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***WRAP Fee Program Brochure***

**QUESTAR PORTFOLIO DESIGNS  
QUESTAR ASSET DESIGNS  
ADVISORFLEX  
QUESTAR STRATEGIC DESIGNS  
FUND STRATEGIST PORTFOLIO (FSP)  
SEPARATELY MANAGED ACCOUNTS (SMA)  
UNIFIED MANAGED ACCOUNTS (UMA)**

*This wrap fee program brochure provides information about the qualifications and business practices of Questar Asset Management (QAM). If you have any questions about the contents of this wrap fee program brochure, please contact us at 888.446.5872. The information in this wrap fee program brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Questar Asset Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Questar Asset Management is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.*

**Item 2 – Material Changes**

There have been material changes that have occurred since the last update of our wrap fee program brochure on April 13, 2018.

- Advisory Business: WRAP Fee Programs offered
- Item 9 – Client Referrals and Other Compensation

You can request a copy of QAM's Brochure and wrap fee program brochure at any time without charge by contacting us at 888.446.5872. Additional information about Questar Asset Management is available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The SEC's website also provides information about any persons affiliated with QAM who are registered, or are required to be registered, as investment adviser representatives of QAM.

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#### **Item 4 – Services, Fees and Compensation**

QAM is the sponsor of Questar Portfolio Designs (“Portfolio Designs”), Questar Asset Designs (“QAD”), Questar Strategic Designs (“QSD”), and co-sponsor of Lockwood Advisors AdvisorFlex (“AFP”) wrap fee investment programs (collectively referred to as the “Programs”). QAM also makes available investment advisory accounts that may invest in Fund Strategist Portfolios (“FSP”), Separately Managed Accounts (“SMA”), and Unified Managed Accounts (“UMA”). FSP’s and SMA’s are third party managed programs not sponsored by QAM. A UMA is a combination of two or more programs listed above. All are offered as investment advisory options under a wrap fee arrangement.

A “wrap-fee” program provides a client with investment advisory and brokerage execution services for an all-inclusive fee. Clients in the Programs are not charged separate fees for the respective components of the total service. The Programs may cost clients more or less than purchasing such services separately depending on how included services are utilized, such as trading frequency, for example. As the sponsor, QAM actively solicits advisory clients for the Programs and is also responsible for the marketing of the Programs.

Wrap account advisory fees are subject to negotiation and typically fall within a range of 0.5%-2.00% annually. Because SMA and UMA strategies require a higher level of management by the underlying manager and/or the IAR, they may be subject to a fee of up to 3.0% annually. The specific fee schedule, and the manner in which fees are charged by QAM, is established in a client’s written agreement with QAM. QAM will generally bill its fees on a quarterly basis in advance of each calendar quarter. Some third-party managed programs may bill after the quarter is complete. Management fees will be prorated for each contribution or withdrawal made to an account during the applicable calendar quarter (with the exception of certain de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable by the client.

QAM’s fees are intended to be all-inclusive of brokerage commissions, transaction fees, and other related costs and expenses necessary to provide investment advisory services. However, QAM does not have control over the fees passed through to the client by third party investment managers. Clients may incur certain charges imposed by custodians, brokers, third-party investment and other third parties if assessed outside of their wrapped fees, such as fees charged by managers, custodial fees, statement fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. When possible the Firm will make available an institutional or advisory mutual fund share class. Such charges, fees and commissions are exclusive of, and in addition to, QAM’s fee. QAM refuses revenue associated from these fees whenever possible. In some cases, the firm receives distribution assistance through its custodian that is only combined at the firm level under a net aggregate of total firm assets, and cannot be severed nor linked to individual client accounts. In no instance does QAM pass distribution assistance revenue on to its IARs.

## 1) **QUESTAR PORTFOLIO DESIGNS**

Portfolio Designs accounts are opened by clients who wish to have a portfolio of securities managed on a discretionary or nondiscretionary basis by QAM's Investment Adviser Representatives (IARs). Eligible assets include, among others, no load and load waived mutual funds, inverse funds, ETFs, stocks, bonds, REITs, BDCs, UITs, structured CDs and Notes, and Options. To establish a Portfolio Designs account, a client must consult with an IAR and complete a risk-based questionnaire. The risk-based questionnaire is used to help determine the client's risk tolerance, time horizon and investment objectives. The client's risk tolerance, time horizon and investment objectives are used to help match a client's portfolio allocation with an asset allocation strategy. Although QAM has developed "model portfolios" designed to help a client match their investment objectives with an asset allocation strategy, the IAR may deviate from the model portfolio based on each individual client's needs. Any deviation from the "model recommendation" must be authorized by the client in advance.

The standard fee schedule for this Program is as follows:

Assets under Management	Annual Fee
First \$500,000	2.00%
Next \$500,000	1.75%
Next \$500,000	1.50%
Over \$1,500,000	1.25%

Total fees for this Program are negotiable within a range of 0.5 – 2.0%, subject to a minimum fee of \$125 per account.

