



## Item 1 – Cover Page

Baker Avenue Asset Management, LP

### Form ADV Part 2A Disclosure Brochure

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July 10, 2019

Form ADV, Part 2, BakerAvenue’s “Disclosure Brochure” or “Brochure” is required by the Investment Advisers Act of 1940. This Brochure provides information about BakerAvenue’s qualifications and business practices.

For any questions about the contents of this Brochure, please contact BakerAvenue at [info@bakerave.com](mailto:info@bakerave.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Regulatory Authority.

BakerAvenue is a Registered Investment Adviser with the Securities and Exchange Commission and its registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications provided to Clients, including this Brochure, are information used to evaluate BakerAvenue, as well as other advisers.

Additional information about BakerAvenue and its employees is available for free, through the Securities and Exchange Commission “public disclosure” website. This site is called “Investment Adviser Public Disclosure” and is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). To use Public Disclosure, click the link, then select “Investment Adviser Search” on the left navigation panel, select “Firm,” and type in Baker Avenue Asset Management, LP. Both ADV Parts 1 & 2 are available for access.

## Item 2 – Material Changes

BakerAvenue updates this document annually, or more frequently in the event of certain material changes.

This section includes “material changes” that have been incorporated since BakerAvenue’s last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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 our last annual updating amendment dated March 31, 2019, we have made the following material changes to our Form ADV:

- BakerAvenue is affiliated with Veridi Capital, LLC (“Veridi Capital”), an SEC-registered investment adviser based in San Francisco, CA, through common control and ownership.

Clients may download a copy of this brochure from the SEC website or contact BakerAvenue’s Chief Compliance Officer, Hannah Kim at 415-986-1110 or email [hk@bakerave.com](mailto:hk@bakerave.com).

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## Item 4 – Advisory Business

**Baker Avenue Asset Management, LP**, a Delaware partnership also doing business as BakerAvenue, is an SEC-registered investment advisor founded in 2004. The principal owner of BakerAvenue is Simon Baker.

As of March 15, 2019, BakerAvenue managed a total of \$1.3bln on a discretionary basis and \$200m on a non-discretionary basis for a total of \$1.5bln.

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 BakerAvenue and the words "you," "your," and "Client" refer to you as either a client or prospective client of our firm.

### **Portfolio Management Services**

BakerAvenue provides portfolio management services to our Clients. BakerAvenue generally provides services on an investment discretionary basis and for certain Clients (and when requested, only) on a non-discretionary basis.

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 in your account. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms.

Clients may limit BakerAvenue's discretionary authority (for example, limiting the types of securities, sectors or industries, or concentrations in any sector or industry, that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing. However, BakerAvenue reserves the right to reject or not engage a Client or terminate an agreement with a Client, if determined the investment restrictions the Client intends to impose prohibit BakerAvenue from delivering its services as defined in the IMA with the Client.

For non-discretionary Clients, BakerAvenue will require all necessary contact information to obtain consent / approval for any transaction BakerAvenue may recommend for purchase or sale. If BakerAvenue cannot reach a Client on a non-discretionary basis to obtain specific consent it will not place any transactions with such Client's custodian / broker or dealer. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

BakerAvenue's advisory services are based upon each Client's unique facts and circumstances as they regard to general investing or, for certain investment products, their suitability will be matched to the particular product or strategy.

Services include the following and each is described in more detail in Item 8:

- Dynamic Core
- All Cap Growth
- Global Tactical
- Blue Chip Income
- Fixed Income
- Impact
- Global Income
- Concentrated Stock
- Alternative Investments
- Direct Investments

#### **Services Provided to Introduced Clients of Third-Party Firms**

In some cases, Clients may be introduced to BakerAvenue from third-party managers through a dual contract relationship. Dual contract Clients are Clients who have a contract with the third-party manager and a separate contract with BakerAvenue. The investment styles provided to these Clients are similar to those described above with some limitations to the types of strategies available depending on the relationship with the Client and the third-party manager. The accounts are managed on a discretionary basis, however, most Clients participating in these dual contract programs communicate directly with BakerAvenue rather than directly with the third-party manager.

#### **Clients Introduced to Third-Party Managers by BakerAvenue**

On occasion, BakerAvenue refers Clients to selected third-party managers as part of their asset allocation and investment strategy. Some of the factors considered into referring a third-party manager include: BakerAvenue's preference for a particular third-party manager, the Client's risk tolerance, goals, and objectives, as well as investment experience, and the amount of Client assets available for investment. The strategies used by these managers are outside of the scope of BakerAvenue's traditional product suite and Clients are not required to use the services of the recommended third-party managers.

#### **Wealth and Financial Planning and Consulting Services (Stand-alone)**

In some cases, BakerAvenue may offer stand-alone Wealth and Financial Planning Services to Clients who have not engaged BakerAvenue for Portfolio Management services, or meet the minimum assets requirement. Wealth and Financial Planning services may include:

- Family Continuity
- Estate Planning and Trustee Oversight
- Integrated Tax and Financial Planning
- Lifestyle Management
- Family Philanthropy
- Risk Management

To the extent requested by the Client, BakerAvenue may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. BakerAvenue's planning and consulting fees are negotiable, but generally range from \$2,000 to \$10,000 on a fixed fee basis, and from \$225 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging BakerAvenue to provide planning or consulting services, Clients are generally required to enter into a Financial Planning and Consulting Agreement with BakerAvenue setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the Client prior to BakerAvenue commencing services. If requested by the Client, BakerAvenue may recommend the services of other professionals for implementation purposes. The Client is under no obligation to engage the services of any such recommended professional. The Client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from BakerAvenue.

