

**Item 1: Cover Page**

# ADV Part 2A

## Brochure



### Kelly Financial Services LLC

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March 2024

This brochure provides information about the qualifications and business practices of Kelly Financial Services LLC. If you have any questions about the contents of this brochure, please contact us 781-849-3090 or via email at [compliance@kellyfinancial.org](mailto:compliance@kellyfinancial.org). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Kelly Financial Services LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Kelly Financial Services LLC is 127462.

We are a registered Investment Advisor with the United States Securities and Exchange Commission. Registration as an Investment Advisor does not imply any level of skill or training.

**Item 2: Material Changes**

This firm brochure provides a summary of Kelly Financial Services LLC's ("KFS") services and fees, professional staff, certain business practices and policies, as well as actual or potential conflicts of interest, among other things.

This Item is used to provide clients with a summary of material changes since the last filing of the firm brochure with the Commission. Material changes include changes to specific items identified by the Commission as well as any additional information we deem to be relevant for our current and prospective clients. They are described under the caption **Material Changes** below.

**Material Changes**

Since our last annual brochure dated March 20, 2023, there have been no material changes. to our Brochure.

If you would like to receive a complete copy of our brochure, including the individual supplements, please contact us at 781-849-3090 or via email at [compliance@kellyfinancial.org](mailto:compliance@kellyfinancial.org).

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## **Item 4: Advisory Business**

### **Firm Description and History**

Kelly Financial Services LLC ("Kelly Financial Services" or "KFS") is a fee-based, registered investment adviser with its principal place of business located in Braintree, Massachusetts. The firm was established by William A. Kelly and Kelly D. Kelly in 2004 as a sole proprietorship owned by Mr. Kelly. Upon William Kelly's death in October 2017, Kelly Kelly became the owner of the firm. She is continuing the business of KFS as a Massachusetts limited liability company of which she is the sole Managing Member and President. The management team is responsible for all investment decisions made on behalf of clients. Management has over 25 years combined experience in the financial services industry. The firm currently has Four investment professionals and several additional employees and service providers for administrative and technical support. For more information about KFS investment professionals please consult the ADV Brochure Supplement.

### **Business Summary**

#### **Wealth Management Services**

Kelly Financial Services provides wealth management to individual and high net-worth individuals. The Advisor charges a fee as a percentage of assets under management or a minimum flat fee, depending on account size. Generally, the client accounts are managed on a discretionary basis. However, the client is under no obligation to act upon any of the recommendations made by Kelly Financial Services and is free at any time to impose reasonable restrictions on investments in the account.

Kelly Financial Services' principal service is managing the client's investment portfolio based on the client's specific investment objectives, goals and financial situation. The advisor will consider investment in individual stocks, ADRs, municipal, government and corporate debt securities, mutual funds, exchange-traded funds, REITs and publicly traded oil and gas interests

As further described below, KFS' investment advisor representatives may, in their capacity as licensed insurance agents, offer fixed index annuities and other insurance products to clients, for which they are paid a commission by the insurance company.

#### **Financial Planning**

Kelly Financial Services provides Financial Planning services to individuals and high net-worth individuals. The Advisor charges a fee to provide these services, which is based on an hourly or monthly rate. In addition to the hourly rate, Kelly Financial Services may charge an additional fee based on the type of financial plan. All fees for Financial Planning services are disclosed in the Kelly Financial Services Custom Planning agreement.

#### **Other Services**

Kelly Financial Services may also render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans (e.g. 401k, 403b, 529 plans, and Thrift Savings Plan). In doing so, Kelly Financial Services recommends the allocation of client assets among the various mutual fund options that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product, which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

#### **Strategy and Objective**

KFS' investment strategies are principally geared toward income and capital growth consistent with the preservation of capital. However, in appropriate circumstances KFS may utilize strategies more strongly geared towards capital appreciation. The Adviser's business is largely tailored to the investment needs of individuals and couples who are nearing retirement or already in retirement, though the Adviser does serve other clients as well, including small businesses.

A KFS Investment Advisor Representative meets with the client to gather information about the client's overall financial condition and specific objectives and needs including risk tolerance. The Representative then formulates an investment strategy accordingly. This information is reviewed with the client at least annually.

Accounts are generally invested in individual debt and equity securities, mutual funds, index funds, and/or exchange-traded funds in accordance with the client's investment objectives. From time to time, a representative may assist a client in purchasing an investment in precious metals - there is no cost for this service.

Clients should be aware of investments risks as well as other risks, restrictions on withdrawals and other information relevant to their investment. Additional information on certain investment risks is provided under Item 8, subsection Market, Security and Regulatory Risks below.