## 2) **QUESTAR ASSET DESIGNS**

Questar Asset Designs ("QAD") accounts are opened by clients who wish to have a portfolio of exchange-traded products, including exchange traded-funds ("ETFs") and exchange-traded notes ("ETNs"), managed on a discretionary basis by QAM. A QAM IAR will assist the client in reviewing the client's income and expenditures, investment objectives, risk tolerance, liquidity requirements, investment restrictions, and other relevant factors, and will help the client select an appropriate investment strategy and portfolio. QAM has retained a third-party investment adviser, Tactical Allocation Group, LLC ("TAG"), to provide it with certain advisory services, including portfolio recommendations ("trade signals"), in connection with the following "TAG Model Portfolios", which are available in the QAD program. TAG has no direct advisory relationship with the client. Rather, after receiving the trade signal alert, the QAM IAR is responsible for executing the client's trades.

### ***Tactical Conservative***

The Tactical Conservative portfolio is designed to have a risk tolerance objective measured by a blended benchmark of 20% MSCI World Equity and 80% Barclays Capital Global Aggregate Bond Unhedged indices. The portfolio utilizes Exchange-Traded Products to implement investment strategies.

### ***Tactical Moderate***

The Tactical Moderate portfolio is tactically allocated towards global equities, commodities, fixed income, with a target equity exposure of 40% to 60% in traditional equities. The remaining 40% to 60% is invested primarily in fixed income but may also include commodities and real estate. The Tactical Moderate portfolio is designed to have a risk tolerance objective measured by a blended benchmark of 60% MSCI World Equity and 40% Barclays Capital Global Aggregate Bond Unhedged indices. The portfolio utilizes Exchange-Traded Products to implement investment strategies.

### ***Tactical Growth***

The Tactical Growth portfolio is tactically allocated towards global equities, commodities, and fixed income, with a target equity exposure of 60% to 80% in traditional equities. The remaining 20% to 40% is invested primarily in fixed income but may also include commodities and real estate. The Tactical Growth portfolio is designed to have a risk tolerance objective measured by a blended benchmark of 80% MSCI World Equity and 20% Barclays Capital Global Aggregate Bond Unhedged indices. The portfolio utilizes Exchange-Traded Products to implement investment strategies.

TAG, its affiliates, members, principals, employees, and agents may have or take the same or similar positions in specific investments for their own accounts, or for accounts of other TAG clients, as the investments available in the QAD program. TAG has instituted a trade rotation policy in the execution of tactical reallocation and segregates the accounts into three sections: 1) trade signal accounts; 2) discretionary tactical portfolios; and 3) custom accounts. This numbering determines the order in which TAG trades or communicates trades. Trades are then executed or communicated in the order of rotation number. With each tactical change, the three sections rotate one turn so that no one group benefit to the detriment of another group of clients. The QAM IAR may implement the trade signals before or after similar trade signals are implemented by TAG or other third parties. Performance of investment portfolios in the QAD program may differ from the actual performance of "TAG Model ETF Portfolios". TAG is a federally registered investment adviser. A copy of TAG's Form ADV Part 2A is available upon request. A portion of the investment management fee paid by the client is passed onto TAG as payment for trade signals.

Clients should be aware that an active management strategy, often referred to as *tactical asset allocation*, is employed within this program. A tactical asset allocation strategy attempts to create extra value by taking advantage of potential market pricing anomalies or market sectors that are perceived to be strong. This means that certain sectors within a tactical asset allocation strategy may be over-weighted or under-weighted at certain times and that a tactical asset allocation strategy may employ more risk than a traditional *buy-and-hold* strategy.

The standard fee schedule for this Program is as follows:

Program Fee:	90 bps
Advisor Fees:	up to 110 bps

Total fees for this Program are negotiable within a range of 0.5 – 3.0%.

This Program is closed to new investors.

### 3) **ADVISORFLEX PORTFOLIO ACCOUNTS**

AdvisorFlex Portfolios is a mutual fund/ETF advisory account program that offers clients a series of objectives-based strategies, managed by Lockwood Advisors, Inc. A QAM IAR will assist the client in reviewing the client's income and expenditures, investment objectives, risk tolerance, liquidity requirements, investment restrictions, and other relevant factors and will help the client select an appropriate investment strategy and portfolio. The AdvisorFlex program includes three objectives-based strategies- Appreciation, Preservation and Income (the "Strategies"), with multiple models within each strategy ("Models"). The Strategies and their Models are described below.

#### **Appreciation Strategy**

Lockwood designed the Appreciation Strategy to seek to provide:

- the long-term level of returns associated with equity and fixed income asset classes; and
- above average, risk-adjusted levels of appreciation.

There are six (6) Appreciation Strategy models, each representing various levels of expected risk and return. Model I is the most conservative model and Model VI is the most aggressive. In each underlying Appreciation Strategy model, Lockwood seeks to achieve its objective through tilts toward asset classes with above-average cumulative return potential, as well as asset classes that pay a premium to investors with a long-term time horizon.

The six (6) Appreciation Strategy models hold investment vehicles, including mutual funds, ETFs and/or ETNs, which offer exposure to broad asset classes, such as stocks and bonds. Each asset class is intended to contribute to the overall investment objective of the respective models. Although Lockwood designed the Appreciation Strategy to seek to provide risk-adjusted levels of appreciation, there is no guarantee that the value of your investment will appreciate. The asset mix of the respective models may include:

- U.S. short-term fixed income
- U.S. inflation-protected securities
- U.S. intermediate-term fixed income
- Global/international fixed income
- Floating rate income
- U.S. large-cap equity
- U.S. mid-cap equity
- U.S. small-cap equity
- U.S. micro-cap equity
- International equity
- International small-cap equity
- Emerging markets equity
- Global thematic
- Alternative investments

#### **Preservation Strategy**

Lockwood designed the Preservation Strategy to seek to provide:

- the long-term level of returns typically associated with equity and fixed income asset classes;

- a degree of downside protection; and
- a similar level of long-term volatility, when compared to standard capitalization-weighted indices.

