

**Item 1 – Cover Page**

# AdvisorTrust Partners, LLC

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This Brochure provides information about the qualifications and business practices of AdvisorTrust Partners, LLC (“AdvisorTrust”, “us”, “we”, “our”). If you (“client”, “your”) have any questions about the contents of this brochure, please contact us at (704) 865-2900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. AdvisorTrust’s IARD firm number is 304967.

We are a registered investment adviser. Our registration as an investment adviser does not imply any level of skill or training. Additional information about AdvisorTrust is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (click on the link, select “investment adviser firm” and type in our firm name). The results will provide you with both Parts 1 and 2 of our Form ADV.

## **Item 2 – Material Changes**

This is our initial filing to our Form ADV Part 2 or “Disclosure Brochure”.

For future filings, this section of the Disclosure Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We may, at any time, update this Disclosure Brochure and send you an updated copy including a summary of material changes, or a summary of material changes that includes an offer to send you a copy (either by electronic means (email) or in hard copy form). If you would like another copy of this Disclosure Brochure, please download it from the SEC website as indicated above or you may contact our Chief Compliance Officer, James F. Castleman, Jr. at (704) 865-2900 or via email at [jcastleman@advisortrustpartners.com](mailto:jcastleman@advisortrustpartners.com).

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## **Item 4 – Advisory Business**

AdvisorTrust Partners, LLC is a limited liability company organized under the laws of the State of North Carolina since May 9, 2019 and are equally owned by James F. Castleman, Jr. and David W. McMahan. We are registered as an investment adviser with the SEC and notice filed with the appropriate states in which notice filings are required in order to provide the investment advisory services described within this document.

This Disclosure Brochure provides you with information regarding our qualifications, business practices, and the nature of advisory services that should be considered before becoming our advisory client. Please contact James F. Castleman, Jr., Chief Compliance Officer if you have any questions about this Brochure.

Qualified individuals associated with us will provide our investment advisory services. Such individuals are known as Investment Advisor Representatives (“IARs”). We require IARs engaged in determining or offering investment advice to our clients to be properly licensed and registered in all states in which they provide investment advisory services.

Below is a description of the investment advisory services we offer. For more detail on any product or service please reference your Client Advisory Agreement (“CAA”) or contact your IAR. Your IAR may recommend various types of portfolio management services to help meet your investment goals.

Additional information about the AdvisorTrust arrangement with the IARs can be found on the ADV Part 2B, also referred to as the brochure supplement which contains information about the educational background, business experience, and disciplinary history (if any) of the IARs who provide advisory services to the client.

### ***Portfolio Management Services***

We provide continuous and regular investment advisory services to you in connection with establishing and monitoring of your investment objectives, risk tolerance and time horizon. We will manage advisory accounts on a discretionary basis, but will accept non-discretionary accounts at client request, guided by your stated objectives and restrictions. Clients work with IARs to assess their individual financial needs, objectives, timeframes and capacity for risk. We tailor our investment advice, account investment strategy and risk tolerance based on a personal interview and/or the completion of a client questionnaire. You have the opportunity to place reasonable restrictions or constraints on the way your account is managed; however, such restrictions may affect the composition and performance of your portfolio. For these reasons, performance of the portfolio may not be identical with our average client.

We may utilize third-party research services to assist us with formulating asset allocation, industry and sector selection, and individual investment recommendations in constructing and maintaining our portfolios.

### ***Financial Planning***

We provide a variety of financial planning services to you regarding the management of your financial resources, based upon an analysis of your needs at no additional costs. Generally, such financial planning services will involve preparing a financial program for you based on your financial circumstances and objectives. This information typically covers present and anticipated assets and liabilities, including insurance, savings, investments and anticipated retirement or other employee benefits. Our financial planning typically includes general recommendations for a course of activity or specific actions that you should take. For example, recommendations may be made that the clients obtain insurance or revise existing coverage, establish an individual retirement account, increase or decrease funds held in savings accounts or to invest funds in certain securities. Other financial planning services that we may provide include ongoing financial counseling, account review, securities research and other advisory services related to investments.

### ***Wrap Fee Programs***

AdvisorTrust does not intend to offer wrap fee service at this time.