Except as discussed below (under Fixed Index Annuities), Kelly Financial Services derives its revenues from investment advisory fees only. Fees are calculated as a percentage of the portfolio's AUM and are typically directly debited from the client custodial accounts as allowed by the client/custodian agreement. No referral fees are paid or accepted. No cash payments or other benefits (e.g., "soft dollars") are received from custodians or broker-dealers based on client securities transactions.

All assets under the direct management of Kelly Financial Services are held by an independent qualified custodian, Fidelity Investments, and are held in the client's name. Kelly Financial Services does not act as a custodian of client assets.

Kelly Financial Services actively seeks to avoid conflicts of interest which may exist between the firm and its clients. In instances, when unavoidable conflicts of interest arise, they are fully disclosed to clients. KFS has adopted policies designed to mitigate conflicts and advance the clients' best interests.

### **Fixed Index Annuities**

Consistent with the investment objectives of many of its clients, in particular clients at or near retirement age, KFS may often recommend that clients invest a portion of their investible assets in fixed index annuities. These are insurance contracts which pay interest based on the performance of an external index, with the principal investment insured by the insurance company.

Currently all KFS investment advisor representatives are also licensed as insurance agents in Massachusetts and some are registered in other states as well. At the time that a new client relationship is established, the client receives a disclosure document that explains the representatives' dual roles. In addition, when the representatives determine that the purchase of a fixed index annuity or other insurance product is in the client's best interest, the client is reminded that the investment adviser representative, while making the recommendation in his or her fiduciary capacity, is also acting in a sales capacity, and the dual roles create a conflict of interest.

### **Third Party Manager**

KFS may, in appropriate cases, with a client's consent, use the services of a third-party investment advisor ("sub-advisor") to manage all or a portion of a client's investment portfolio. Prior to engaging the sub-advisor, KFS will provide the sub-advisor's Brochure on Form ADV2 to the client, disclose any other pertinent details of the arrangement, and obtain the client's written consent. KFS will be responsible for paying the sub-advisor's fee through a fee sharing arrangement with the sub-advisor.

### **Other Service Providers**

KFS will cooperate with a client's attorney, tax professional or other specialized advisers in developing an investment portfolio that is consistent with the client's tax, estate planning and other personal objectives. Such professionals are hired directly by the clients. At a client's request, the Adviser may provide the names of one or more of such professional firms. While such firms may at times recommend KFS to their clients as well, there are no compensatory arrangements between KFS and such firms.

### **Wrap Fee Programs**

Kelly Financial Services does not manage assets under wrap fee programs or manage assets for any wrap fee accounts.

### **Assets Under Management**

As of December 31, 2023, Kelly Financial Services had \$426,845,780 in assets under management in over 2,820 accounts for about 1,581 client households, of which \$398,446,978 is held in discretionary accounts and \$28,398,802 in non-discretionary accounts.

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

Except as described below, Kelly Financial Services bases its fees on a percentage of assets under management at the end of a billing period. All fees are negotiable and may be billed quarterly in arrears based on end of period account balance. The fee schedule will be determined in accordance with the billing schedule of each client contract.

### **Fee Structure**

KFS charges an investment advisory fee based on a percentage of the value of the client's account as of the end of each calendar quarter, not to exceed an annual rate of 1.5% (or .375% on a quarterly basis). There is a minimum annual fee of \$500 per year (\$125 per quarter). All fees are negotiable and may be billed quarterly in arrears based on end of period account balance.

The fee rates described above would also apply with client consent if Kelly Financial Services uses the services of a sub-advisor. In such cases, KFS will charge its customary fee and will be responsible for compensating the sub-advisor for its services.

In general, KFS does not require a minimum to provide advisory management services. Kelly Financial Services retains the discretion to waive or reduce the minimum account deposit and annual fee. However sub-advisory management services require a \$1 million account size which may be negotiated.

### **Manner of Payment**

Generally, the client authorizes KFS to deduct the investment advisory fee directly from the client's account. Clients will receive, at least quarterly, statements from the custodian which will reflect all the activity in the account, including the deduction of the Advisor's fee from KFS. In limited cases KFS will, in lieu of an automatic deduction from the account, send the client an invoice for the investment advisory fee, which will be payable upon receipt. KFS does not send an account statement or notification to clients when fees are withdrawn; however, on a quarterly basis, performance reports (net of fees) can be generated upon request.

Clients will receive at least 30 days' notice of any increase in fees.

### **Other Costs Involved**

In addition to the above fees, client accounts will pay any fees and expenses charged by third parties in connection with portfolio transactions and maintenance of a custodial account. Such fees may include, as applicable, TPA fees, brokerage commission, transaction fees, custodial fees, transfer taxes, wire and electronic fund fees, and other fees and taxes related to transactions and investments in the account. KFS does not receive any portion of these fees.