There are five (5) Preservation Strategy Models, representing various levels of risk and return. Model I is the most conservative and Model V is the most aggressive. In each underlying Preservation Strategy model, Lockwood seeks to achieve its objective through tilts toward non-cyclical economic sectors, higher quality securities, and alternative strategies that may alter risk characteristics of the portfolio. The five Preservation Strategy models hold investment vehicles, including mutual funds, ETFs and/or ETNs, which offer exposure to broad asset classes, such as stocks and bonds. Each asset class is intended to contribute to the overall investment objective of the respective models. Although Lockwood designed the Preservation Strategy to seek to provide downside protection, there is no guarantee that the value of your investment will be preserved.

The asset mix of the respective models may include:

- U.S. short-term fixed income
- U.S. intermediate-term fixed income
- U.S. long-term fixed income
- U.S. inflation-protected securities
- Global/international fixed income
- Floating rate income
- U.S. large-cap non-traditional
- U.S. large-cap equity
- International equity
- Global defensive sectors
- Alternatives

### ***Income Strategy***

Lockwood designed the Income Strategy to seek to provide:

- a risk-managed, diversified portfolio; and
- select opportunities for above-average level of yield.

There are five (5) Income Strategy models, each representing various levels of risk and return. Model I is the most conservative and Model V is the most aggressive. In each underlying Income Strategy model, Lockwood seeks to achieve its objective through the use of some or all of the following: dividend paying stocks, real estate investment trusts, master limited partnerships, closed-end funds, and preferred securities. The five Income Strategy models hold investment vehicles, including mutual funds, ETFs and/or ETNs, which offer exposure to broad asset classes, such as stocks and bonds. Each asset class is intended to contribute to the overall investment objective of the respective models. Although Lockwood designed the Income Strategy to seek to provide an above-average level of yield, there is no guarantee that income will be consistently generated from your investment.

The asset mix of the respective models may include:

- U.S. short-term fixed income
- U.S. inflation-protected securities
- U.S. intermediate-term fixed income

- U.S. long-term fixed income
- U.S. high-yield fixed income
- Global/international fixed income
- Floating rate income
- U.S. large-cap equity
- International

### **General Information**

For each investment selection within a Model, Lockwood identifies several options from which the client and the QAM IAR may choose. Within each Model, there will be primary investment selections (“Primary Selections”) and alternate investment selections (“Alternate Selections”) from which the client and the QAM IAR may choose.

Lockwood will implement certain updates and changes to the Models (“Model Updates”) throughout the life of the AdvisorFlex account. Clients give Lockwood the limited discretion to make trades in their accounts for Model updates. The client and the QAM IAR are responsible for reviewing all such Model updates. When Lockwood performs a Model update, Lockwood may replace one investment vehicle with another and/or change the asset allocation of the Model.

At any time and with sole discretion, Lockwood may reclassify a Primary Selection as an Alternate Selection. In such a case, existing accounts holding the Primary Selection may keep the existing selection or decide to change to the new Primary Selection. In each instance, Lockwood will notify the QAM IAR. In the event that a Primary Selection is eliminated from a Model altogether, all accounts in the Model that held the previous Primary Selection will default to the new Primary Selection. In the event that Lockwood removes one of the Alternate Selections, affected accounts will default to either the Primary Selection or another, available Alternate Selection, as determined by Lockwood.

If both Primary Selections and Alternate Selections are picked to complete a Model, the mixture of Primary Selections and Alternate Selections may result in changes to the weightings within an asset allocation. Certain asset classes may contain only Primary Selections. Alternate Selections will not be made available in those cases, in Lockwood’s sole discretion. The client grants limited discretion to the QAM IAR to make changes to Primary Selections and Alternate Selections in the client’s AdvisorFlex account and to make other decisions relating to the account on the client’s behalf.

The standard fee schedule for this Program is as follows:

Program Fee:	40 bps
Advisor Fees:	50-160 bps

Total fees for this Program are negotiable within a range of 0.5 – 3.0%.

This Program is closed to new investors.

#### 4) **QUESTAR STRATEGIC DESIGNS ACCOUNTS**

Strategic Designs accounts are opened by clients who wish to have one or more portfolios of exchange-traded funds (“ETFs”) or mutual funds managed on a discretionary basis by QAM. A QAM Investment Adviser Representative (“IAR”) will assist the client in reviewing his or her income and expenditures, investment objectives, risk tolerance, liquidity requirements, investment restrictions, and other relevant factors, and will help the client select one or more Strategic Designs Model Portfolios.

Allianz Investment Management, LLC (“AIM”), an affiliate of QAM, is responsible for developing passive model portfolios of securities available to clients through the Strategic Designs Program. AIM provides ongoing management and oversight of the Strategic Designs Model Portfolios by providing model portfolio asset allocation services and investment selection recommendations to QAM. QAM is responsible for executing securities transactions on behalf of Strategic Designs investment accounts. While QAM will typically rely on asset allocation recommendations and investment selection recommendations made by AIM to manage the Strategic Designs model portfolios, QAM is not obligated to follow recommendations made by AIM relative to the Strategic Designs Model Portfolios. AIM will typically provide QAM with model target asset allocation recommendations no less than quarterly. AIM has no direct advisory relationship with the QAM client. QAM will typically not rebalance Strategic Designs investment accounts unless accounts have drifted from the target asset allocation by more than 3 percent on a quarterly basis.