### **Types of Investments**

BakerAvenue offers advice on equity securities, corporate debt securities (other than commercial paper), municipal securities, United States government securities, options contracts on securities and ETFs.

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.

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

The fees and compensation payable to BakerAvenue are negotiable and vary among its Clients. However, the range of compensation is generally as follows:

#### **Asset Based Fee Schedule for Portfolio Management Services ("Tiered"):**

Minimum Fee	\$9,500 per annum
\$1,000,000 up to \$2,500,000	0.95% (95 basis points per annum)
Next \$2,500,000 up to \$5,000,000	0.90% (90 basis points per annum)

Above \$5,000,000	0.80% (80 basis points per annum)
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### **Concentrated Stock**

For concentrated stock positions, depending on the strategy utilized and the Client's goals and objectives, BakerAvenue will typically assess a fee of 0.75%. If the strategy includes a diversification plan, once the percentage of the concentrated position falls below 50% of the portfolio BakerAvenue will implement the Portfolio Management Services schedule above.

### **Advisory Fees Charged to Clients Introduced by Third Party Firms**

As indicated above, BakerAvenue provides portfolio management services to Clients introduced to us by third-party firms. The advisory fees charged to Clients introduced to us by third-party firms are based upon BakerAvenue's standard fee schedule disclosed above.

### **Advisory Fees Charged to Clients Introduced to Third Party Managers by BakerAvenue**

The advisory fees charged to Clients introduced to third-party managers are based upon the stated fee schedule above. The makeup and aggregation of the fee will vary depending on the manager and platform, however, the advisory fee paid to BakerAvenue and the manager does not exceed the standard fee schedule.

Advisory fees charged by third-party managers are separate and apart from BakerAvenue's advisory fees. Assets managed by third-party managers will be included in calculating our advisory fee, which is based on the fee schedule set forth above. Clients may be required to sign an agreement directly with the recommended third-party manager(s). In such cases Clients may terminate their advisory relationship with the third-party manager according to the terms of their agreement with the third-party manager. Clients should review each third-party manager's Form ADV 2A for specific information on how they may terminate their advisory relationship with the third-party manager and how they may receive a refund, if applicable. Clients should contact the third-party manager directly for questions regarding their advisory agreement with the third-party manager.

### **Wealth and Financial Planning and Consulting Services (Stand-alone)**

To the extent specifically requested by the Client, BakerAvenue may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$2,000 to \$10,000 on a fixed fee basis, and from \$225 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

### **General Information on Advisory Services and Fees**

In most cases fees are paid quarterly, in advance, using the value of the last day of the previous quarter, unless otherwise agreed upon with BakerAvenue.

BakerAvenue will charge a pro-rated advisory fee on new accounts opened intra-quarter. The amount(s) due is calculated using the number of days within the calendar quarter the assets are under management. In addition, BakerAvenue will rebate for accounts terminated intra-quarter. The amount rebated is calculated using the number of days within the calendar quarter the assets were not under management.

Clients' fees will be deducted from their managed accounts unless another manner is specified and mutually agreed upon between the Client and BakerAvenue.

Termination and Refunds of Pre-Paid and Un-Earned Advisory Fees: All contracts with Clients may be terminated at any time by either party (the Client or BakerAvenue) by delivering written notice to the other. All transactions placed at the Client's custodian up to BakerAvenue's receipt of the termination notice will be completed by the Client's broker custodian; no other transactions will be placed by BakerAvenue after receipt of the termination notice.

As noted above, all un-earned, pre-paid advisory fees will be promptly refunded to the Client by BakerAvenue upon termination. Termination of the advisory relationship is completed as soon as practically possible.

Expenses: Generally, BakerAvenue's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Clients. Such charges, fees and commissions are exclusive of and in addition to BakerAvenues' advisory fee, and BakerAvenue shall not receive any portion of these commissions, fees, and costs.

Tradeaway/Prime Broker Fees: Relative to its discretionary investment management services, when beneficial to the Client, certain securities transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "trade-away" and/or prime broker fee charged by the account custodian.

The portfolio management services provided by BakerAvenue may include investments in Exchange Traded Funds ("ETFs") and securities of companies registered as investment companies under the Investment Company Act of 1940, as amended ("Mutual Funds"). In such case, in addition to transaction costs borne by the Client, these securities also charge additional fees and expenses to their shareholders. These are in the form of advisory / management fees, distribution fees (in the case of Mutual Funds), administrative and operational expenses, among others. Therefore, in evaluating BakerAvenue's portfolio management services, potential Clients must take into consideration not only BakerAvenue's advisory fees, but also the fees and expenses of the ETF and Mutual Funds that BakerAvenue may purchase on the Clients' behalf. This information is



available in the Fund's prospectus or Clients may contact BakerAvenue to discuss the additional expenses or costs.