#### *Assets Under Management:*

As of July 18, 2019, we have no assets under management.

Discretionary managed assets.....\$0

Non-Discretionary managed assets.....\$0

## **Item 5 – Fees and Compensation**

### ***Portfolio Management Services***

Fees based on assets under management are as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee Maximum</u>
\$0 - \$500,000	2.25%
\$500,001 - \$1,000,000	2.00%

\$1,000,001 - \$3,000,000	1.75%
\$3,000,001 - \$5,000,000	1.50%
Above \$5,000,000	1.25%

Fees are payable monthly in advance and will vary based on the investment objective of the account, account type, size and other factors. Fees are negotiable based on previous relationships and other factors, such as aggregate level of assets with AdvisorTrust, anticipated future additional assets at AdvisorTrust, account composition at AdvisorTrust, negotiations with the client, etc.

One-twelfth (1/12) of the total annual investment advisory fee (i.e., percentage of assets under management) amount, prorated according to the date ("inception date") of execution of the CAA, shall be payable at the beginning of the calendar month in which the initial meeting between us takes place. The remaining eleven monthly portions of the annual fee amount shall be individually due and payable by the client at the beginning of each subsequent calendar month and such arrangements shall continue in effect unless the CAA is properly terminated or otherwise modified in accordance with the provisions of the CAA. Fees are based upon the market value of the client's portfolio as determined by the custodian based on the ending balance for the period, and will not match the statement you receive from the custodian due to dividends, incoming contributions, outgoing withdrawals, settlement issues, etc.

If any advisory relationship begins after the first day of a month, or terminates before the last day of a month, fees are prorated accordingly, and, in the event of termination, the client will receive a refund of any pre-paid fee attributed to any period after the termination.

Certain accounts may establish procedures to pay our fees directly rather than through a debit to the account. You may terminate this service at any time and a refund will be made on a pro-rata (by day) basis of any fees paid in advance within 60 days.

### ***Payment of Fees***

Contemporaneously with the execution of the CAA, clients sign an authorization allowing the custodian to debit such account(s) the amount of certain service fees owed to AdvisorTrust and remit such fees to us. The authorization shall remain valid until a written revocation of the authorization is received by us. In connection with this fee deduction process, the following procedures shall be followed.

The custodian shall send to the client a statement, at least monthly or quarterly, indicating

- all amounts disbursed from the account, and
- the amount of advisory fees paid directly to AdvisorTrust.

### ***Financial Planning Services***

No fees will be charged for the financial planning services. Since financial planning is a discovery process, situations occur wherein you are unaware of certain financial exposures or predicaments. It is your obligation to advise us in the event that your situation has substantially changed since the initial meeting.

### ***Other Fees***

Our fees do not include brokerage commissions, transaction fees, and other brokerage related costs and expenses that are paid by you. You may pay additional fees imposed by custodians, brokers, and other third parties. The advisory fee does not cover charges imposed by third parties for investments held in the account, such as contingent deferred sales charges or 12b-1 trails on mutual funds. In addition, each mutual fund charges asset management fees, which are in addition to our advisory fees. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. The advisory fee described above does not cover debit balances or related margin interest or SEC fees or other fees or taxes required by law. The fees charged by such funds or managers are disclosed in each fund's prospectus. You should review the fund's prospectus for a complete description of all fees and expenses.

All of the other fees are exclusive of, and in addition to, AdvisorTrust's compensation. AdvisorTrust does not offset its fees by these charges.

### ***Termination of Contracts***

The CAA may be terminated by either party at any time by written notice within 30 days. Full refunds will only be made in cases where cancellation occurs within five (5) business days of signing the CAA. After five (5) business days, fees paid in advance will be prorated to the date of termination and any unearned portion of the fee will be refunded to the client. For the purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract.

Detailed information on the termination terms and fees can be found in the applicable CAA.

Similar advisory services may (or may not) be available from other registered investment advisors for similar or lower fees.

Your IAR may operate in various capacities including, but not limited to, as an IAR offering you various advisory services, or as an Insurance Agent recommending the purchase of insurance products. Therefore, your IAR may recommend investment or insurance products.