#### **Strategic Designs Program Profile and Proposal Process**

The investment process generally begins with a client completing an investor profile questionnaire. The purpose of the investor profile questionnaire is to assist the IAR in understanding the client’s investment objectives, financial situation, risk tolerance, investment time horizon and other pertinent information. The information gathered by QAM will also be used to propose an appropriate asset allocation model for the client’s investment account in the Strategic Designs investment account. Once the client receives the investment proposal and meets with the IAR, the client will determine whether to adopt, modify or reject the recommended asset allocation model or models.

#### **Investment Management Philosophy**

Strategic Designs portfolios consist of two separate and distinct model portfolio suites; one ETFs and one featuring mutual funds managed by Dimensional Fund Advisors (DFA).

The Strategic Designs Program provides the client with the opportunity to participate in an asset allocation program using one or more strategic asset allocation model. Strategic asset allocation is a portfolio strategy that involves the periodic rebalancing of your portfolio in order to maintain a long-term goal of a chosen asset allocation mix. The initial investments are chosen based on expected returns and within the client’s risk tolerance. Because the value of the assets can change based on market conditions, the portfolios will be monitored and rebalanced as necessary.

### ***Exchange Traded Fund Model Portfolio Target Asset Weightings***

AIM has developed the following five ETF target asset allocation model portfolios designed to support various investment objectives and risk tolerances and are ordered from the most conservative to the least conservative.

1. Strategic Designs Core ETF 20% equity / 80% fixed income Portfolio
2. Strategic Designs Core ETF 40% equity / 60% fixed income Portfolio
3. Strategic Designs Core ETF 60% equity / 40% fixed income Portfolio
4. Strategic Designs Core ETF 80% equity / 20% fixed income Portfolio
5. Strategic Designs Core ETF 95% equity / 5% fixed income Portfolio

In selecting ETFs for the Strategic Designs ETF Model Portfolios, AIM considers both qualitative and quantitative criteria, including, but not limited to:

- manager tenure and experience
- stated investment objective of fund
- stated benchmark of the fund and the ability of the fund to track the benchmark
- expenses of the fund
- assets under management in the ETF
- bid/ask spread
- Premiums and discounts to net asset value (NAV)
- average daily volume
- transparency
- structure

Strategic Designs portfolios will generally avoid the following types of ETFs:

- Leveraged ETFs
- Inverse ETFs
- Highly focused strategies, such as sector and single country ETFs

### ***Dimensional Fund Advisors Model Portfolios***

DFA, which is not affiliated with QAM, is an investment adviser primarily to numerous mutual funds. It is a global investment firm with a research-based, transparent, and process-driven investment approach. The DFA investment process seeks to add value through portfolio structure, implementation, and trading. The firm provides investment solutions that seek to provide access to sources of higher expected returns. DFA's dimensions of expected returns focuses on market factors that have a premium that must be sensible, persistent across time periods, pervasive across markets, and cost-effective to capture in well diversified portfolios. For equities, these dimensions include markets (equity premium), company size (small cap premium), relative price (value premium), and expected profitability (profitability premium.) Within fixed income, the dimensions include term premium and credit premium. DFA offers investment strategies across equity and fixed income, various market caps, and throughout the globe to provide confidence in building a core and well diversified portfolio. For additional information about DFA please refer to the DFA website or mutual fund prospectus.

AIM has developed the following five DFA target asset allocation model portfolios designed to support various investment objectives and risk tolerances and are ordered from the most conservative to the least conservative.

Strategic Designs Core DFA 20/80 Portfolio  
Strategic Designs Core DFA 40/60 Portfolio  
Strategic Designs Core DFA 60/40 Portfolio  
Strategic Designs Core DFA 80/20 Portfolio  
Strategic Designs Core DFA 95/5 Portfolio

The Strategic Designs program will invest in institutional mutual fund share classes. For additional information regarding AIM's investment management process relative to the Strategic Designs program, please refer to the AIM ADV 2A brochure. Additional information regarding AIM's investment management process relative to the Strategic Designs program is also available in the QAM ADV brochure, available upon request by calling 888.446.5872.

### **Advisor Fees**

The standard fee schedule for this Program is as follows:

Program Fee:	up to 31.5 bps
Advisor Fees:	up to 168.5 bps

Total fees for this program are negotiable within a range of 0.5 – 2.0%, subject to a minimum fee of \$125 per account.

These fees do not include any underlying investment fees of the mutual funds or ETFs composing the portfolio models. Pershing may assess a fee per transaction for certain underlying funds; QAM absorbs these fees. A portion of the Program Fee is paid to AIM for investment management services.

Strategic Designs investment accounts are required to maintain a percentage of investable assets allocated to cash or cash equivalents. The amount of investable assets allocated to cash or cash equivalents will typically not exceed 2.0% percent of total assets invested in the program. The ongoing advisory fee will be deducted from the cash or cash equivalent allocation within the account. As advisory fees are deducted from the account, the cash allocation will be periodically rebalanced by liquidating securities within the account. This will typically be accomplished using average cost accounting basis for all mutual funds, and on a First In First Out ("FIFO") accounting basis for all other positions. In general, the Strategic Designs Program requires a minimum deposit of \$10,000.

