises investment discretion if an order for a client account for the same security remains unexecuted. Such prohibition shall remain in effect until after we have executed the transaction.

Employees may not purchase or sell, directly or indirectly: (i) any security in which he or she has, or by reason of such transaction will acquire, any direct or indirect beneficial ownership and which, to his or her actual knowledge at the time of such purchase or sale, is being purchased or sold by our firm on behalf of a client account; or (ii) any related security to a security being actively considered for purchase or sale by our firm, such as puts, calls, other options or rights in such security.

In order to prevent any potential conflicts of interest, we also require all employees, members and managers to comply with a pre-clearance procedure before placing an order for the purchase or sale of private placements and initial public offerings. No employee, member or manager may acquire any securities in an initial public offering or in a private offering without prior approval from our Chief Compliance Officer, which approval may be withheld in the sole discretion of our Chief Compliance Officer. Orders for the purchase or sale of any publicly traded debt security (other than mutual funds, certain government securities and other cash equivalents as set forth in our firm's code of ethics) will be post reviewed. However, client orders must be placed and executed prior to any member or employees orders in the same security.

Employees of our firm do not recommend to our clients, nor do they buy or sell for our clients' accounts, securities in which they have a material financial interest.

### **Block Trading**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Refer to the *Brokerage Practices* section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. While you are free to choose any broker-dealer or other service provider as your custodian, we recommend that you establish an account with a brokerage firm with which we have an existing relationship. If we recommend the brokerage services of our affiliated broker-dealer, Invex, LLC, you will be required to utilize the custodial services of Pershing LLC. In other instances where we are not affiliated with the broker-dealer, note that you may be required to utilize the custodial services of other custodians.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including: Capability to buy and sell securities for your account itself or to facilitate such services. The likelihood that your trades will be executed. Availability of investment research and tools. Overall quality of services. Competitiveness of price. Reputation, financial strength, and stability. Existing relationship with our firm and our other clients.

In selecting broker-dealers and determining the reasonableness of their commissions for our clients' transactions, we take into account the following factors:

- The broker-dealer's ability to effect prompt and reliable executions at favorable prices (including the applicable profit or commission, if any);
- The operational efficiency with which transactions are effected, considering the size of the order and difficulty of execution;
- The financial strength, integrity and stability of the broker-dealer;
- The firm's risk in positioning a block of securities;
- The quality, comprehensiveness and frequency of available research services considered to be of value; and
- The competitiveness of commission rates in comparison with other broker-dealers that satisfy our selection criteria.
- The preference of our clients.

**We Utilize Research and Other Soft Dollar Benefits.** At times, our firm may pay higher prices to buy securities from, or accept lower prices for the sale of securities to, brokerage firms that provide us with investment and research information. This investment and research information is often referred to as "soft dollar" benefits. The research services that broker-dealers might provide include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants.

Since we have multiple clients, there does exist the potential for the creation of conflicts regarding the allocation of soft dollar benefits among multiple clients. To that end, we intend to manage any conflicts of interest by attempting to allocate soft dollar benefits among multiple clients in an equitable manner that correlates the deemed benefits received to the costs associated with the related brokerage transactions.

**We Intend for our Use of Soft Dollar Benefits to Fall Within the Safe Harbor.** The Securities and Exchange Commission has created a safe harbor that protects financial advisers from liability for a possible breach of fiduciary duty to their clients for engaging in soft dollar arrangements for certain services at other than the lowest transaction costs if they make a good faith determination that the amount of the commission was reasonable in relation to the value of the research services received. We intend that our soft dollar arrangements will fall within this safe harbor.

**The Use of Soft Dollars Can Create a Conflict of Interest.** Although our policies require us to always obtain the best execution for our clients by taking into account all applicable factors, using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. When we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do not have to produce or pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for our clients, based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research services creates a conflict of interest between our firm and our clients because our clients pay for products and services that are not exclusively for their benefit and that may be primarily or exclusively for the benefit of our firm. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

In the event that the client account is opened with our affiliate Invex, LLC (Registered Broker-Dealer), then our affiliate Invex, LLC, will execute the trades on a principal capacity for the client account. In such instances, our affiliate Invex, LLC may charge a mark-up/mark-down per trade, never exceeding 0.125 of the face value of the trade. In such instances we will obtain from the client a Section 206(3) form for pre-settlement disclosure and consent.

We Do Not Consider Client Referrals in Selecting or Recommending Broker-Dealers.

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

Persons providing investment advice on behalf of our firm who are registered representatives of Invex, LLC would normally be required to recommend Invex, LLC to you for brokerage services. These individuals are subject to applicable industry rules that restrict them from conducting securities transactions away from Invex, LLC unless Invex, LLC provides the representatives with written authorization to do so, which Invex, LLC has done in this case. Therefore, although these individuals would generally be limited to conducting securities transactions through Invex, LLC, in this instance, as noted above, they will generally recommend multiple broker-dealer/custodians. It may be the case that multiple broker-dealer/custodians charges higher transaction costs and/or custodial fees than another broker charges for the same types of services. However, if transactions were executed through Invex, LLC these individuals (in their separate capacities as registered representatives of Invex, LLC) could earn commission-based compensation as a result of placing the recommended securities transactions through Invex, LLC. This practice would present a conflict of interest because these registered representatives would have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However, if you do not use the recommended broker, we may not be able to accept your account. See the *Fees and Compensation* section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

## **Block Trades**

We combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally, participating accounts will pay a fixed transaction cost regardless of the number of shares transacted. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

We do not block trade for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

Trade Aggregation and Allocation. Because we advise multiple clients, we endeavor to execute all client transactions simultaneously on a best execution basis, however, there can be no assurance that we will be successful due to factors outside of our control.