Services available from other sources: Clients should also be aware that similar advisory services may be available from other sources at fee levels higher or lower than those charged by BakerAvenue. In addition, Clients do not need to hire BakerAvenue to invest in securities (including ETFs or Mutual Funds); however, they would not receive the value of BakerAvenue's proprietary analysis if BakerAvenue is not hired to manage their assets.

Services to Family and Friends of BakerAvenue: Certain family members or friends of BakerAvenue principals may receive the same or similar advisory services as Clients for advisory fees that are zero or negotiated at a rate lower than what is available to its Clients. These lower advisory fees charged to family or friends are not available to Clients.

Non-Discretionary portfolio management services: BakerAvenue also provides certain Clients with non-discretionary portfolio management services.

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

### Performance Fee

BakerAvenue does not charge fees on the performance or appreciation of the funds or securities held in client portfolios (so-called "performance" or "incentive fees"). Our fees are calculated as described in the Fees and Compensation section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 – Types of Clients**

BakerAvenue provides investment advisory services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, trusts, and other U.S. institutions.

The minimum account size is \$1,000,000 and is generally negotiable.

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

### Dynamic Core

The Dynamic Core strategy seeks to provide broad market exposure across a number of different investment geographies, capitalizations and styles. The strategy's tactical allocation approach uses macroeconomic, fundamental and technical factors to actively manage its holdings and overall risk profile. In severe down markets, the strategy may raise its cash weighting to preserve capital. The

strategy is broadly diversified and invests primarily in stocks and ETFs to achieve its investment objective of long-term capital appreciation and risk diversification.

#### All Cap Growth

The All Cap Growth strategy seeks to aggressively grow capital by investing in fundamentally and technically strong stocks and ETFs across all market capitalizations and protect principal by allocating to cash in high risk markets. The strategy utilizes a quantitative and fundamental approach supplemented by macroeconomic analysis in an attempt to control downside losses and protect capital.

#### Global Tactical

The Global Tactical strategy seeks long term capital appreciation with downside protection by investing in global asset classes and preserving capital in severe down markets by moving up to 100% cash. The strategy employs a quantitative approach to opportunistically rotate between investments in global asset classes and cash in an attempt to protect capital in high risk markets.

#### Blue Chip Income

The Blue Chip Income strategy seeks long-term capital appreciation with downside protection by investing in a diversified portfolio of high-quality Blue Chip stocks and ETFs in low-risk markets, and protecting principal in high risk markets by moving up to 100% cash. The strategy proactively monitors long-term market trends to evaluate the risk/reward of having market exposure versus protecting capital.

#### Global Income

The Global Income strategy seeks to deliver above-average market yields while maintaining below-average market volatility by investing in multiple asset classes of income-producing securities. The strategy employs a quantitative approach to opportunistically rotate between equity and fixed income securities in an attempt to protect capital

#### Impact

The Impact strategy seeks long-term capital appreciation with downside protection. By adding a socially responsible overlay to our investment approach, we seek to consider both financial return and social good. The strategy invests in a diversified portfolio of stocks and ETFs in low-risk markets, and protects principal in high-risk markets by moving to cash. The strategy proactively monitors long-term market trends to evaluate the risk/reward of having market exposure versus protecting capital.

#### Fixed Income

The Tactical Fixed Income strategy seeks to provide current income, capital appreciation and preservation by investing in a broadly diversified portfolio of bonds. The strategy employs a quantitative approach to opportunistically rotate between multiple bond sectors to adjust the portfolio through shifting interest rate and credit cycles.

### Concentrated Stock

BakerAvenue employs a multi-dimensional approach to managing concentrated stock positions. These strategies may include a combination of hedging risk, generating income, monetization, diversification, active tax-loss harvesting, and tax-efficient philanthropic gifting strategies of concentrated stock. Strategies are customized individually to the goals of the client and the financial characteristics of the concentrated stock position.

### Third-Party Managers

BakerAvenue may allocate Client assets to selected third-party managers as part of the Client's asset allocation and investment strategy. Some of the factors when considering a third-party manager include: BakerAvenue's preference for a particular third-party manager, the Client's risk tolerance, goals, and objectives, as well as investment experience, and the amount of Client assets available for investment. The strategies used by these managers are outside of the scope of BakerAvenue's traditional product suite and Clients are not required to use the services of the recommended third-party managers.

### Alternative Investments

Alternative investments are financial assets that do not fall into one of the conventional investment categories (e.g. stocks, bonds, cash) and may include venture capital, private equity, private credit, private real estate and hedge funds. BakerAvenue may allocate to Alternative Investments through third-party managers for Clients who meet suitability guidelines which include factors such as risk tolerance, goals, objectives and available investable assets. Some of the factors when considering alternative investments include: investment strategy, manager track record and fund fee structure.

### Direct investments

Direct Investments are investments made directly into private companies. BakerAvenue may allocate to direct investments for Clients who meet suitability guidelines which include factors such as risk tolerance, goals, objectives and available investable assets. Some of the factors when considering a direct investment include: the private company's business thesis and opportunity set, management team and growth opportunity.