This Program is closed to new investors.

**5) FUND STRATEGIST PORTFOLIOS (FSP) ACCOUNTS, SEPARATELY MANAGED ACCOUNTS (SMA), AND UNIFIED MANAGED ACCOUNTS (UMA)**

QAM offers certain Services that are available through a web-based platform offered by Envestnet Asset Management, Inc. (“Envestnet”). Envestnet is a non-affiliated registered investment adviser. Envestnet services include providing access to Separately Managed Account (“SMA”) investment managers, and Fund Strategist Account (“FSP”) managers. SMA and FSP investment managers offered to investors through the Envestnet platform have entered into a sub-management agreement with Envestnet to provide discretionary investment services. SMA investment managers may offer equity, fixed income, balanced, or other investment strategies and may invest in mutual funds, ETFs, individual securities, among other investment types. If a FSP or SMA investment manager invests in mutual funds, advisory class funds are offered. QAM relies upon Envestnet for analysis and information and the identified selection and monitoring of the various FSPs and SMAs offered through the platform. Envestnet seeks to offer a wide variety of FSPs and SMAs with a wide range of investment objectives and risk tolerances. Review Envestnet’s Form ADV, Part 2A Appendix I for more information about its investment advisory business.

QAM has contracted with PMC, an affiliate of Envestnet to conduct initial and ongoing analysis on the FSP and SMA investment managers available through the platform. PMC will conduct different levels of initial and ongoing diligence on investment managers available through Envestnet. QAM only makes available FSP and SMA investment managers that have been “approved” by PMC. “Approved” is the highest level of diligence and ongoing monitoring offered by PMC. PMC reviews the investment strategies and performance of FSP and SMA investment managers and in its sole discretion determines if a FSP or SMA investment manager will be considered “approved”. Note: There is no guarantee that a FSP or SMA investment manager will reach its investment goal or performance target solely because it has been “approved” by PMC.

QAM may, in its sole discretion and at any time, terminate the FSP or SMA investment manager’s participation in a Managed Account offered through the platform, or discontinue the Investment Manager’s services with respect to a particular investment strategy with thirty (30) days prior written notice to the client. If QAM terminates a FSP or SMA investment manager, clients with accounts held at the respective investment manager may reinvest with another FSP or SMA investment manager available through the platform. Reinvesting with another investment manager may result in portfolio turnover and tax implications for non-qualified accounts. Clients should discuss potential implications with a tax professional.

The FSP or SMA investment manager may manage institutional or other client accounts that are not a part of QAM’s program. In the event an investment manager purchases or sells a security for all of its client accounts using a particular strategy offered by the FSP or SMA investment manager, the investment manager may determine that it will receive more favorable execution, including better pricing and enhanced investment opportunities, if it aggregates all such client transactions into a block trade that is executed through one Executing Party. Alternatively, the FSP or SMA investment manager may utilize a trade rotation process where one group of its client accounts may have a transaction executed before or after another group of the FSP or SMA investment manager’s client accounts. The FSP or SMA investment manager’s trade rotation practices may result in transactions placed

on behalf of a client account receiving a more or less favorable net price than other client accounts. Before selecting a FSP or SMA investment manager, clients should carefully review all material related to the investment manager and the specific investment strategy, including information in the investment manager's disclosure document (Part 2A of Form ADV) regarding the investment manager's best execution, trade aggregation and trade allocation practices, if any, as well as investment manager's "soft dollar" practices.

## FEE SECTION

Fee rates vary with each FSP or SMA Investment Manager, based on their own expenses to implement varying strategies. Clients should review the FSP or SMA investment manager's disclosure document (Part 2A of Form ADV) to determine the fees charged to the client by the investment manager. QAM's fee is in addition to the fee charged by the FSP or SMA investment manager.

The total fee charged to the client will typically not exceed 2.0% per annum for FSP management, or 3.0% per annum for SMA management, of the market value of the assets invested in the investment account, but are subject to a minimum account fee of \$200 annually, assessed fractionally quarterly.

## UNIFIED MANAGED ACCOUNTS (UMA)

Questar-affiliated financial advisors may elect to package multiple programs together in one UMA managed on behalf of the Client. Investments in the portfolios may include pre-designed allocations created and managed on a discretionary basis by the selected sub-adviser, and/or investments managed by the Questar Financial Advisor, and may be made up of mutual funds, exchange-traded funds ("ETFs"), individual securities, or other investments. All or a portion of the Account may be held in cash, cash equivalents, or money market mutual funds.

Total fees for this Program are negotiable within a range of 0.5 – 3.0%, subject to a minimum fee of \$200 per annum, assessed fractionally quarterly.

## **Item 5 – Account Requirements and Types of Clients**

QAM provides advisory services to individuals, high-net-worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, and trust programs. The minimum account size varies by program but is typically \$30,000 for Portfolio Designs and Asset Designs accounts, \$10,000 for Strategic Designs accounts, \$25,000 for each FSP account, \$100,000 for each SMA account, and \$150,000 for a UMA account. QAM may consider aggregated assets of a household to meet these requirements. Occasionally, QAM may consider amounts less than the minimum for the establishment of a wrap fee account.