We or your supervised person has an incentive to recommend investment products (insurance) based on the compensation received, rather than on a client's needs. As such, a conflict of interest may exist in the compensation your IAR receives for services offered through AdvisorTrust and the compensation your IAR may receive as an Insurance Agent on the purchase or sale of investment or insurance products.

In an effort to reduce this conflict of interest, if your IAR recommends investment or insurance products, you have the option to purchase or sell such investment or insurance products through other brokers or agents who are not affiliated with us.

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

We do not charge advisory fees on a share of the capital gains or capital appreciation of the funds or securities in a client account (so-called performance-based fees), and therefore, we do not engage in side-by-side management. Our compensation structure is disclosed in detail in Item 5 above.

## **Item 7 – Types of Clients**

We provide investment advisory services to individuals, high net worth individuals, trusts, estates, charitable organizations, investment companies, corporations, and business entities. We do not impose a minimum balance.

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

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

#### ***Method of Analysis***

Our methods of analysis may include charting, fundamental analysis, technical analysis, and cyclical analysis.



Charting: In this type of technical analysis, we review charts of market and security activities in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

Fundamental Analysis: We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis: We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis: We analyze business cycles to find favorable conditions for buying and/or selling a security.

Our primary sources of information include financial newspapers, magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

### ***Investment Strategy***

The investment strategy for a client is based on the client's objectives. Our investment strategies may include passive and/or active asset management and may involve long-term trading (involves investing in securities that are anticipated to grow in value over a relatively long period of time), and short-term trading (involves purchasing and selling securities within a relatively short period of time based on these securities' short-term price fluctuations).

### **Risk of Loss, Disclosures and other important information**

There are inherent risks involved for each investment strategy or method of analysis we use and the particular type of security we recommend. Investing in securities involves risk of loss which you should be prepared to bear. Depending on the types of securities we invest in, you may face the following investment risks:

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Inflation and Deflation Risk:** An account may be subject to inflation and deflation risk. Inflation risk is the risk that the present value of assets or income of an account will be worth less in the future as inflation decreases the present value of money. Deflation risk is the risk that prices throughout the economy decline over time creating an economic recession, which could make issuer default more likely and may result in a decline in the value of an account's assets.

**Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**Mutual Funds Risk:** Mutual funds are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of our investment strategies will be higher than the cost of investing directly in mutual funds, as there are two levels of fees. Mutual funds are subject to specific risks, depending on the nature of the fund.

**Growth Style Risks:** Due to their relatively high valuations, growth stocks are typically more volatile than value stocks. Further, growth stocks may not pay dividends or may pay lower dividends than value stocks. This means they depend more on price changes for returns and may be more adversely affected in a down market compared to value stocks that pay higher dividends.

**Value Style Risks:** Investments in value stocks are subject to the risk that their intrinsic values may never be realized by the market, that a stock judged to be undervalued may actually be appropriately priced, or that their prices may decline, even though in theory they are already undervalued. Value stocks can react differently to issuer, political, market and economic developments than the market as a whole and other types of stocks (e.g., growth stocks).

**Company Size Risks:** Generally, the smaller the market capitalization of a company, the fewer the number of shares traded daily, the less liquid its stock and the more volatile its price. Companies with smaller market capitalizations also tend to have unproven track records, capital. These factors also increase risks and make these companies more likely to fail than companies with larger market capitalizations.

**Foreign Investing Risks:** Investments in foreign companies and markets carry a number of economic, financial and political considerations that are not associated with the U.S. markets and that could unfavorably affect account performance. Among those risks are greater price volatility; weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; fluctuations in foreign currency exchange rates and related conversion costs; adverse tax consequences; and settlement delays.

**Fixed Income Securities:** Client accounts with all or a portion of the underlying assets invested in fixed income securities and/or fixed income-based mutual funds are subject to the following risks:

**Interest Rate Risks:** Prices of fixed income securities rise and fall in response to changes in the interest rate paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities.

**Credit Risks:** Credit risk is the possibility that an issuer or counterparty will default on a security or repurchase agreement by failing to pay interest or principal when due. If an issuer defaults, the value of a fixed income security may decrease and a fund holding securities of that issuer may lose money. Lower credit ratings correspond to higher credit risk. Bonds rated BBB or Baa have speculative characteristics.