## **Item 13 Review of Accounts**

Carlos Barrientos, CCO will monitor your accounts on an ongoing basis and will conduct account reviews at least quarterly, to ensure the advisory services provided to you are consistent with your investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

The individuals conducting reviews may vary from time to time, as personnel join or leave our firm.

We will provide you with additional or regular written reports in conjunction with account reviews. Reports we provide to you will contain relevant account and/or market-related information such as an inventory of account holdings and account performance, etc. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

We engage in active management and frequent transactions on behalf of our clients and, accordingly, review our transactions, positions and cash balances on a daily basis. The Chief Compliance Officer and the Compliance Officer review the trade blotter on a daily basis.

Your advisor will review financial plans as needed, depending on the arrangements made with you at the inception of your advisory relationship to ensure that the advice provided is consistent with your investment needs and objectives. Generally, we will contact you periodically to determine whether any updates may be needed based on changes in your circumstances. Changed circumstances may include, but are not limited to marriage, divorce, birth, death, inheritance, lawsuit, retirement, job loss

and/or disability, among others. We recommend meeting with you at least annually to review and update your plan if needed. Additional reviews will be conducted upon your request. Such reviews and updates may be subject to our then current hourly rate. Written updates to the financial plan may be provided in conjunction with the review. If you implement financial planning advice, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

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

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are registered representatives with Invex, LLC, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section.

Neither our firm nor any members, managers, officers, directors, or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our client.

While our compliance manual permits entering into arrangements with a third party to refer investors for a fee so long as all arrangements are executed in accordance with Rule 206(4)-3 of the Advisers Act, we currently have no such arrangements in place, nor do we intend to do so at this time.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## **Item 15 Custody**

It is our practice not to accept or maintain physical possession of our clients' funds and/or securities. We do not directly debit advisory fees from your account and we do not exercise custody over your funds or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities. If you have a question regarding your account statement or if you did not receive a statement from your custodian, contact your custodian directly.

### **Private Investment Companies**

We serve as the investment adviser to Invex Dynamic Allocation Segregated Portfolio, Invex Income Fund, Invex Short Duration Strategy, and Invex Global Opportunities (the "Fund," whether one or more), a private pooled investment vehicle in which our clients are solicited to invest. The Fund is offered to certain sophisticated investors, who meet certain requirements under applicable state and/or federal securities laws. Investors to whom the Fund is offered will receive a private placement memorandum and other offering documents. The fees charged by the Fund are separate and apart from our advisory fees. You should refer to the offering documents for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Fund. Persons affiliated with our firm may have made an investment in the Fund and may have an incentive to recommend the Fund over other investments.

In our capacity as investment adviser to the Fund, we will have access to the Fund's funds and securities, and therefore have custody over such funds and securities. We provide each investor in the Fund with audited annual financial statements. If you are a Fund investor and have questions regarding the financial statements or if you did not receive a copy, contact us directly at the telephone number on the cover page of this brochure.



## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and the appropriate trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s), the broker or dealer to be used for each transaction, and over the commission rates to be paid without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

### Scope of Authority

Our firm accepts discretionary authority to manage our clients' assets. This means that we have the authority to determine, without obtaining specific consent from underlying investors, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in the offering documents of our private investment vehicle and the managed account agreement for each managed account.

### Procedures for Assuming Authority

With respect to the investment discretion related to the Fund, before accepting investor subscriptions for interests in the Fund, we provide all potential investors in the Fund with an offering document which sets forth in detail the investment strategy and program. With respect to investment discretion related to a managed account relationship to be established between our firm and an investor, before execution of the related managed account agreement, the investment mandate of the respective managed account is agreed to in writing between the firm and the individual investor. By completing our subscription documents to acquire an interest in the Fund or otherwise entering into a managed account agreement, investors give us complete authority to manage the capital contributed in accordance with the offering document received or the investment mandate contained in the managed account agreement.

## Item 17 Voting Client Securities

We have the sole authority to vote our clients' securities, and we adhere to an internal proxy voting policy that governs our practices in exercising this voting authority. Our policy is to vote our clients' proxies in the interest of maximizing shareholder value.

Votes on all proxy matters are determined on a case-by-case basis. We generally do not vote proxies of an issuer where our client holds less than 5% of the shares outstanding in that issuer. In cases where we do vote proxies, we determine whether the matter is routine or not routine. For routine matters, we generally vote in the same manner recommended by the issuer's board unless it is determined that our clients' best interests are not served by voting in the same manner recommended by the issuer's board. For non-routine matters we review each matter on a case-by-case basis and make a determination on how to vote based on our clients' best interest.

If a proxy vote creates a material conflict between the interests of our firm and our client, we will resolve this conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

Records of proxy materials and votes are maintained in our office. A complete copy of our proxy voting policies, procedures and prior voting history are available to investors upon request.

## **Item 18 Financial Information**

We do not require nor do we solicit prepayment of more than \$1,200 of fees per client, six months or more in advance.

We are not aware of any financial condition that is likely to impair our ability to meet our contractual commitments to our client.

We have never been the subject of a bankruptcy petition.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  1. Employer retirement plans generally have a more limited investment menu than IRAs.
  2. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  1. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  2. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 72.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  1. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.