The minimum size for AdvisorFlex accounts is \$50,000.00, with minimum, subsequent contributions of \$1,000.00. Lockwood, in its sole discretion, may waive the minimum account

size. Accounts may be funded with cash equivalents or shares of investment selections included within a given Model.

## **Item 6 – Portfolio Manager Selection and Evaluation**

### **Advisory Business**

QAM acts as portfolio manager, sponsor, or co-sponsor in the investment programs described in this wrap fee program brochure, and provides portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal. Through personal discussions with the client in which the client's goals and objectives are established, QAM's IARs will assist the client in determining which program and model portfolio is suitable to the client's circumstances. In the QAD program, once an appropriate model portfolio has been determined, the portfolio will typically be managed based on the portfolio's goal, rather than on each client's individual needs. In the Portfolio Designs program, once the appropriate model has been determined, the portfolio will typically be managed on each client's individual needs. Clients have the opportunity to place reasonable restrictions on the types of investments to be held in the client's account and account supervision will be guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income). Clients retain individual ownership of all securities.

In order to help ensure that the initial determination of an appropriate portfolio continues to be suitable and that the client's account continues to be managed in a manner suitable to the client's financial circumstances, QAM will maintain client suitability information in the client's file. QAM requires IARs contact clients at least annually to determine whether there have been any changes in the client's financial situation and whether the client wishes to impose investment restrictions or modify existing restrictions, and to assess if the recommended investment program remains in the best interest of the client to deliver stated objectives.

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

QAM and its IARs divide the design and implementation of the advisory programs into three steps:

Allocation across asset classes (e.g., stocks, bonds, domestic, overseas, large companies, small companies, real estate, commodities);

Strategy/manager selection within each asset class; and

Executing the program.

QAM and its IARs review and monitor the investments chosen for clients to confirm that the investments are meeting the clients' performance objectives. The majority of the investments are made using third party sub-advisors, including mutual funds, exchange traded funds, separate account managers, and other private investment partnerships. IARs may also make recommendations regarding certain individual securities.

IARs have access to a variety of investment analysis and research sources as well as model portfolios which may be used when providing investment advice to clients. IARs do not employ a standard investment strategy across all accounts. Instead, the IAR chooses his/her own investment strategy, research methods and portfolio management philosophy.

Clients participating in Third-Party Asset Management programs should read the disclosure documents of the respective third-party to understand the investment strategy and methods of analysis employed by the third-party, and the risks associated with these. Investing in securities involves risk of loss that clients should be prepared to bear. As with any investment, there can be no assurance that a client will achieve its investment objective or that a client will not lose a portion or all of his/her investment.

QAM and its IARs may use a variety of analysis and research sources to identify securities to purchase and sell in the various investment programs available through QAM, in an effort to help clients meet their investment objectives. These types of analysis and research may include:

**Fundamental Analysis:** this type of analysis typically focuses on both qualitative and quantitative criteria, such as earnings, growth and value in the market, of specific companies.

**Technical Analysis:** this type of analysis typically focuses on statistics generated by market activity, such as price movement and volume of specific securities, to identify trading patterns that can suggest future activity.

Various independent research sources may be used to aid in decisions related to security selection for the investment programs available through QAM. These sources may include, but are not limited to:

**Argus Analyst Reports:** Argus employs a fundamental, top-down system that analyzes industry, growth, financial strength, management assessment, risk analysis and valuation of specific equities. Argus uses three ratings for stocks: Buy, Hold, and Sell.

**S&P Analyst Report:** Analysts rank stocks according to their individual forecasts of a stock's future potential versus the expected total return of a relevant benchmark. S&P has 5 different ratings from 5-Stars (Strong Buy) to 1-Star (Strong Sell).

QAM may employ various investment strategies to help clients meet their investment objectives and goals including, but not limited to:

**Tactical Asset Allocation or Management:** Clients should be aware that an active management strategy, often referred to as tactical asset allocation, attempts to create extra value by taking advantage of potential market pricing anomalies or market sectors that are perceived to be strong. This means that certain sectors within a tactical asset allocation strategy may be over-weighted or under-weighted at certain times and that a tactical asset allocation strategy may involve more risk than a traditional buy-and-hold strategy. These managers may utilize technical market indicators to aid buy and sell decisions within the portfolios they manage.

**Strategic Asset Allocation or Management:** managers that employ a strategic approach to asset management typically believe that the capital markets are efficient and that the best way to maximize returns, while minimizing potential risk, is to diversify a portfolio among many different asset classes. Modern Portfolio Theory (MPT), recognized as one of the most influential economic theories of finance, is based upon the idea that diversification can produce superior returns for less risk, as measured by the standard deviation. MPT is a mathematical formulation of the concept of diversification in investing with the aim of selecting a collection of investment assets that has collectively lower risk than any individual asset. A strategic asset

allocation manager may utilize fundamental analysis and historical asset class statistics to select individual portfolio holdings.

Because QAM does not employ a standard investment strategy across all accounts, the material risks attached to each tailored investment strategy will vary to the extent the strategy uses different investment allocations or approaches. Each of the following risks is material to the extent a client's investment strategy uses such investment allocations or approaches:

**Stock market risk:** the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

**Fixed income risks:** including: interest rate risk, which is the chance that bond prices overall will decline because of rising interest rates; income risk, which is the chance that a strategy's income will decline because of falling interest rates; credit risk, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline; and call risk, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The strategy would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the strategy's income.