**Call Risks:** If the fixed income securities in which a fund invests are redeemed by the issuer before maturity (or “called”), the fund may have to reinvest the proceeds in securities that pay a lower interest rate, which may decrease the portfolio’s overall yield. This will most likely happen when interest rates are declining.

**Liquidity Risks:** Liquidity risk refers to the possibility that an investor may not be able to sell or buy a security or close out an investment contract at a favorable price or time. Consequently, an investor, including a fund invested in fixed income securities, may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on investment performance. Infrequent trading of securities also may lead to an increase in their price volatility.

**Government Obligations Risks:** No assurance can be given that the United States

government will provide financial support to United States government-sponsored agencies or instrumentalities where it is not obligated to do so by law. As a result, there is risk that these entities will default on a financial obligation.

**High Yield Securities Risks:** High yield securities tend to be more sensitive to economic conditions than are higher-rated securities and generally involve more credit risk than securities in the higher-rated categories. The risk of loss due to default by an issuer of high yield securities is significantly greater than issuers of higher-rated securities because such securities are generally unsecured and are often subordinated to other creditors. A fund may have difficulty disposing of certain high yield securities because there may be a thin trading market for such securities.

**Municipal Securities Risks:** Certain types of municipal bonds are subject to risks based on many factors, including economic and regulatory developments, changes or proposed changes in the federal and state tax structure, deregulation, court rulings and other factors. The value of municipal securities may be affected more by supply and demand factors or the creditworthiness of the issuer than by market interest rates. Repayment of municipal securities depends on the ability of the issuer or project backing such securities to generate taxes or revenues. There is a risk that the interest on an otherwise tax-exempt municipal security may be subject to federal income tax.

**Variable Annuities Risks:** Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

The above list of risk factors does not purport to be a complete list or explanation of the risks involved in an investment strategy. You are encouraged to consult your IAR and tax professional on an initial and continuous basis in connection with selecting and engaging in the services provided by us. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed above.

## **Item 9 – Disciplinary Information**

We do not have any legal or disciplinary events to report.

## Item 10 – Other Financial Industry Activities and Affiliations

We are not, nor are any of our management persons (except as disclosed below), registered, nor do we have an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or as an associated person of the foregoing entities.

In addition, neither we nor any of our management persons have any arrangement that is material to our advisory business or to our clients that we or any of our management persons have with any related person that is under common control and ownership, i.e., a:

- Broker-dealer, municipal securities dealer, or government securities dealer or broker,
- Investment company or other pooled investment vehicle,
- Other investment adviser or financial planner,
- Futures commission merchant (or commodity pool operator or commodity trading advisor),
- Banking or thrift institution,
- Accountant or accounting firm,
- Lawyer or law firm,
- Insurance company or agency,
- Pension consultant,
- Real estate broker or dealer, or
- Sponsor or syndicator of limited partnerships.

Certain of our IARs are licensed to sell life, health and long-term care insurance products through various companies. Appropriately licensed IARs will receive compensation for the sale of such products. You are under no obligation to purchase insurance products through any particular insurance agency or IAR and may effect any such transactions wherever you desire.

We do not recommend or select other investment advisers for our clients and receive

compensation directly or indirectly from those advisers, nor do we have other business relationships with those advisers.

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

We have adopted a written Code of Ethics in compliance with SEC Rule 204A-1 under the Investment Advisers Act of 1940 (as amended—the Advisers Act). All of our employees are deemed by the Advisers Act to be supervised persons subject to our Code of Ethics. In carrying on our daily affairs, all of our supervised persons shall act in a fair, lawful and ethical manner, in accordance with the rules and regulations imposed by our governing regulatory authority. The Code of Ethics sets forth standards of conduct and requires compliance with federal securities laws. Our Code of Ethics also addresses personal trading and requires our personnel to report their personal securities holdings and transactions to our Chief Compliance Officer.