### **Mutual Fund and ETF Fees and Expenses**

If client accounts are invested in mutual funds, closed-end funds, or exchange-traded funds (ETFs), clients will indirectly bear the fees and expenses paid by the funds to their service providers. These fees will include management fees, custody and administration fees and expenses, and in some cases a sales load or distribution fee. These fees and expenses are described in each fund's prospectus.

### **Brokerage and Custodial Fees**

The clients' accounts will also bear custodial fees and expenses associated with transactions in the account, such as brokerage fees. Please see Item 12 of this Brochure for important disclosures regarding the Advisor's brokerage practices.

KFS does not receive any compensation for the sale of securities to clients, nor do any of its investment advisor representatives. Trading costs will reduce portfolio returns.

**Fixed Annuity Commissions**

KFS investment advisor representatives are also licensed insurance agents. When an investment advisor representative recommends that a client purchase a fixed index annuity (or other insurance product), the client is informed that the investment advisor representative will be paid a commission by the insurance company based on the value of the product purchased, and that this arrangement creates a conflict of interest.

**Fees in General**

Under no circumstances will Kelly Financial Services collect fees in excess of \$1,200 more than six months in advance of services rendered.

**Account Termination**

Client agreements typically require either party to provide a 30-day notice of termination. The fee for the final fee period will be pro-rated as appropriate.

**Compensation for Sales of Investment Products**

Except as disclosed above, the firm does not receive commissions for sales of investment products.

**Financial Planning Services**

Kelly Financial Services charges an hourly rate for Financial Planning. In addition, Kelly Financial Services may charge additional flat fees based on specific types of Financial Plans. Kelly Financial services may also charge a monthly rate for retainer services related to Financial Planning.

**Item 6: Performance-Based Fees and Side-by-Side Management**

Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client (i.e. client that is a hedge fund or other pooled investment vehicle). Kelly Financial Services does not charge performance-based fees.

**Item 7: Type of Clients**

Kelly Financial Services provides investment advisory and consulting services to individuals, including high net worth individuals, institutions and to certain types of trusts, and pension plans. While we do not specify a minimum account size for investment management services, we may determine that certain prospective clients' accounts are impracticable or inappropriate for us to manage.

**Account Statements**

Clients receive, at least quarterly, account statements from the custodian of their account, reflecting all activity in the account including the purchase and sale of securities and the deduction of fees including advisory fees.

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

Individual securities are selected with the goal of obtaining maximum investment gains consistent with the clients' objectives. Kelly Financial Services invests, holds, buys, sells and otherwise deals in securities and other tangible investment instruments consisting primarily, but not solely, of stocks, bonds, ETFs, notes, options, and warrants that are traded in public markets. We may also engage in short selling and other hedging strategies.

For each client, we prepare an Investment Policy Statement that reflects the client's circumstances and their tolerance for risk. The client reviews the policy and once we are in agreement the client signs the policy and that establishes the range of assets to be allocated to equities, fixed income and other securities. Periodically and particularly after major market turbulence we review this policy and adjust allocations.

Our investment strategy is to remain fully invested through market cycles; however, we make tactical adjustments to the various asset classes based on the situation in the overall economy. Generally, we do not use frequent trading techniques and stocks and mutual funds are purchased for long term capital appreciation. Holdings are formally reviewed at least semi-annually and holdings that are significantly underperforming their benchmarks may be sold.

**Equities and Fixed Income**

For equities and fixed income, we utilize a mix of individual securities selected by Kelly Financial Services and mutual funds or exchange traded funds to diversify the investment style within the client's portfolio. Generally, our equity investments are invested in large cap companies with consistent dividends and low price to earnings ratios. However, in limited cases we may include other equities that offer the equivalent quality at a value. Our fixed income securities investments are generally limited to mutual funds containing investment grade securities.

All investments involve different degrees of risk. Clients should be aware of their risk tolerance level and financial situations at all times. Kelly Financial Services cannot guarantee the successful performance of an investment and is expressly prohibited from guaranteeing accounts against losses arising from market conditions.

**Methods of Analysis**

Kelly Financial Services utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research/analysis, technical analysis, and cyclical analysis.

**Fundamental Analysis**

This method of analysis examines a company at a basic or fundamental financial level. It considers its financials and operations (especially sales, earnings, growth potential, profitability, competitive strengths and weaknesses, assets, debt, management, etc.) to determine the company's financial health. Fundamental analysis takes into consideration only those variables that are directly related to the company itself, rather than the overall state of the market or technical analysis data.