### Risks of Investments and Strategies Utilized

**Investing in securities involves risk of loss that Clients should be prepared to bear.** Since market risks are inherent in all securities investments to varying degrees, there can be no assurance that the

investment objective of the Clients will be achieved. Market risks include price risk (will the price of a security in the portfolio rise or fall?), liquidity risk (how easily can a position be sold at a fair price?), event risk (will something unforeseen happen?), market volatility (is the market in general going through a period of upheaval?) and manager risk (how well did BakerAvenue's picks perform?) among others.

**General Investment and Trading Risks.** Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program utilizes such investment techniques as option transactions, margin transactions, short sales, forwards, leverage and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a Client may be subject.

**Common Stocks and Equity-Related Securities.** Prices of common stock react to the economic condition of the company that issued the security, industry and market conditions, and other factors and may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly the value of other equity-related securities, including preferred stock, warrants and options may also vary widely.

**Small- and Mid-Cap Risks.** Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

**Exchange Traded Funds.** Exchange-traded funds ("ETFs") are a type of index fund bought and sold on a securities exchange. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying index; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

**Commodities and Derivative Investments.** The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures and options also depends upon the price of the commodities underlying them. In

addition, Client assets are subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Use of Financing.** A Client may pledge its securities in order to borrow additional funds for investment purposes. Any event which adversely affects the value of an investment by the Client would be magnified to the extent the Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to the Client's investments could result in a substantial loss that would be greater than if the Client were not leveraged.

**Hedging Transactions.** While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions. For a variety of reasons, Baker Avenue may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss.

**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. 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. 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.

Further details regarding the risks of investing with Baker Avenue are provided in the Investment Management Agreement.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Clients. Investors should read the entire Brochure as well as consult with their own advisers prior to engaging BakerAvenue’s services.**

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a potential Client’s evaluation of BakerAvenue or the integrity of its management. BakerAvenue has no information applicable to this Item.

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

BakerAvenue is affiliated with Veridi Capital, LLC (“Veridi Capital”), an SEC-registered investment adviser based in San Francisco, CA, through common control and ownership. BakerAvenue may recommend that certain Clients use the services of Veridi Capital rather than BakerAvenue if such services are appropriate and suitable for such Client’s investment objectives and needs. While BakerAvenue’s advisory services are separate and distinct from the compensation paid by Clients to Veridi Capital for Veridi Capital’s services, this relationship may create conflicts of interest for BakerAvenue. For example, a Client may be charged a higher fee if it engages Veridi Capital rather than BakerAvenue, and BakerAvenue may be incentivized to recommend that such Clients engage Veridi Capital rather than BakerAvenue. Another potential conflict of interest is created due to the fact that those principals and employees of BakerAvenue who are also affiliated with Veridi Capital must divide their time and attention between Clients of BakerAvenue and clients of Veridi Capital. BakerAvenue has discretion to resolve such conflicts as it determines to be appropriate and at all times in a manner consistent with its fiduciary duties to its Clients.

### **Recommendation of Other Advisers**

We may recommend that you use a third-party manager based on your needs and suitability. We will not receive separate compensation, directly or indirectly, from the third-party manager for recommending that you use their services. Moreover, we do not have any other business relationships with the recommended third-party manager(s). Refer to the Advisory Business section above for additional disclosures on this topic.

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

BakerAvenue has adopted a “Code of Ethics” for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, and the reporting of certain gifts and business entertainment items, and personal securities trading

procedures, among other things. All supervised persons at BakerAvenue must acknowledge the terms of the Code of Ethics annually, or as amended.

#### Personal and Proprietary Trading:

BakerAvenue recognizes its fiduciary duty to its Clients and is obligated to follow the regulations, rules, and interpretations under the Investment Advisers Act of 1940, amended. BakerAvenue's fiduciary obligation to Clients requires placing its Clients' interests first.

When BakerAvenue purchases or sells securities for its own accounts or for those with a beneficial nature (family and other accounts), there is a potential conflict of interest that is inherent in this activity. To meet both fiduciary and regulatory obligations to Clients, BakerAvenue has developed and implemented the following controls to address this potential conflict of interest. These controls include:

1. Code of Ethics
  - a. Restrictions and limitations on the personal trading of *all employees*;
  - b. Disclosure of brokerage accounts, security holdings;
  - c. Restrictions and limitations on the receipt of or providing gifts, entertainment and political contributions;
2. Prevention and restrictions on activity when in possession of material, non-public, inside information.

In summary, BakerAvenue's Code of Ethics:

- Allows for employees to trade in the same securities recommended to Clients;
- Allows employees to own securities that may be subsequently purchased for the Clients;
- Allows employees to purchase securities that would otherwise not be suitable for, or purchased by, BakerAvenue Clients;
- Prohibits giving preference to orders for employees over the orders for Clients;
- Requires, when Client and personal trades are aggregated (blocked together), that the shares purchased over time will be "average-priced" so all participants receive the same price;
  - If partial fills are completed, Client orders are completely filled before employee or related accounts.