We have created a Code of Ethics which establishes standards and procedures for the detection and prevention of certain conflicts of interest including activities by which persons having knowledge of the investments and investment intentions of AdvisorTrust might take advantage of that knowledge for their own benefit. We have in place Ethics Rules (the “Rules”), which are comprised of the Code of Ethics and Insider Trading policies and procedures. The Rules are designed to ensure that our personnel (i) observe applicable legal (including compliance with applicable state and federal securities laws) and ethical standards in the performance of their duties; (ii) to act in the client’s best interest at all times; (iii) disclose all conflicts of interest; (iv) adhere to the highest standards of loyalty, candor and care in all matters relating to our clients; (v) conduct all personal trading consistent with the Rules and in such a manner as to mitigate any conflicts of interest or any abuse of their position of trust and responsibility; and (vi) not use any material non-public information in securities trading. The Rules also establish policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

Under the general prohibitions of the Rules, our personnel may not: 1) effect securities transactions while in the possession of material, non-public information; 2) disclose such information to others; 3) participate in fraudulent conduct involving securities held or to be acquired by any client; and 4) engage in frequent trading activities that create conflicts of interest, limit their ability to perform their job duties, or violate any provision of the Rules.

Our personnel are required to conduct their personal investment activities in a manner

that we believe is not detrimental to our advisory clients. Our personnel are not permitted to transact in securities except under circumstances specified in the Code of Ethics. The policy requires all supervised persons to report all personal transactions in securities not otherwise exempt under the policy. All reportable transactions are reviewed for compliance with the Code of Ethics. In the event that you request a copy of our Code of Ethics, we will furnish to you a copy within a reasonable period of time at your current address of record.

Reports of personal transactions in securities by our IARs are reviewed quarterly by our Chief Compliance Officer or his designee or more frequently if required.

We or our related persons may buy or sell for themselves, investment products that are also recommended to clients. These transactions may take place at or about the same time that we execute your transactions. This creates a conflict of interest if such transactions create an advantage for your IAR. Our related persons should seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored. In instances where the representative buys or sells the same securities as those of their clients, the client's accounts are given priority. Under its Code of Ethics, we have adopted procedures designed to mitigate conflicts of interest that causes conflicts of interest. The Code of Ethics' personal trading policies include procedures for reporting of personal securities transactions of associated persons, and review of such trading activities. These policies are designed to prohibit personal trading that would disadvantage clients or front run trading activities for clients. The Code of Ethics also provides for disciplinary action as appropriate for violations. Records will be maintained of all securities bought or sold by our firm and our supervised persons. In addition, all such transactions are reviewed by the Chief Compliance Officer or their designee.

Neither we nor our related persons recommend securities in which we (or our associated persons) have a material financial interest.

In addition, neither we nor our related persons execute transactions on a principal or agency cross basis.

## **Item 12 – Brokerage Practices**

### ***Broker-Dealer/Custodian Recommendations***

In selecting a custodian to recommend, we considered the value of research and additional brokerage products and services a custodian provides or will provide to our clients and us. We will enter into a relationship with a custodian which we have determined that is in the best interest of our clients and satisfies our obligations, including our duty to seek best execution. Best execution is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a custodian's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

We have entered into an arrangement with TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member, which provides us with TD Ameritrade's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support us in conducting our business and in serving the best interests of our clients. In most cases, we will require that clients establish brokerage accounts with TD Ameritrade to maintain custody of clients' assets and to effect trades for the client's account(s). In special circumstances, clients will have sole authority to use a different custodian to establish brokerage accounts other than TD Ameritrade. We receive benefits by selecting TD Ameritrade to execute client transactions, and the transaction compensation charged by TD Ameritrade might not be the lowest compensation we might otherwise be able to negotiate.

### ***Research and Other Soft Dollar Benefits***

We have not entered into a formal soft dollar arrangement, whereby we are required to direct a certain amount of transaction activity to TD Ameritrade for specific research or brokerage services, but certain services are available to us at no charge to us so long as our clients' assets are maintained in accounts at TD Ameritrade.

TD Ameritrade's primary brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that



are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. In addition, TD Ameritrade has negotiated with certain third party vendors for such vendors to offer advisors that custody at TD Ameritrade a discount for their services or TD Ameritrade may pay directly for such services on our behalf. TD Ameritrade makes available to us other products and services that benefit us but may not directly benefit all of its clients' accounts or may benefit accounts not maintained at TD Ameritrade. TD Ameritrade's products and services that assist us in managing and administering clients' accounts may include, but not be limited to, software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of our fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting. TD Ameritrade also offers other services intended to help us manage and further develop its business enterprise. These services may include, but are not limited to: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. TD Ameritrade may also provide other benefits such as educational events or occasional business entertainment of our personnel.