**Technical Analysis**

In contrast to fundamental analysis, this method of evaluating securities analyzes market activity, such as past prices and volume, in order to forecast market direction. Technical analysis utilizes price patterns, charts, and other tools to identify trends that can suggest future market behavior.

Kelly Financial Services gathers and utilizes research information from a variety of sources including: *Bloomberg*, *Standard and Poor's*, *Morningstar*, news from other financial magazines and publications, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

KFS investment professionals meet via Investment Committee periodically to review portfolio securities to determine whether it is appropriate to increase, decrease, liquidate, or hold their position.

Clients should be aware that there are risks associated with all types of investments, including investment in securities. Investments are not insured or guaranteed. Investing in securities involves risk of loss that clients should be prepared to bear.

**Investment Strategies**

Generally, Kelly Financial Services' investment strategy is growth with the protection of principal using an actively managed portfolio approach.

The firm invests account assets with the client defined objectives in mind. Portfolio asset allocations are customized based on each clients' unique requirements. Assets are allocated actively across a diversified group of asset classes and managers, generally with a mix of active and passive strategies. All investment decisions are made within constraints established by the client.

**Trading**

Some of our investment strategies may involve a significant level of trading. Trading costs are borne by the clients and will therefore reduce portfolio returns.

**Market, Security and Regulatory Risks**



Any investment with Kelly Financial Services involves significant risk, including a complete loss of initial investment. All investment programs have certain risks that are borne by clients which are described below.

**Market Risks****Competition. Availability of Investments**

Certain markets in which we may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Advisor will be able to identify or successfully pursue attractive investment opportunities in such environments.

**Market Volatility**

The profitability of the portfolios substantially depends upon the Advisor correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Advisor cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Advisor. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability to realize profits.

**Material Non-Public Information**

Because of their responsibilities in connection with other activities of Kelly Financial Services and/or its principals or employees, certain principals or employees of the Advisor and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Advisor will not be free to act upon any such information. Due to these restrictions, the Advisor may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

**Accuracy of Public Information**

The Advisor selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Advisor by the issuers or through sources other than the issuers. Although the Advisor evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, the Advisor is not in a position to confirm the completeness, genuineness, or accuracy of such information and data. In some cases, complete and accurate information is not available.

**Hedging Transactions**

The Advisor may establish hedges for portfolio positions depending on a client's risk tolerance and overall investment objectives. Any hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase.

**Market or Interest Rate Risk**

The price of most fixed income securities moves in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls. If the account holds a fixed income security to maturity, the change in its price before maturity may have little impact on the account's performance; however, if the Advisor has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the account. Prior to 2022, the United States had experienced a sustained period of historically low interest rates. In recent years, however, short term interest rates have risen sharply.

**Inflation Risk**

Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Advisor purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, the account is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security.

### **Non-U.S. Investments**

Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets, and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the client's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, we may be unable to structure transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the client's rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the securities laws and regulations of the U.S. Accordingly, the protections accorded to the client under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

### **Risk of Default or Bankruptcy of Third Parties**

The Advisor may engage in transactions in financial instruments and other assets that involve counterparties. Under certain conditions, the account could suffer losses if a counterparty to a transaction were to default or if the market for certain securities or other financial instruments and/or other assets were to become illiquid.

### **Natural and Human Disruptions**

The value of assets could be adversely affected in the event of a natural disaster, severe weather events, clients change, earthquakes, fires, war, terrorism, health pandemics and other public health crises.

### **Climate Change:**

Climate Change may adversely affect our business. Concern has been expressed by member of the scientific community, lawmakers and the general public that an increase in global temperatures has or will result in significant changes in weather patterns and increase the frequency and severity of natural disasters or other climate change events. Climate change creates potential physical and financial risk. Should the impact of climate change be material in nature or occur for lengthy periods of time, the financial condition of our clients and/or the results of our operations may be adversely affected. In addition, changes in government legislation and regulation concerning climate change could result in increased capital expenditures to improve the energy efficiency and other aspects or business operations.

### **Cybersecurity Risk:**

The Advisor and its service providers may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting the Advisor or its service providers may adversely impact investors. For instance, cyber-attacks may interfere with the processing or execution of investors' transactions, cause the release of confidential information, including private information about investors, subject the Advisor to regulatory fines or financial losses, or cause reputational damage.