**Municipal security risks:** municipal bonds are subject to the fixed income risks described above as well as the following risks: legislative risk- the risk that a change in the tax code could affect the value of tax-exempt interest income; and liquidity risk- the risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer.

**Foreign investment risk:** investments in foreign securities involve considerations and risks not typically associated with investments in securities of domestic companies. These include, for example, unfavorable changes in currency exchange rates, substantial changes in governmental policies, political and economic instability and changes in relations between nations. Foreign markets are not subject to the same regulation as domestic markets. In addition, there is often less publicly available information about foreign markets and issuers than about domestic markets and issuers.

**Asset allocation risk:** asset allocation may have a more significant effect on account value when one of the more heavily weighted asset classes is performing more poorly than the others. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

**Options risk:** QAM allows certain types of options trading, specifically the selling, or writing, of covered call options for the purpose of generating income in clients advisory accounts. The use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply and causing the security to be called away which results in the client account no longer holding the security. Because all strategies are actively managed, they are all subject to management risk, which is the chance that the adviser will not successfully execute the strategies described above even after applying its investment techniques and risk analysis.

There can be no guarantee that the adviser's decisions will produce the intended result, and there can be no assurance that an investment strategy will succeed.

Additionally, there are material risks involved in our manager selection process. Although the Firm has prudent selection methodology in place, there are general business and operational risks associated with firms that manage money on a client's behalf that could lead to unexpected and unfavorable developments including but not limited to: unethical or unlawful behavior by the manager, staff turnover which disrupts the investment decision making process at the manager, and/or a change in control of the manager including sale or dissolution. Other materials risks include returns being significantly different than a corresponding benchmark as well as the risk of underperforming the benchmark in any time period and currency risk.

As noted above, QAM utilizes economic, financial and market data from third-party sources believed to be reliable but generally does not seek to independently confirm the accuracy of such information. Similarly, QAM relies on a variety of third-party financial applications to perform numerous financial calculations related to asset allocation, financial planning projections, and investment manager evaluations. Although the quality of these services is reviewed, there can be no guarantee the calculations will be performed correctly going forward.

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

QAM does not charge any performance-based fees which are fees based on a share of capital gains on or capital appreciation of the assets of a client.

#### *Voting Client Securities*

As a matter of firm policy and practice, QAM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving from their custodian and voting proxies for any and all securities maintained in client portfolios QAM IARs may assist clients by answering questions they may have about proxies they have received.

### **Item 7 – Client Information Provided to Portfolio Managers**

QAM collects the information described above in Item 4 in order to help ensure that the initial determination of an appropriate portfolio continues to be suitable and that the client's account continues to be managed in a manner suitable to the client's financial circumstances. QAM will maintain client suitability information in the client's file. In addition, QAM requires IARs to contact each client at least annually to determine whether there have been any changes in the client's financial situation, whether the client wishes to impose investment restrictions or modify existing restrictions, and to assess if the recommended investment program remains in the best interest of the client to deliver desired objectives. QAM retains all client information and shares with Portfolio Managers only that information necessary to properly register an account.

### **Item 8 – Client Contact with Portfolio Managers**

QAM does not place restrictions on a client's ability to consult or contact his or her IAR.

## Item 9 – Additional Information

### 1) Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of QAM and its IARs or the integrity of QAM's management. QAM itself has no such events to disclose.

### 2) Other Financial Industry Activities and Affiliations

QAM is an investment adviser registered with the SEC, and is an indirect wholly-owned subsidiary of Allianz SE, a large, multinational financial services provider. Through Allianz SE, QAM is under common control and ownership with many other investment advisers, broker/dealers, insurance companies, and other financial services firms worldwide. QAM does not have a material business relationship with most of these related firms. However, QAM does have such a relationship with the following related subsidiaries of Allianz SE: Questar Capital, a FINRA member broker/dealer that sells stocks, bonds, options, mutual funds, variable annuities and some limited partnerships to retail clients throughout the United States; Questar Agency, Inc. ("Questar Agency"), an insurance agency licensed to sell insurance throughout the United States; and Allianz Life Insurance Company of North America ("Allianz Life"), an insurance company that provides fixed and variable annuities, and life insurance policies in the United States. QAM recommends the brokerage and insurance services of Questar Capital, Questar Agency, and Allianz Life to its advisory clients.

With limited exceptions, the officers and directors of QAM are also the officers and directors of Questar Capital and Questar Agency. In addition, the officers and IARs of QAM are generally also separately licensed as registered representatives of Questar Capital. Some IARs and officers of QAM may also be licensed as insurance agents for Questar Agency, Allianz Life, and other related and unrelated insurance companies. As such, these individuals, in their separate capacities as registered representatives and/or insurance agents, will be able to effect securities transactions for, and/or sell insurance and insurance-related investment products to, clients, for which they will receive separate and customary compensation. These individuals, in their separate capacities as registered representatives and/or insurance agents, may spend up to 90 percent or more of their time on these activities. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Questar Capital receives payments from mutual fund companies, alternative investment companies and third-party asset managers for the sales of securities and insurance products. Questar Capital also receives payments from software and research vendors. These payments help defray the expenses incurred by Questar Capital for educational meetings and sales conferences held for Questar Capital registered representatives and QAM IARs periodically throughout the year. While payments are not made directly to QAM, payments may or may not be related to securities business in advisory accounts. In the event recommendations leading to a payment to Questar Capital present a conflict of interest to a QAM client, QAM maintains policies and procedures to require that all recommendations are in the best interest of the client.