There is no direct link between our arrangement with TD Ameritrade and the investment advice it gives to its clients; although we receive economic benefits that are typically not available to TD Ameritrade retail investors. In evaluating whether to recommend or require that clients custody their assets at TD Ameritrade, we take into account the availability of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by TD Ameritrade. Clients should be aware that the receipt of such economic benefits by us or its related persons in and of itself creates a conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services. To address these potential conflicts of interest, we have developed and implemented a Compliance Program, which includes a review of the services and execution quality we receive from TD Ameritrade.

### ***Brokerage for Client Referrals***

We do not consider, in selecting or recommending broker-dealers, whether we or a related person receive client referrals from a broker-dealer or third party.

### ***Directed Brokerage***

Certain clients may direct us to effect transactions with specific broker-dealers. We do not negotiate commissions charged by such broker-dealers and these brokers may charge commissions in excess of that which another broker-dealer might have charged for effecting the same transaction. Accounts with directed brokerage instructions are often excluded from aggregated trades, and generally are not able to take advantage of volume discounts. As a result, performance for these accounts may vary from accounts in the same strategy that do not have directed brokerage instructions, and these accounts may not be able to obtain best execution.

In addition, broker-dealers who refer clients to us may expect trading for the client account to be directed to them. While this could give rise to a conflict of interest for us between the client's interest in obtaining best execution and our interest in receiving future referrals from that broker-dealer, we mitigate this conflict by not considering in broker-dealer selection whether we have received client referrals from a broker-dealer. Clients have various brokerage options, including utilizing the services of 1) the referring broker, if any; 2) any other broker-dealer that the client desires; or 3) any firm retained by us to provide custody or execution services for clients. We may be able to negotiate more favorable commission rates when we have full brokerage discretion.

### ***Trade Aggregation***

It is our policy to provide individual advice to each of our clients. We review each client portfolio individually. Orders are placed in clients' accounts separately as the IAR deems appropriate given the market conditions. This could result in situations where we do not aggregate trades across multiple accounts trading in the same security. If we cannot or do not aggregate your trades, you may receive a higher price than you could have if we did aggregate your trades. However, we will block trades where possible and when advantageous to you. Blocking trades permits the trading of aggregate blocks of securities composed of assets from multiple accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows us to execute trades in a more timely, equitable and efficient manner and to seek to reduce overall commission charges to you. In both cases, we have developed and implemented a Compliance Program to monitor our trading and to ensure that all client accounts receive fair and equitable treatment.

### ***Administrative Trade Errors***

From time-to-time we may make an error in submitting a trade order on your behalf. Trading errors include a number of situations, such as:

- The wrong security is bought or sold for a client;
- A security is bought instead of sold;
- A transaction is executed for the wrong account,
- Securities transactions are completed for a client that had a restriction on such security; or
- Securities are allocated to the wrong accounts.

When this occurs, we may place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the corrective action, the gain will remain in your account unless it is legally not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If a loss occurs due to our administrative trade error, we are responsible and will pay for the loss to ensure that you are made whole.

Note: To limit the respective administrative expenses and burden of processing small trade errors, it should be noted some custodians (at their own discretion) may elect not to invoice us if the trade error involves a de minimis dollar amount (usually less than \$100). Generally, if related trade errors result in both gains and losses in your account, they may be netted.

## **Item 13 – Review of Accounts**

### **Reviews and Reviewers of the Accounts**

#### ***Portfolio Management Services***

Your IAR will monitor client accounts on an ongoing basis and conduct periodic reviews to ensure that advisory services and portfolio mix are consistent with the client's stated objectives. Additional reviews may be conducted based on various circumstances such as contributions and withdrawals, tax planning, market events, security specific events and changes in client's risk/return objectives.

### **Nature and Frequency of Regular Reports Provided to Clients on their Accounts**

#### ***Portfolio Management Services***

You will have 24x7 online access to your accounts through the custodian and/or client portal. You may also receive monthly custodian reports.