**Concentration Risk:** Service Providers: Funds may at certain times have a material portion of their assets exposed to the credit risk of a particular custodian, futures clearer, broker, clearinghouse, exchange or counterparty. Such a concentration could magnify the risks to the Fund of a failure of one or more of such custodians, futures clearers, brokers, clearinghouses, exchanges or counterparties. The Fund and Adviser are also reliant upon the proper performance of duties and obligations of their respective service providers. The Fund may be adversely impacted in a material manner if one or more of the service providers to the strategy or Adviser fail to adequately perform their functions. In addition, key activities undertaken in connection with Adviser and the Fund's operations may be concentrated in one or more service providers,

which may expose the Fund to risks if one or more of such service providers does not provide—or becomes incapable of providing—services in the normal course.

**Risk Related to War and International Conflicts:** A number of countries in Europe have suffered terror attacks, and additional attacks may occur in the future. Ukraine has experienced ongoing military conflict; this conflict may expand, and military attacks could occur elsewhere in Europe. In addition, as of October 2023, there has been an ongoing military conflict between Israel and the terrorist organization known as Hamas. Europe also has been struggling with mass migration from the Middle East and Africa. The ultimate effects of these events and other socio-political or geographical issues are not known but could profoundly affect global economies and markets.

## **Regulatory Risks**

### **Strategy Restrictions**

Certain clients (e.g. ERISA clients) may be restricted from directly utilizing investment strategies of the type in which the Advisor may engage, or may restrict the Advisor from utilizing them, e.g., the use of leverage. Clients which may be so restricted should consult their own advisors, counsel, and accountants to determine what restrictions may apply or may be appropriate.

### **Trading Limitations**

For all securities, instruments and/or assets listed on an exchange the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the account to loss. Also, such a suspension could render it impossible for the Advisor to liquidate positions and thereby expose the Account to potential losses.

### **Governmental Regulatory Risk:**

Securities markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The effect of any future regulatory change on the Advisor could be substantial and adverse including, for example, increased compliance costs, the prohibition of certain types of investments and/or the inhibition of the Advisors' ability to pursue certain investment strategies as described herein. Governments can ban or restrict the use of certain instruments in a client's portfolio and may even attempt to do this on a retroactive basis. This could adversely affect the clients' ability to exit existing positions or to realize amounts to be received and may result in significant losses to the clients' portfolios.

## **Security Specific Risks**

### **Liquidity**

Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over the counter or that do not have a ready market or are thinly traded are less liquid and may face material discounts in price level in a liquidation situation.

### **Currency**

Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

### **Banking and Financial System Instability**

National and regional banks, financial institutions and other participants in the U.S. and global capital markets are closely interrelated as a result of credit, trading, clearing, technology, and other relationships. A significant adverse development (such as a bank run, insolvency, bankruptcy, or default) with one or more national or regional banks, financial institutions, or other participants in the financial or capital markets may spread to others and lead to significant concentrated or market-wide problems (such as defaults, liquidity problems, impairment charges, additional bank runs, and losses, among other possible effects) for other participants in these markets. Future developments, including actions taken by the U.S.

Department of the Treasury, Federal Deposit Insurance Corporation (FDIC), and/or Federal Reserve Board, and systemic risk in the U.S. and global banking sectors and broader economies in general, are difficult to assess and quantify, and the form and magnitude of such developments or other actions of any of the U.S. Department of the Treasury, Federal Deposit Insurance Corporation, and/or Federal Reserve Board, as well as other financial industry agencies and policy-making and regulatory bodies, may remain unknown for significant periods of time and could adversely affect the investments of Kelly Financial Services clients.

For example, in response to the rapidly declining financial condition of regional banks Silicon Valley Bank and Signature Bank, the California Department of Financial Protection and Innovation and the New York State Department of Financial Services closed Silicon Valley Bank and Signature, and the Federal Deposit Insurance Corporation was appointed as receiver for each of Silicon Valley Bank and Signature Bank. In response, the Department of the Treasury, the Federal Reserve Board, and the Federal Deposit Insurance Corporation stated that all depositors of Silicon Valley Bank and Signature would have access to all their deposits. Similarly, in the spring of 2023, the California Department of Financial Protection and Innovation closed commercial bank First Republic Bank, and the Federal Deposit Insurance Corporation seized its assets, following the rapid decline of First Republic Banks' financial condition.

Although the U.S. Department of the Treasury, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and other financial institutions have taken measures to stabilize the financial system, uncertainty and liquidity concerns in the broader financial services industry remain. Additionally, should there be additional systemic pressure on the financial system and capital markets, there is no assurance that the response of any government, regulator, or market participant will be as favorable to industry participants as the recent measures have been. Highly publicized issues related to the U.S. and global capital markets in the past have led to significant and widespread investor concerns and market volatility. The aforementioned banking industry situation may lead to further rules and regulations for banks, financial institutions, and other financial market participants in both the U.S. and global capital markets and complying with the requirements of any such rules or regulations may be burdensome. The recent bank closings have given rise to significant liquidity concerns in the broader financial services industry and to increased market volatility. Liquidity problems in the financial services industry could have an adverse effect on the investment returns of Kelly's clients.