Additional requirements include:

- Act with integrity, competence, diligence, respect in an ethical manner with the public, Clients and affiliates, employees, colleagues, vendors, suppliers and other investment professionals encountered in day-to-day activity;
- Place the integrity of the investment profession, the interests of the Clients ahead of BakerAvenue's own (or the employee's) interests;

- Prohibits the use of an employee's position at BakerAvenue to enrich the employee (or family) or BakerAvenue and;
- Identify potential conflicts of interest and engage BakerAvenue's Chief Compliance Officer;
- Conduct all personal securities trading in compliance with BakerAvenue's Code of Ethics and applicable policies and procedures;
- Use reasonable care and prudence, including sound judgment, when conducting investment analysis, making investment recommendations, or engaging in other professional activities;
- Promote the integrity of BakerAvenue and the profession while encouraging (by example) these standards.

Specific Requirements Related to Personal Securities Trading required by BakerAvenue:

- Pre-Clear certain personal securities transactions;
- Report personal securities accounts, holdings and members of the employees' household (and beneficial ownership accounts) initially (at time of employment) and annually thereafter;
- Certify all reportable securities transactions on a quarterly basis to the Chief Compliance Officer.

Clients may request a copy of the BakerAvenue Code of Ethics by contacting Hannah Kim, Chief Compliance Officer, at 415-986-1110 or via email at [hk@bakerave.com](mailto:hk@bakerave.com).

## **Item 12 – Brokerage Practices**

BakerAvenue seeks to use a broker-dealer and custodian who will safely hold Client assets and execute transactions on terms that are, overall, most advantageous when compared to other providers. BakerAvenue looks at many factors in deciding which brokers to recommend, including transaction costs, execution capability, financial strength, and quality of service, among others.

Brokerage Discretion: For many of its Clients, BakerAvenue has the discretionary authority to pick the broker-dealer to use. Typically, but not always, BakerAvenue uses one of the broker-dealers discussed below. However, BakerAvenue does have the authority for some (but not all) Clients to trade away from their broker or custodian. Often times, BakerAvenue will have to evaluate the additional costs or charges that are charged by the broker / custodian and evaluate whether the additional charges to trade away (either on a Prime Broker basis, or on a Trade-Away basis) is in each Client's best interest. Due to the types of securities BakerAvenue typically purchases or sells for Clients' accounts, BakerAvenue will often determine that the additional costs involved in a Prime Broker or Trade-Away transaction are consistent with its fiduciary obligations of best execution.

Clients may request to place limits on BakerAvenue's discretionary authority. However, BakerAvenue reserves the right to reject or not engage a Client or terminate the relationship if



determined the restrictions prohibit BakerAvenue from delivering its services as defined in the agreement with the Client.

Brokerage Activity: Clients' assets must be maintained in an account at a "qualified custodian," generally a broker-dealer. BakerAvenue recommends several different broker-dealer / custodians to Clients in need of brokerage and custodial services, including:

- Fidelity Investments
- Charles Schwab and Company
- TD Ameritrade

TD Ameritrade, Schwab and Fidelity Brokerage Services LLC ("Fidelity") offer platform services and technology that help BakerAvenue with back office management, trade execution, account management, and asset pricing. BakerAvenue believes these companies are financially solid and provide the range of services necessary at reasonable costs.

BakerAvenue primarily recommends Fidelity, a registered broker-dealer and investment adviser with FINRA and the SEC. Fidelity clears all securities transactions on a fully-disclosed basis through National Financial Services, LLC ("NFS"), a registered broker-dealer. BakerAvenue has negotiated with Fidelity commissions, custodial, and other charges that are beneficial to its Clients and discounted from Fidelity's standard rates. In addition, Fidelity makes available to BakerAvenue certain institutional mutual funds that would otherwise not be available to BakerAvenue and its Clients due to higher purchase minimums imposed by mutual funds. Fidelity also provides prime brokerage services to any BakerAvenue Client portfolio in excess of \$100,000. BakerAvenue may, but is not obligated to, aggregate block trades and select executing brokers other than Fidelity to execute those transactions (with settlement at Fidelity); this may allow BakerAvenue to obtain a negotiated or better price.

Clients whose portfolios are under \$100,000 are not qualified for prime brokerage and as a result, all securities transactions for these Clients are executed solely at Fidelity at the pre-negotiated commission / transaction charges.

BakerAvenue also recommends Charles Schwab and Company, Inc. and Schwab's Institutional program (collectively, "Schwab") which is similar to the program offered by Fidelity in that to qualify for prime broker trading (away from Schwab) the portfolio minimum is also \$100,000.

Clients whose portfolios are under \$100,000 are not qualified for prime brokerage and as a result, all security transactions for these Clients are executed solely at Schwab at the pre-negotiated commission / transaction charges.

BakerAvenue also recommends TD Ameritrade which is also similar to the program offered by Fidelity and Schwab in that to qualify for prime broker trading (away from TD) the portfolio minimum is also \$100,000.

Clients whose portfolios are under \$100,000 are not qualified for prime brokerage and as a result, all security transactions for these Clients are executed solely at TD Ameritrade at the pre-negotiated commission / transaction charges.