QAM may also recommend that its clients invest in mutual funds from the PIMCO and Allianz families of funds. Some of these mutual funds are managed by the following SEC-registered investment advisers:

1. Pacific Investment Management Company LLC ("PIMCO")
2. Allianz Global Investors U.S. LLC

QAM and these investment advisers are all indirect, wholly-owned subsidiaries of Allianz SE. QAM clients who invest in a mutual fund(s) from the PIMCO and/or Allianz families of funds will be charged an asset-based management fee by both QAM and by the mutual fund. QAM recommendations to purchase mutual funds managed by these investment advisers will benefit affiliates of QAM. While QAM and its associated persons endeavor at all times to put the interest of the clients first as part of QAM's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of QAM IARs when making recommendations. In addition, if a mutual fund offered by an affiliate is purchased within a QAM advisory account, the overall compensation to the affiliate may be greater than if a mutual fund offered by a non-affiliated company is purchased within the account. QAM has policies and procedures in place to routinely surveil for possible conflicts and address these as they arise in the best interests of clients.

3) Code of Ethics, Participation or Interest in Client Transactions and Personal Trading  
QAM's code of ethics is based on the principle that access persons, IARs and QAM employees owe a fiduciary duty to QAM's clients. QAM's code of ethics emphasizes the importance of the firm's reputation, as well as principles of honesty, integrity, and professionalism, which include the firm's overarching obligation to fulfill its fiduciary duty to clients. This duty includes the obligation to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client or otherwise take unfair advantage of their relationship with clients. QAM has adopted policies and procedures governing personal securities transactions by persons who have knowledge of securities transactions for QAM client accounts ("Access Persons"). These policies are designed to ensure that clients of QAM are treated fairly and equitably, and that QAM upholds its obligations to its clients. Each Access Person must disclose all new personal brokerage accounts upon opening, and certify all transaction activity on a quarterly basis. Access Persons are required to direct broker/dealers where they maintain accounts to send duplicate confirmations and account statements to QAM.

Access Persons of QAM may invest in the same securities as clients of QAM, including options and derivatives. In addition, Access Persons may have an interest or position in certain securities that may also be recommended to clients. Such positions present a conflict of interest between personnel of QAM and clients. QAM periodically reviews the trades of Access Persons to detect any violations of QAM's code of ethics and insider trading policies and procedures designed to ensure that no client is disadvantaged in any way by trades of QAM. Access Persons who commit violations are subject to disciplinary actions, up to and including monetary penalties, suspension or termination.

4) Review of Accounts

All advisory accounts are reviewed prior to account inception by, among others, the IAR that will manage the account and one or more supervisory or compliance personnel. After account inception, IARs who manage the account are responsible for reviewing with the client the client's investment objectives and verify that the current asset allocation is in line with such objectives on a periodic basis, no less than annually. Clients receiving advisory services receive monthly or quarterly reports of assets holdings, valuation, and activity and, depending on the type of account (i.e., managed by a third-party asset manager, a wrap fee account, etc.), may receive other reports as well. Reports are usually prepared by the account custodian.

5) Client Referrals and Other Compensation

QAM does not participate in any client referral programs from sources other than affiliated IARs, directly or indirectly.

QAM and its IARs may receive an economic benefit from the third-party asset managers with whom we do business for referring clients to the third-party asset managers' Third Party Asset Management Programs. These are called "solicitor arrangements" and there are potential conflicts of interest with these arrangements. One potential conflict includes arrangements where the compensation earned by QAM or its IARs may differ with each third-party asset manager. The differences may be attributed to varying expenses in investments selected by third-party asset managers with respect to Third Party Asset Management Programs, and are described in detail in each third-party asset manager's disclosure documents and account inception agreements.

QAM will receive an economic benefit in the form of distribution assistance fees paid in connection with assets placed in money market sweep vehicles. This additional compensation is paid by advisers or the fund, to the money market funds. Such compensation is directed to us through Pershing which serves as custodian in the QAM sponsored and co-sponsored wrap fee accounts. Such compensation is paid to QAM but not passed on to any of our IARs. The amount of such payment differs with respect to each particular money market fund serving as a sweep vehicle. As a result of this compensation, QAM has an economic incentive to recommend investments in these sweep vehicles and a further conflict to recommend one sweep vehicle over another. QAM addresses this conflict by maintaining policies and procedures to ensure that recommendations related to sweep vehicles are suitable for the client and that the overall compensation received by QAM is reasonable in relation to advisory services provided.

QAM or its affiliate, Questar Capital, may provide loans to certain IARs, as an incentive to establish, maintain, or expand their relationship with QAM or Questar Capital. The repayment of such loans is typically dependent on the IAR remaining in good standing with QAM or Questar Capital for a specified period of time. For IARs who are also registered representatives of QAM or Questar Capital, these loans could incentivize the IAR to recommend products and/or services to clients in an effort to remain in good standing, which could create a conflict of interest. To address this potential conflict, QAM maintains policies and procedures to help ensure all recommendations are suitable.

6) Financial Information

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about QAM's financial condition. QAM 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.