## **Item 9: Disciplinary Information**

### **Legal and Disciplinary Events**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material in the evaluation of Kelly Financial Services or the integrity of the firm's management. Neither Kelly Financial Services nor its members have been disciplined by any governing authority, including any regulatory agency, CFP Board of Standards, or any industry association of which they are licensed and/or are members.

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

### **Insurance Product Sales**

In addition to wealth management services, investment advisory personnel also engage in sales of insurance products under the "Kelly Financial Services" name. Each investment advisor representative is individually licensed as an insurance producer. While they are licensed to offer a variety of insurance products, such personnel generally limit their insurance activities to the sale of fixed income annuities, as described above.

Neither Kelly Financial Services nor its members are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither Kelly Financial Services nor its members are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

As disclosed above, Kelly Financial Services does have a business relationship with one investment advisor whose sub-advisory services it may use for certain client accounts, and with whom KFS' advisory fee is shared.

There are no referral fee arrangements.

### **Item 11: Code of Ethics**

The Advisor strives to observe the highest industry standards of conduct based on its obligation as a fiduciary to its clients. To meet this obligation, Kelly Financial Services has adopted a written Code of Ethics (the "Code") that is applicable to all employees. Each employee will be provided a copy, and is required to acknowledge, in writing, that they have received, read, understand and will abide by, the Code, and the KFS's Compliance Manual, upon commencement of employment and upon any material change to the Code.

The Code requires that employees act in the Client's best interests and comply with applicable laws and regulations. Employees are expected to avoid any action that is, or could even appear to be, legally or ethically improper. The principles outlined in the Code apply to all conduct, whether or not the conduct is also covered by more specific standards or procedures set forth in the Code, Compliance Manual, or elsewhere. Employees are required to bring any violations, actual or suspected, of the Code immediately to the attention of KFS's Chief Compliance Officer ("CCO"). Failure to comply with the Code may result in disciplinary action or other sanctions including termination of employment.

The Code also places certain restrictions on the personal trading activities of employees and their immediate family members. Employees may generally engage in personal trading only by obtaining prior approval and subject to pre-clearance by the Chief Compliance Officer. However, employees may purchase and sell open-end mutual funds and any other securities not specifically prohibited by the Code without pre-clearance. Employees are required to disclose their personal securities holdings annually and personal securities transactions quarterly to the Chief Compliance Officer. Employees may also participate in limited offerings such as hedge funds, private equity funds, or other types of private offerings, subject to pre-clearance procedures.

Related Persons may have an interest in an investment that may also be recommended to clients. A copy of the Code of Ethics shall be provided to any client or prospective client upon request.

#### **Material components of the Code, in summary form, include:**

##### **Standard of Business Conduct**

It is the responsibility of all employees to ensure that the Advisor conducts its business with the highest level of ethical standards and in keeping with its fiduciary duties. Employees have a duty to place the interest of the clients first, and to refrain from having outside interests that conflict with the interests of its client(s).

##### **Prohibited Conduct**

The Advisor's employees must avoid any circumstances that might adversely affect or appear to affect their duty of complete loyalty to clients.

##### **Privacy of Client Information**

All information relating to clients' portfolios and activities, and proposed recommendations is strictly confidential. Consideration of a particular purchase or sale may not be disclosed, except to authorized persons.

##### **Personal Securities Transactions**

All employees shall comply with the Advisor's personal account trading policy summarized below.

##### **Conflicts of Interest**

Employees may not use any confidential information or otherwise take inappropriate advantage of their positions for the purpose of furthering any private interest or as a means of making any personal gain. Employees and their immediate families may not accept any benefit from clients or any person who does business with the Advisor, other than business courtesies and non-cash gifts of nominal value.

Service as a Director. No employee may serve as a director of a publicly-held company without prior approval by the Chief Compliance Officer based upon a determination that service as a director would not be adverse to the interest of clients.

**Reporting of Violations**

Employees are required to promptly report all actual or potential conflicts of interest, violations of any government or regulatory law, rule or regulation, or violations of the Advisor's policies and procedures.

**Training**

Formal ethics training for all employees will occur on a periodic basis.

**Review and Enforcement**

The CCO is responsible for ensuring adequate supervision over the activities of all persons who act on the Advisor's behalf in order to prevent and detect violations of the Code by such persons.