It is BakerAvenue's policy to trade away from the custodian for block equity trades above a certain share amount and to trade at the custodian when trading for Clients individually. Clients using the custodial services can typically be charged a trade-away fee for transactions placed and executed by executing brokers other than the custodian. However, the benefits of trading away include having access to better inventory as well as the ability to negotiate more favorable prices for its Clients. Smaller accounts with a market value of under the custodian minimums are not eligible to take part in the prime brokerage program due to their size. The trades for these accounts must be traded at their custodian. Prices obtained for trades placed in the prime brokerage program will be different (sometimes higher, sometimes lower) than prices obtained for accounts that are required to trade at the custodian.

Dual contract Clients are Clients that have a contract with the third-party manager and a separate contract with BakerAvenue. The accounts are managed on a discretionary basis, however, most Clients participating in these programs direct us to place transactions for their accounts at their broker dealer / custodians.

Soft dollars: BakerAvenue engages in soft dollars and will only engage in soft dollar transactions that are in compliance with Section 28(e) of the Securities and Exchange Act of 1934 (the "Exchange Act") as amended, the so-called "safe harbor" for investment managers to receive research and execution services that provide lawful and appropriate assistance to BakerAvenue in the performance of its investment decision making responsibilities. In addition to research services, BakerAvenue may be offered other benefits by broker-dealers that it engages to execute securities transactions on behalf of its Clients. These benefits may take the form of special execution capabilities:

- Clearance and settlement;
- Online pricing;
- Block trading and block positioning capabilities;
- Willingness to execute related or unrelated difficult transactions in the future;
- Order of call;
- Performance measurement data;
- Consultations;
- Economic and market information;
- Periodical subscriptions (e.g., the Financial Times, Investor's Business Daily, etc.);
- Portfolio strategy advice;
- Industry and company comments, technical data, recommendations, general reports;
- Efficiency of execution and error resolution;
- The availability of stocks to borrow for short trades;
- Custody;
- Record keeping and similar services.

BakerAvenue has the option to use “soft dollars” generated by Client transactions to assist with its overall costs, in paying for the research or brokerage services described above. Within the last fiscal year, BakerAvenue used “soft-dollars” to receive the following products and services: (i) software and other products that aggregate market data, (ii) research reports, company financial data, economic data, and (iii) equipment in connection with investment analysis and decision making.

The use of brokerage commissions to obtain investment research, in addition to BakerAvenue’s ability to set the soft dollar credits, is a conflict of interest among BakerAvenue and its Clients. This is due to the use of Client assets (brokerage-paid) to pay for products or services that benefit BakerAvenue and not exclusively its Clients.

The foregoing benefits may be available for use by BakerAvenue without engaging in soft dollar transactions or in connection with transactions in which all Clients did not participate. The availability of these benefits may influence BakerAvenue to select one broker rather than another to perform services for its Clients. Nevertheless, BakerAvenue’s selection of which brokers to utilize will be driven by a concerted striving for “best execution.” Also, BakerAvenue will attempt to assure that the fees and costs for services provided to us by brokers offering these benefits are reasonable in relation to the fees and costs charged by other equally capable brokers not offering such services.

Not all BakerAvenue Client accounts are eligible for soft dollar transactions, yet those accounts may also receive (directly or indirectly) a benefit from the soft dollar products and services purchased by BakerAvenue.

Best Execution: BakerAvenue’s criteria for the selection or recommendation of a broker-dealer or custodian are consistent across all its decision-making when it comes to Clients’ transactions. As a fiduciary to its Clients, BakerAvenue is obligated to use broker-dealers believed to provide best execution to BakerAvenue and its Clients. Best execution, however, is not a defined term, it is a concept. In seeking best execution for Client transactions BakerAvenue evaluates brokers on the following factors and these may vary transaction-by-transaction. The ultimate goal is not necessarily the best price or lowest commission charge. The ultimate goal of best execution is to achieve, at that point in time, the best overall execution for the Clients for a particular transaction. BakerAvenue evaluates brokers on the following criteria:

- Actual execution
- Ability to promptly and reliably effect transactions
- Commission charges / spreads
- Market of the security
- Consistency of process (minimal trade errors)
- Willingness to work with us
- Clearing and settlement
- The broker’s operational efficiency with which transactions are effected, taking into account the size of the order and the difficulty of the transactions
- The financial strength, integrity, and stability of the broker
- The confidential treatment of BakerAvenue’s block trades that the broker is working for us

- Competitiveness of commission rates and charges
- Support services that may be provided (non-soft dollars)

Directed Brokerage: This applies to Clients who have dual contract relationships and/or accounts that do not meet their custodian's prime brokerage minimum. Certain Clients may decide to direct BakerAvenue to place all of their security transactions at a designated broker or dealer ("directed brokerage") as BakerAvenue manages their account.

Clients who direct us to use a particular broker or dealer need to understand that in these situations, BakerAvenue will not be in a position to negotiate commissions, block trades, achieve volume discounts, or achieve best execution. Clients may direct us to use a specific broker or dealer for all of their transactions or only when all other considerations are equal (which may never be achieved due to limitations inherent in directed brokerage instructions). Clients have, therefore, negotiated their own commissions or other transactions costs with the broker.

Exception: Directed brokerage Clients may inquire from BakerAvenue the commissions, custodial, execution, and other variables negotiated by or monitored by BakerAvenue for Clients who do not direct BakerAvenue to use a particular broker or dealer in an effort to evaluate their directed broker.