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

### ***Client Referrals***

We do not have any arrangement under which we, or a related person, directly or indirectly compensate any person, who is not our supervised person, or receive compensation from another for client referrals.

### ***Other Compensation***

We receive compensation and transitional assistance (“Transition Services”) from TD Ameritrade for using TD Ameritrade’s Institutional Platform for a period of 12 months from the execution of the agreement. Transition Services are defined as marketing, legal, compliance consultation and other such professional services for the purpose of establishing a registered investment advisor and transitioning investment advisory services and clients to the newly formed entity. Transition Services shall be used only in connection with its investment advisory business or for the direct or indirect benefit of the clients. This creates a conflict of interest because we have an incentive to direct client accounts in consideration of the actual or anticipated incentives or consideration we will receive. We attempt to mitigate these conflicts of interest by evaluating and recommending that clients use TD Ameritrade’s services based on the benefits that such services provide to clients, rather than the compensation and transitional assistance from TD Ameritrade. However, clients should be aware of this conflict and take it into consideration when deciding whether to establish or maintain a relationship with TD Ameritrade.

In addition, refer to Items 5, 10, and 12 above for details of our compensation structure as well as any other compensation our IARs may receive.

## **Item 15 – Custody**

We do not take custody of client funds or securities. Client assets are held at a qualified custodian. However, we are deemed to have limited custody of some of our clients’ funds or securities when the clients authorize us to deduct our management fees directly from the client’s account.

In addition, we are also deemed to have custody of clients’ funds or securities when clients have standing letters of authorizations (“SLOAs”) with their custodian to move money from a client’s account to a third-party, and under that SLOA it authorizes us to

designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

The qualified custodian will send you, at least quarterly, your account statements. The account statements will reveal the funds and securities held with the qualified custodian, any transactions that occurred in your account, and the deduction of our fee. You should carefully review the account statements received from the qualified custodian and compare them with any statements that you receive from us. You should contact us at the address or phone number on the cover of this brochure with any questions about your statements and notify us if you do not receive the account statements, at least quarterly, from the qualified custodian.

## **Item 16 – Investment Discretion**

We accept discretionary and non-discretionary authority to manage securities accounts on your behalf upon receipt of the executed client agreement that grants us permission to exercise such authority. Specifically, we have discretionary authority to determine which securities to buy or sell on your behalf, determine the amount of securities to be bought or sold on your behalf, the broker or dealer in which to execute such securities transactions, and determine what transaction fee rate shall be paid on your behalf.

In addition, as discussed in Item 15 above, we have the authority under the SLOA to instruct the custodian to transfer assets from your account to related accounts and third parties, and to designate the amount and/or timing of the transfers.

In managing an investment portfolio, we act in a manner in keeping with what we understand and believe to be in your best interest. In making these buy and sell decisions, we follow general guidelines established by you which may include instructions to have AdvisorTrust refrain from purchasing certain securities. Any restrictions must be submitted to us in writing.

## **Item 17 – Voting Client Securities (i.e., Proxy Voting)**

### ***Proxy Voting***

We do not accept or have the authority to vote proxies on your behalf. Our client advisory agreements, or other client documents, provide that our advisory clients expressly retain the authority and responsibility for voting proxies of portfolio securities. We may provide

advisory clients with administrative assistance regarding proxy voting or issues; however, you have the responsibility to receive and vote any proxies. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. Clients should contact their custodian or a transfer agent with questions about a particular solicitation.

### ***Class Actions***

From time to time securities held in your portfolio may be the subject of class action litigation. The decision regarding whether to file a proof of claim in a class action settlement is a question involving legal judgment. We do not instruct or give advice to you on whether or not to participate as a member of class action lawsuits and will not automatically file claims on your behalf. If you request additional assistance, we will provide any transaction information pertaining to your account that may be helpful and/or needed in order for you or your custodian to file a proof of claim in a class action.

## **Item 18 – Financial Information**

We have no financial condition that is reasonably likely to impair our ability to meet contractual commitments to you given that we do not have custody of client funds or securities or require or solicit prepayment of fees in excess of \$1,200 per client and six months or more in advance. In addition, we are not currently, nor at any time in the past ten years been the subject of a bankruptcy petition.

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

We are an SEC registered investment adviser; therefore, this section is not applicable.