**Participation or Interest in Client Transactions and Personal Securities Trading.** All employees shall comply with the procedures governing personal securities transactions set forth in the Code. Such procedures are designed, among other matters, to assist the CCO in avoiding potential conflicts of interests and detecting and preventing abusive trading practices such as "scalping" or "front running" and to highlight potentially abusive "soft dollar/Client commission" or brokerage arrangements. Strict compliance with the Advisor's personal trading policy is essential to the Advisor and its reputation. Any violation of the Advisor's personal trading policy can be grounds for immediate dismissal by the Advisor of any employee. Every employee of the Advisor is expected to be familiar with the personal trading policy and the procedures contained therein. These matters can be reviewed with the CCO at any time.

The CCO shall maintain current and accurate records of all personal securities transactions in which employees have a direct or indirect beneficial interest. The following restrictions shall apply to securities transaction(s) by employees of the Advisor and their related persons:

**Restricted Securities**

The Advisor shall maintain a restricted list of securities for which no trading by employees is allowed, e.g. because the Advisor may have material non-public information.

**Initial Report**

An employee shall, no later than 10 days after the employee begins its relationship with the Advisor, provide the Advisor with brokerage account statements, which are as of a date that is within 45 days of the date the employee submits them to the Advisor, and complete and submit a list of brokerage accounts.

**Quarterly Reports**

On a quarterly basis, all employees shall submit to the CCO a personal securities transaction report.

**Annual Report**

Following the completion of each calendar year, employees must resubmit a list of personal brokerage accounts.

**Record-Keeping Requirements**

The CCO shall establish a form to record personal securities transactions.

**Item 12: Brokerage Practices**

Generally, Kelly Financial Services is authorized to determine and execute portfolio transactions within the client's specified investment objectives. In selecting broker-dealers to execute client transactions, KFS has a fiduciary duty to seek best overall execution.

KFS's trading activity includes selectively selling legacy holdings of portfolios of new clients, placing orders on behalf of new clients to initiate the recommended investment strategy, rebalancing portfolios and effecting changes that are necessitated to accommodate the client's specific instructions, restrictions or changing market conditions.

Trades are executed through the Fidelity Investment Institutional Services platform. Consistent with our duty to obtain "best execution" on brokerage transactions, KFS periodically compares Fidelity to other similar firms to assure that KFS is

obtaining reliable execution at competitive prices. KFS believes that its arrangement enables clients to obtain favorable prices on securities trades at reasonable commission rates.

The brokerage commissions and/or transaction fees charged by Fidelity are exclusive of, and in addition to, KFS' investment advisory fee. Factors which KFS regularly considers in re-evaluating the Fidelity relationship include financial strength, reputation, execution, pricing, and service. Fidelity enables the Adviser to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity on a particular transaction or for a particular service may be higher or lower than those charged by other broker-dealers. Any rebates or other revenue of any kind resulting from account transactions are the property of Clients.

KFS reviews the execution of trades at each custodian. The review is documented in accordance with KFS's compliance manual. Trading fees charged by the custodians are also reviewed. Kelly Financial Services does not receive any portion of the trading fees.

#### **Directed Brokerage**

KFS will not accept client directions to use other brokers or custodians. Clients are required to open a Fidelity custody account to facilitate the Adviser's management of the account.

#### **Aggregation/Allocation**

Generally, whenever KFS purchases or sells the same securities for several clients at approximately the same time, KFS combines or "blocks" such orders to obtain best execution and to allocate the transaction among client accounts at the same price. Under this procedure, transactions will generally be averaged as to price and allocated among KFS's clients pro rata to the purchase and sale orders placed for each client on any given day.

To the extent that KFS determines to aggregate client orders for the purchase or sale of securities, including securities in which its Associated Person(s) may invest, KFS shall generally do so in accordance with applicable rules promulgated under the Investment Advisers Act of 1940 and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. KFS shall not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Adviser determines that a prorated allocation is not appropriate under particular circumstances, the allocation will be made based upon other relevant factors, which may include:

- allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts;
- if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed);
- in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, KFS may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or
- in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

#### **Services Provided by Brokerage Firms/Soft Dollars**

The Advisor does not enter into "soft dollar" arrangements with Fidelity or other broker-dealers. As with any investment advisor whose clients maintain a certain level of assets with Fidelity, the Advisor receives the following benefits: duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the

appropriate share to client accounts; and access to an electronic communication network for client order entry and account information.

Kelly Financial Services may also receive, *gratis*, from brokerage firms unsolicited generic research reports on securities, markets, or other financial or practice management topics. These are customary add-ons and have no effect on brokerage decisions.

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

Kelly Financial Services contacts ongoing investment advisory clients at least annually to review its previous services and recommendations and to discuss the impact resulting from any changes in the client's financial situation, investment objectives, etc. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances or the market economic or political environment. Such reviews are conducted by the investment advisor representatives.

These reviews are designed to monitor investment objectives and guidelines, positions, transactions, exposure, risk, and other issues related to current portfolio holdings and potential investment opportunities. The performance of each account is addressed at length with each client on a routine basis. Accordingly, clients are strongly encouraged to keep the firm abreast of any changes to their financial status which could affect the composition of their portfolio.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Some clients to whom Kelly Financial Services provides investment advisory services may also receive a report from Kelly Financial Services that may include relevant account and market-related information, such as an inventory of account holdings and account performance, on an annual basis or as otherwise requested by the client from time-to-time.

Again, clients are reminded to review their account statements in detail for a full understanding of the services rendered and the associated costs therein. Questions regarding such documentation may be addressed directly to the Chief Compliance Officer.

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

Kelly Financial Services does not receive any economic benefit from any person (other than the client) for providing services to client accounts. KFS also does not compensate any person (other than its own employees) for client referrals or soliciting prospective clients.

### **Item 15: Custody**

Except in the limited instances described below, Kelly Financial Services does not have custody of Clients' assets.

In the view of the SEC, investment advisers are deemed to have "custody" of client funds if they have the ability to directly debit advisory fees from client accounts. Because KFS may have authorization to directly debit the client's account(s) for payment of advisory fees KFS is said to exercise limited custody over client assets. KFS is responsible for assuring that the account's independent, qualified custodian will provide account statements directly to clients, at least quarterly, and that the client's statement will clearly label the advisor's fee.

#### **Account Statements**

Qualified custodians that hold client assets will provide account statements directly to clients at their address of record at least quarterly. The statement will indicate all amounts disbursed from the account including the amount of management fees paid directly to the Firm. Clients are encouraged to carefully review the statements provided by their custodians. Kelly Financial Services does not provide any internal account statements.

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

#### **Discretionary Authority for Trading**



Kelly Financial Services exercises discretionary trading authority with respect to most Client accounts. This authority is granted by the Client in the investment advisory agreement and allows KFS to determine, without obtaining specific client consent for each trade, the securities to be bought or sold and the amount of the securities, subject to the Client's specific limitations. When selecting the securities and determining amounts, KFS observes the investment policies and restrictions of the client portfolio it is advising. All discretionary trades made by the Firm are conducted in accordance with each Client's investment objectives and goals. KFS goes through a rigorous review of goals, risk tolerance and the development of investment restrictions and guidelines before accepting discretionary authority.

Broker-dealer selection is made according to those specific guidelines previously mentioned in Item 12 of this brochure, with Client's written approval.

Clients do have the ability to impose limitations on the manager's discretionary authority.

Kelly Financial Services does manage legacy positions for clients in a non-discretionary capacity. No trading is performed on these assets and billing – may or may not be included in the overall fee structure as provided in the Investment Advisory Agreement.

**Limited Power of Attorney**

The investment advisory agreement and the custodian's account application includes a client's grant of a limited power of attorney to Kelly Financial Services to trade the Client's account and take other necessary action with respect to the account but does not grant KFS the power to receive or hold any client assets.

**Item 17: Voting Client Securities**

As a matter of firm policy and practice, Kelly Financial Services does not vote proxies on behalf of advisory clients. In addition, for those clients that hold pooled investment vehicle interests such as mutual fund shares, Kelly Financial Services will not accept proxy voting authority or responsibility. Clients retain the responsibility for receiving and voting proxies for all securities maintained in client portfolios.

**Item 18: Financial Information****Balance Sheet**

A balance sheet is not required to be provided because Kelly Financial Services does not serve as a qualified custodian for client funds or securities, other than as described above, and does not require prepayment of fees of more than \$1,200 and six months or more in advance.

**Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Kelly Financial Services does not have any financial impairment that will preclude it from meeting contractual commitments to clients.

**Bankruptcy Petition during the Past Ten Years**

Not applicable to Kelly Financial Services or its members/employees.

**Miscellaneous****Privacy**

Kelly Financial Services prohibits the disclosure of any client-related non-public personal information as collected by the firm throughout the client/firm relationship. However, Kelly Financial Services may make limited disclosure of such information as authorized by the client, or as otherwise provided by law. A copy of KFS's Privacy Notice will be provided to each client upon inception of the relationship and annual thereafter.

**Business Continuity**

Kelly Financial Services has made preparations via a planning document to expedite the resumption of business in the event of a major disruption. Among other issues, the plan details how clients may access their accounts in the event of an emergency. A copy of the Business Continuity Plan disclosure is available for review by request.