Rotational System: To treat all Clients in a fair and equitable manner, BakerAvenue has developed and uses the following system to determine which Client transactions are implemented first. This process only applies when BakerAvenue determines to purchase or sell a security across all of its investment products or across all Client accounts (as the case may be).

When the investment decision is made, BakerAvenue places orders by broker-dealer / custodian as follows:

- Places orders for all Client accounts held at Fidelity; then
- Rotate (on a random basis) Client accounts held at other custodians.

Trade Allocations / Block Trading: BakerAvenue may, but is not obligated to, aggregate trades for more than one Client with transactions in the same securities at the same time. The benefit to block trading is the ability for BakerAvenue to negotiate price and commission and achieve better (best) execution versus placing the transactions separately. This also allows BakerAvenue to allocate limited investment opportunities across a number of Clients in a fair and equitable manner. BakerAvenue:

- Will identify the aggregate amount of the security needed for a complete fill;
- Will ensure that each participating Client is identified prior to the trade being placed (pre-allocation);
- Will average the prices of multiple transactions executed on a given day to obtain the full amount of the security (the average price of all transactions which is provided to each participating Client);
- For partial fills BakerAvenue will utilize a proportional or random allocation across all

- participating Client accounts;
- If a pre-execution allocation was not completed, BakerAvenue will allocate as follows:
    - Random or proportional (pro-rated) allocation will be made based on a number of factors such as account suitability, cash available, size of the portfolio, etc.
  - BakerAvenue permits the aggregate blocking of personal securities transactions with those of Clients if the block is filled on the same day (average price for all participants);
    - If the order is partially filled or takes multiple days to fill, shares for employee accounts are allocated on a prorated or random basis along with Clients (thus, employee accounts could be allocated shares and Client accounts could not or vice-versa) or else the Employee accounts are excluded; and from the allocation and Clients are allocated on a prorated or random basis
    - Under no circumstance will a partial fill be allocated solely to an employee account.
  - Allocation Exceptions: if the executed amount is deemed by the Chief Investment Officer to be de minimis, shares may be allocated to the participating Client accounts that are the smallest (i.e., complete fills, for example share allocations of 150 or less) or allocated to an account that is out of line with the desired allocation or sector weighting.
    - For sale transactions, allocations may be given to accounts in need of cash.

### **Item 13 – Review of Accounts**

All accounts are reviewed by the lead advisor on the Client account. These reviews are conducted on at least an annual basis. The review looks at the conformity of the account holdings with Client investment objectives and guidelines. BakerAvenue does not assign a specific number of accounts to any specific lead advisor but allocates the resources to geographic regions across the United States.

In addition, the Portfolio Managers of BakerAvenue continually monitor markets, world and economic events, including securities held by its Clients. This work by the Portfolio Managers provides each Client account or portfolio with an indirect and continual portfolio review.

BakerAvenue does request that Clients contact their lead advisor should any changes occur in their personal financial situation which may impact the portfolio management services BakerAvenue provides to them.

#### Reports:

BakerAvenue provides each Client, within a household, a quarterly report showing holdings and performance of its portfolio(s).

This includes information related to realized gains or losses, interest and dividend income, and other specific details. BakerAvenue has engaged third-party service providers to facilitate the generation and delivery of Client reports and uses data provided by their custodians to generate these reports.

These reports are provided in addition to the monthly and/or quarterly reports each Client receives directly from their custodian. BakerAvenue is provided with this same information either by mail, electronically through data downloads, or through access to the custodian's website or other electronic systems.

**Notice for all Clients:** Under SEC rules that took effect March 12, 2010 related to custody of Client funds or securities, all SEC registered investment advisers (such as BakerAvenue) are required, if periodic reports are sent to their Clients, to disclose the following information (this statement will also be included in the Client's quarterly reports received from BakerAvenue):

*BakerAvenue encourages each Client to review their custodial reports received directly from their (qualified) custodian with the quarterly reports received from BakerAvenue. If there are any questions on the information provided by the custodian or BakerAvenue, the Client should contact their BakerAvenue adviser.*

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

BakerAvenue receives economic benefit from TD Ameritrade, Schwab, and Fidelity (at no cost to us) through its participation in their independent adviser service programs. Although the benefits received through BakerAvenue's participation in these programs provide economic benefit to us, they are not considered research services under Section 28(e) of the Exchange Act.

The economic benefits provided by TD Ameritrade, Schwab, and Fidelity (and Clients who custody with them) include, among others:

- Access to dedicated trading desks;
- Client confirmations and bundled statements for all Client accounts;
- Block trading and prime brokerage services;
- Electronic communication networks for Client information access / portfolios and trading;
- Software, tools and information relevant to independent investment advisers;
- Access to educational or due diligence programs;
- Marketing and other support; and
- Deduction of investment advisory fees due to BakerAvenue from Client accounts (based on a spreadsheet request to custodian from BakerAvenue).

#### **Fidelity Investments Wealth Advisor Services Referral Program:**

BakerAvenue participates in the Fidelity Investments Wealth Advisor Solutions program (the "WAS Program"), through which it receives referrals from Fidelity Personal and Workplace Advisors LLC ("FPWA"), a registered investment adviser and Fidelity Investments company. BakerAvenue is independent and not affiliated with FPWA or any Fidelity Investments company. BakerAvenue is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not

supervise or control BakerAvenue, and FPWA has no responsibility or oversight for BakerAvenue's provision of investment management or other advisory services.

Under the WAS program, FPWA acts as a solicitor for BakerAvenue, and BakerAvenue pays referral fees to FPWA for each referral received based on BakerAvenue's assets under management attributable to each Client referred by FPWA or members of each Client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to BakerAvenue does not constitute a recommendation or endorsement by FPWA of BakerAvenue's particular investment management services or strategies. More specifically, BakerAvenue pays the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, BakerAvenue has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by BakerAvenue and not the client.

To receive referrals from the WAS Program, BakerAvenue must meet certain minimum participation criteria, but BakerAvenue may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, BakerAvenue may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain Client accounts, and BakerAvenue may have a potential incentive to suggest the use of FBS and its affiliates to its advisory Clients, whether or not those Clients were referred to BakerAvenue as part of the WAS Program. Under an agreement with FPWA, BakerAvenue has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, BakerAvenue has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when BakerAvenue's fiduciary duties would so require, and BakerAvenue has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA's affiliates to another custodian; therefore, BakerAvenue may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit BakerAvenue's duty to select brokers on the basis of best execution.

## **Item 15 – Custody**

Under government regulations, BakerAvenue is deemed to have custody of a Client's assets if the Client has authorized BakerAvenue to instruct its custodian to deduct such Client's advisory fees directly from the Client's account. However, the qualified custodian maintains actual custody of the Client's assets.

Clients should receive at least quarterly statements from the broker dealer, bank, or other qualified custodian that holds and maintains the Client's investment assets. BakerAvenue urges Clients to carefully review such statements and compare them to the account statements provided by BakerAvenue. BakerAvenue's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Custody Due to Standing Letter of Authorization**

BakerAvenue may assist Clients with the transfer of their assets between two or more of their accounts maintained at the Clients' custodian, or maintained with multiple custodians. This ability, to transfer a Client's assets between the Client's accounts maintained at one or more qualified custodians if the Client has authorized the adviser in writing to make such transfers, causes our firm to exercise limited custody over your funds or securities. Pursuant to Rule 206(4)-2 (the "Custody Rule"), BakerAvenue has taken steps to have controls and oversight in place to support the no-action letter issued by the SEC on February 21, 2017 (the "SEC no-action letter"). With respect to third-party standing letters of authorization ("SLOA") where a client may grant BakerAvenue the authority to direct custodians to disburse funds to one or more third-party accounts, BakerAvenue is deemed to have limited custody. However, for these assets, we are not required to comply with the surprise examination requirement of the Custody Rule if we are otherwise in compliance with the seven representations noted in the February 21, 2017 no-action letter. Where BakerAvenue acts pursuant to a SLOA, we believe we are making a good faith effort to comply with the representations noted in the SEC's no-action letter. Additionally, since many of those representations involve the qualified custodian's operations, BakerAvenue will collaborate closely with its custodians to ensure that the representations would be able to be met.

#### **Item 16 – Investment Discretion**

BakerAvenue generally provides investment discretionary portfolio management services to Clients. This means that BakerAvenue has the authority provided in the applicable Client Agreement to purchase or sell securities for Clients' accounts and determine the amount of securities to purchase or sell without obtaining their consent to the transactions. Of course, BakerAvenue determines securities transactions based on the Client's needs, risk tolerances, and other factors that govern its portfolio management services. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client's account or portfolio.

In addition, Clients may impose certain limitations or restrictions on BakerAvenue's services, for example, excluding certain stocks or bonds of companies (sin stocks, anti-union stocks, weapons manufactures, etc.) or sectors or industries or concentrations in any sector or industry from being purchased in their portfolio. However, BakerAvenue reserves the right to reject or not engage a Client or terminate an agreement with a Client, if determined the investment restrictions the Client intends to impose prohibit BakerAvenue from delivering its services as defined in the agreement with the Client. All limitations or restrictions must be provided to BakerAvenue, in writing, and will not be accepted or implemented until signed (accepted) by BakerAvenue.



BakerAvenue may also manage certain accounts (and when requested, only) on a non-discretionary basis.

## **Item 17 – Voting Client Securities**

### Voting Proxies

BakerAvenue does not vote Client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type of events pertaining to the client's investment assets. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact BakerAvenue to discuss any questions they may have with a particular solicitation.

### Class Action Lawsuits

Occasionally, securities held in the accounts of clients will be the subject of class action lawsuits. BakerAvenue has retained the services of Financial Recovery Technologies (FRT) to provide a comprehensive review of our clients' possible claims to a settlement throughout the class action lawsuit process. FRT files, monitors and expedites the distribution of settlement proceeds in compliance with SEC guidelines on behalf of our clients. FRT's fee is contingent upon the successful completion and distribution of the settlement proceeds from a class action lawsuit. In recognition of FRT's services, it receives 20% of our clients' share of the settlement distribution. Clients may opt out of this service.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide Clients with certain financial information or disclosures about their financial condition. BakerAvenue has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding.