

# Item 1 – Cover Page



**Form ADV Part 2A**

**Challenger Finance Advisors LLC**

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This brochure (“Brochure”) provides information about the qualifications and business practices of Challenger Finance Advisors, LLC (“Challenger”), a federally-registered investment adviser (SEC #TBD). Registration does not imply a certain level of skill or training but only indicates that Challenger has registered its business with state and federal regulatory authorities, including the United States Securities and Exchange Commission (SEC). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

If you have any questions about the contents of this Brochure, please contact us at (310) 869-5904 or [info@Challenger-fund.com](mailto:info@Challenger-fund.com). Additional information about Challenger is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This is the Firm's initial ADV Brochure and, therefore, there are no material changes to report.

Clients and prospective clients may request the most recent version of this brochure by emailing [info@Challenger-fund.com](mailto:info@Challenger-fund.com).

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# Item 4 – Advisory Services

## Overview

Challenger Finance Advisors, LLC (“Challenger”, or “Adviser”, or “the Firm”) is an online investment adviser that offers an online platform providing cash management for business entities and individuals including those with a high net worth, businesses, charities and non-profits and venture capital funds. The Firm was established in 2019 and registered with the Securities and Exchange Commission (“SEC”) in August 2019. The Adviser is a privately held limited liability company organized under the laws of the state of Colorado in July 2019. Additional information about Challenger’s products, structure and directors is provided on Part 1 of Challenger’s Form ADV which is available online at <http://www.adviserinfo.sec.gov>. We encourage clients to visit our website [www.Challenger-fund.com](http://www.Challenger-fund.com) for additional information.

Challenger develops a risk profile from information gathered from Clients in online onboarding questions. Challenger’s target investments are in very low risk instruments such as treasury bills, notes and ETFs.

## Services

Through our website or mobile app (“Sites”), each client provides information such as financial, time horizon, age, investment experience and investment objectives that is gathered via online onboarding questions. Challenger’s algorithm uses the data collected to assess the Client’s risk profile (“Profile”) and determine if it is consistent with the Firm’s very low risk investment strategy. Once the Profile has been determined to be of very low risk by Challenger’s algorithm, the account is approved and opened on a discretionary basis. Subsequently, Challenger’s online system automatically implements Challenger’s investment strategy that includes a limited range of low risk investment options including treasury bills, notes and ETFs. The strategy will be periodically rebalanced in order to maintain a portfolio in accordance with the goal of achieving maximum returns with the safety of low risk investments. Each client will be required to reaffirm or update their personal data through the Sites if their financial situation, investment objectives, risk tolerance, or life events change or at least annually.

Challenger’s portfolio is designed to provide a conservative investment for clients whose objectives and risk tolerance are based on very limited or no risk. The investments in the portfolio will primarily consist of treasury bills, notes and ETFs (collectively “portfolio investments”). Clients are not able to change the underlying investments that comprise each portfolio.

Each client's Program account ("Account") will be held in the client's name at DriveWealth, LLC, a registered broker dealer and Member of FINRA whose independent custodian is Equity Trust Company ("ETC") ("Custodian"). All Accounts managed through the Sites are required to use DriveWealth's custodian, ETC, for clearance and settlement.

All clients will receive our Advisory Agreement describing the discretionary authority that a client grants to Challenger, as well as the services they will receive, fees they will be charged, and the conditions of the relationship. Challenger does not offer tax, accounting or legal advice.

## Item 5 - Fees and Compensation

### Wrap Fees

Challenger offers a wrap fee program ("Program") with professional investment advisory services through an electronic (online and mobile only), web-based application to individuals and high-net worth individuals as well as business entities, charities, non-profits and venture funds. Challenger will interact with clients using a software application developed by its parent company, Challenger Finance Inc.

Challenger clients pay an maximum annual Wrap fee of 0.50% which covers all trade and advisory fees, i.e., charges for investment advisory as well as the execution of securities transactions, including brokerage commissions, account opening fees, transactions fees, and custodian fees. However, Clients may also incur other related costs charged by the Custodian or other third parties such as for transfer taxes, wire transfers, electronic fund transfers, returned check fees, etc. Fees may be negotiable.

The Wrap fee is billed monthly in arrears and is based on the value of the Client's assets under management on the last day of the previous month. \ Wrap fees are charged on a monthly basis as explained below. Challenger's fees are charged in arrears and are calculated on a continuous basis and deducted from Clients' Accounts each month as follows: Challenger calculates a daily advisory fee, which is equal to the fee rate multiplied by the net market value of the Client's Account at the end of each day, or at of the close of markets on the immediately preceding trading day for any day when the US markets are closed, and then divided by 365 (or 366 in any leap year). The advisory fee for a calendar month is equal to the total of the daily fees calculated during that month and is deducted from Client Accounts no later than the seventh day of the month.. Clients will authorize Challenger and the Custodian in writing to directly debit the wrap fee monthly from the client's account.

Clients should be aware that this wrap account may cost more or less than someone would pay to have all of the services provided separately to them. Factors that would bear upon the cost of this account in relation to receiving the services separately include the number of different service

providers needed to achieve the results, the need for increased coordination and management, and the execution capabilities, speed, and efficiency of the various service providers.

Either party may terminate the advisory relationship through our web-based application at any time. If a client wishes to terminate the relationship via email, he or she can contact us at [support@Challenger-fund.com](mailto:support@Challenger-fund.com). The termination will take effect promptly upon our receipt of the e-mail from the client or the notification from the web-based application. Challenger may terminate a client's access to our online service if we believe a client is in breach of the Challenger Terms of Use and/or Advisory Agreement. Challenger will prorate the wrap fee if we or a client terminates access to the Program intra-monthly.

## Item 6 – Performance Based Fees and Side by Side Management

Challenger does not charge performance-based fees. Our advisory fees are only charged as disclosed above in Item 4. The Adviser does not perform side-by-side management.

## Item 7 - Types of Clients

There are no minimum account size requirements to establish an account with Challenger. Challenger offers its advisory services on a discretionary basis only to business entities and individuals including high net worth individuals, charities, non-profit organizations and venture capital funds that maintain a funding account with a U.S. bank.

Challenger is a software-based financial advisor which means each client must acknowledge her ability and willingness to conduct her relationship with Challenger on an electronic basis. Under the terms of our Advisory Agreement, each client agrees to receive all Account information and Account documents (including this Brochure), and any updates or changes to same, via electronic access to the Sites and Challenger's electronic communications. Unless noted otherwise on the Sites or within this Brochure, Challenger's advisory service, the signature(s) on the Advisory Agreement, and all documentation related to the Program are managed electronically. Challenger does not make individual representatives available to discuss servicing matters with clients.

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

## Methods of Analysis and Investment Strategies

Challenger analyzes securities and picks those that optimize consistent, low risk yield in the form of dividends or interest payments with very low risk to the client's assets. Challenger develops the client's risk profile from information gathered in on-boarding questions and primarily invests in short term US government-backed products.

### Government Securities

Challenger has defined a very limited scope of asset classes taking into account only very low risk vehicles. As such, Challenger's portfolio may invest in U.S. government securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. The risks associated with U.S. Government Securities include—

- **Interest Rate Risk**: The current interest rate could affect the value of your investment in a government security if you have to sell it before maturity.
- **Inflation Risk**: There is a risk that the return you earn on your investment in a government security does not keep pace with inflation.
- **Market Risk**: There is a risk that the entire market declines and the prices of government securities will fall. If you need to sell your security before maturity date, you may have an economic loss.

### Treasury Exchange Traded Funds (“ETFs”)

ETFs are an investment instrument that may be used by Challenger due to low costs, passive management, and availability. We select ETFs based on securities that offer very low risk, low tracking error, low expense ratio, and high market liquidity. Treasury ETFs attempt to track the treasury ETF market while paying regular dividends. Because this is an exchange traded fund, there is market risk that the dollar value of the ETF will decrease when interest rates change.

Challenger will continuously monitor its portfolio and periodically rebalance the assets in Client accounts in an effort to optimize returns for the intended level of risk.

Challenger will also periodically review available ETFs to identify the most appropriate ETFs to for the portfolio. We look for ETFs that minimize cost and tracking error and offer market liquidity as well as very low risk. Many investors do not realize that ETFs do not exactly track the indexes they were created to mimic. Choosing an ETF with a low expense ratio that does not



track the asset class recommended by our service runs the risk of sub-optimizing a client's portfolio's performance. We also choose ETFs that are expected to have sufficient liquidity to allow client withdrawals at any time. Finally, we select ETFs that have conservative and shareholder-friendly securities lending policies.

## Risk of Loss

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that a client should be prepared to bear. Clients need to remember that past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.

The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining Challenger's services. These risks should be considered as possibilities, with additional regard to their actual probability of occurring and the effect on a client if there is in fact an occurrence.

**Advisory Risk** – There is no guarantee that Challenger's judgment or investment decisions about particular securities or asset classes will necessarily produce the intended results. It is possible that clients or Challenger itself may experience computer equipment failure, loss of internet access, viruses, cyber-attacks, or other events that may impair access to the Sites. Challenger and its representatives are not responsible to any client for losses unless caused by Challenger breaching its fiduciary duty.

**Software Risk** – Challenger delivers its Program entirely through software. Consequently, Challenger rigorously designs, develops and tests its software extensively before putting such software into production with actual client accounts and periodically monitors the behaviors of such software after its deployment. Notwithstanding this rigorous design, development, testing and monitoring, it is possible, that such software may not always perform as intended or as disclosed on the Sites, or other Challenger disclosure documents. Challenger continuously strives to monitor, detect and correct any software that does not perform as expected or disclosed.

**Volatility and Correlation Risk** - Clients should be aware that Challenger's asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that assets may exhibit different types of risk.

**U.S. Government Securities Risk** - Clients may invest in U.S. government securities. U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

**Interest Rate Risk** - The current interest rate could affect the value of your investment in a government security if you have to sell it before maturity.

**Inflation Risk** - There is a risk that the return you earn on your investment in a government security does not keep pace with inflation.

**Market Risk** - There is a risk that the entire market declines and the prices of government securities will fall. If you need to sell your security before maturity date, you may have an economic loss.

## **ETF Risks**

Treasury ETFs attempt to track the treasury ETF market while paying regular dividends. Because this is an exchange traded fund, there is market risk that the dollar value of the ETF will decrease when interest rates change. Similar price changes in similar directions which may adversely affect a client, and may become more acute in times of market upheaval or high volatility.

*ETF Risks, including Net Asset Valuations and Tracking Error* - ETF performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because: 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF.

*Two Levels of Advisory Compensation* - Clients should be aware that to the extent they invest in ETFs, they may pay two levels of advisory compensation - advisory fees charged by Challenger plus any management fees charged by the issuer of the Fund. This scenario may cause a higher advisory cost than if a client purchased the Fund directly.

*Market Risk* - Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities, and the portfolio that owns them, to rise or fall. Because the value of an investment in a portfolio will fluctuate, there is the risk of loss of money.

*Credit Risk* - Securities in which the Fund invests could deteriorate as a result of, among other factors, an adverse political development, a change in foreign or fiscal policy or an economic downturn. As a result, the ETF's expected to be stable may experience a loss or have significant variations in performance, may result in additional treasury activity to support these events, or may otherwise have a weak financial condition or be experiencing financial distress.

**Liquidity Risk** - Liquidity risk exists when particular portfolio investments are difficult to purchase or sell. To the extent that the portfolio holds illiquid investments, the portfolio's performance may be reduced due to an inability to sell the investments at opportune prices or times. Liquid portfolio investments may become illiquid or less liquid after purchase by the portfolio due to low trading volume, adverse investor perceptions and/or other market developments. Liquidity risk includes the risk that the portfolio will experience significant net redemptions at a time when it cannot find willing buyers for its portfolio securities or can only sell its portfolio securities at a material loss. Liquidity risk can be more pronounced in periods of market turmoil.

**Marketplace Account Risks** – Marketplace accounts are subject to various risks, including but not limited to:

- *Limited Investment Options* – Clients may only choose from one investment option that relies on the ongoing investment advice of Challenger. The choice of the underlying investments of the Client accounts is subject to the approval of the Challenger.
- *Potential Changes to the Portfolio* – Challenger may change or terminate any or all Portfolio investments at any time and for any reason consistent with its stated objectives. Depending on the nature of the change, the change may or may not be beneficial to all Clients.

## Item 9 - Disciplinary Information

Like all registered investment advisors, Challenger is obligated to disclose any disciplinary event that might be material to any Client when evaluating our services. Neither does the Firm or any of its related persons have any legal, financial, regulatory, or other “disciplinary” items to report to Clients. This includes Criminal or Civil Actions, Administrative Enforcement Actions, and Self-Regulatory Enforcement Actions.

## Item 10 - Other Financial Industry Activities and Affiliations

- Neither Challenger nor any of its management persons are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker dealer.
- Neither Challenger nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity-trading advisor, or as an associated person to the foregoinglist.
- Neither Challenger nor any of its management persons have relationships with other entities in the financial services industry that materially affect Challenger advisory

business or its clients.

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

### Code of Ethics

The Adviser has adopted a Code of Ethics (the “Code”) under Rule 17j-1 of the Investment Company Act and Rule 204A-1 of the Investment Advisers Act for certain access persons (“Access Persons”) of the Adviser.

The Code identifies a number of basic principles that guide our business practices and set minimum standards of business conduct. These are the ethical principles on which the Code has been based:

- We must always conduct our business with the highest level of honesty, professionalism and ethical conduct. This high standard must be followed in dealing with employees, business partners, outside agencies, regulatory bodies and clients. Further, we must follow this standard in our handling of actual or apparent conflicts of interest between personal and professional relationships.
- We must strive for full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to, the Securities and Exchange Commission (“SEC”), the Financial Industry Regulatory Authority (“FINRA”), and other regulatory bodies as well as in our public communications made by the Adviser.
- We must fully comply with applicable laws, governmental rules and regulations.
- We must make every effort to continuously improve and uphold our good reputation with customers and business partners and seek to ensure that our clients are treated fairly and appropriately with every interaction.
- Our entire team must constantly seek to encourage an environment of mutual respect, openness and integrity in the workplace. Further, we encourage every member of the team, at all levels in the organization to foster a spirit of teamwork, entrepreneurial energy and enthusiastic client focused activities that resonate to all involved our commitment to excellence and our higher ethical standard.

The employees of Challenger and its affiliates have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

The Code is designed to ensure that Access Persons act in the interest of its clients with respect to any personal trading of securities. The Code contains (i) certain reporting requirements

applying to purchases of Funds or the purchase of underlying portfolio securities and (ii) securities trading clearance procedures applying to the purchase of portfolio securities. The Code also requires all Access Persons to pre-clear with a compliance officer all trades in stocks, bonds, initial public offerings, and private investments. Subject to the terms of the Code, employees of Challenger may purchase for their own accounts securities recommended for purchase by clients.

## Participation or Interest in Client Transactions

While highly unlikely and improbable, Challenger may recommend the purchase or sale of securities in which it has a financial interest. However, without the approval of the Chief Compliance Officer (“CCO”), Challenger shall not invest in, acquire investments from, or sell investments to any Client that holds an investment of more than 5% of the outstanding equity of such entity or is in a position of control.

Furthermore, Challenger has adopted policies and procedures to avoid potential conflicts of interest to the detriment of Clients:

- Challenger’s CCO will monitor the personal securities transactions of the Adviser’s associates to ensure that such persons are fulfilling their fiduciary responsibilities to clients.
- In addition to monitoring securities transactions, the CCO will take all reasonable steps to determine that all associates of the Adviser comply with certain restrictions regarding a) Pre-clearance of Securities Transactions; b) Black-Out Periods; c) Short Term Trading; d) Active Trading by Advisory Representatives for their own Accounts; and, e) filing Quarterly Personal Securities Trading Reports.
- Challenger and its employees may buy or sell securities that are also held by the clients.
- Employees must comply with the provisions of the Challenger’s Compliance Manual and Code of Ethics.

## Personal Trading

The Chief Compliance Officer of the Adviser is responsible for reviewing all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that Clients are not compromised.

# Item 12 - Brokerage Practices

## Directed Brokerage

Challenger does not maintain custody of any client assets that we manage, although we will be deemed to have custody of Client’s assets only by virtue of the fact that Clients give us

authority to withdraw advisory fees directly from their account. All Client assets must be maintained in an account at Equity Trust Company (“ETC”), the “qualified custodian” for DriveWealth, LLC, the brokerage firm with which we have a relationship.

By selecting our Program, all clients are directing us to use DriveWealth, a registered broker-dealer, member FINRA/SIPC, and ETC, their qualified custodian. We are independently owned and operated and are not affiliated with DriveWealth or ETC. DriveWealth will hold each client’s assets in a brokerage account and buy and sell securities when we and/or our client instructs them to. All accounts use our broker dealer, DriveWealth and its custodian, ETC in order to use Challenger’s services. Clients will need to open an account with DriveWealth/ETC by entering into an account agreement directly with them. We do not open the account for our clients, although we may assist our clients in doing so. If a client does not wish to place their assets with DriveWealth/ETC, then they cannot participate in Challenger’s Wrap fee Program.

Because Challenger is directed to use only DriveWealth/ETC, some securities transactions may be executed with higher fees or at slower processing times than if Challenger used a different broker dealer. However, because clients who pay a wrap fee only pay one fee that includes advisory and brokerage services, we do not expect that the directed brokerage to DriveWealth/ETC will materially affect the Client. Because Challenger covers the brokerage fee, it may face an economic conflict to effect fewer brokerage transactions. Nevertheless, Challenger has policies and procedures to mitigate such conflicts.

## Factors Used to Select Brokers/Custodians

In determining a custodian/broker to use for our Program, Challenger based its decision to use DriveWealth/ETC as the qualified custodian on our evaluation of its services to be most advantageous overall when compared with other available providers and their services. We considered a wide range of factors, including:

1. Competitiveness of the price of those services.
2. Capability to execute, clear, and settle trades (buy and sell securities for each account) itself or to facilitate such services.
3. Capability to facilitate timely transfers and payments to and from accounts.
4. Quality of services.

## Best Execution

We have an obligation to seek best execution for our clients. In seeking best execution, the determinative factor is not the lowest possible commission but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including execution capability, commission rates, reputation and

responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

Challenger anticipates that DriveWealth/ETC will provide best execution for the client. However, in the event Challenger determines that DriveWealth/ETC does not at any time provide best execution in its capacity as a broker/dealer, Challenger reserves the right to select a different broker/dealer which will provide best execution with respect to such transaction.

Generally, when clients make changes to their accounts during normal market hours transactions will be processed momentarily while changes clients make to their accounts when markets are closed will be processed the next business day. Transactions are sometimes subject to processing delays that can cause significant time lapses between the time clients have initiated a change to an account and execution. In particular, processing delays may mean that account changes initiated less than thirty minutes before markets close may not transact until the next business day. Markets generally close at 4:00 PM ET. Further, deposits are automatically subject to a processing period that may be up to five business days or longer; deposit related transactions will not occur until the next business day after this processing period is complete.

## **Aggregating Securities Transactions for Client Accounts**

Challenger anticipates (but is not obligated to) combine or “batch” orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Challenger clients. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among the Challenger clients in proportion to the purchase and sale orders placed for each client Account on any given day.

## **Item 13 - Review of Accounts**

Challenger reviews each client’s Account when it is opened, and continuously monitors and periodically rebalances each client’s portfolio to seek to maintain a Client’s targeted risk tolerance and optimal return for the Client’s risk level. Challenger also conducts reviews when material changes may have occurred to a client’s portfolio or investment objectives. We consider any tax implications and the volatility associated with our chosen asset class when deciding when and how to rebalance.

Challenger has access to all client information provided by Clients to determine if the Clients’ investment objectives are consistent with the investments of its Portfolio. Challenger does not provide the client information to any other portfolio manager but may share information with its custodian, ETC.

On an annual basis, Challenger contacts each Client to remind them to review and update



or reaffirm the profile information they previously provided. These notifications and confirmations include a link to the client's current information and contact information for Challenger. Currently, Challenger's CCO is tasked with supervising, arranging and responding to these notifications, confirmations and reviews.

Challenger conducts separate reviews related to investments used for client portfolios. These reviews are approved by Challenger, which has the authority, if necessary, to take action up to and including the removal, addition or replacement of an investment, within the portfolios.

## **Client Information Provided to Portfolio Managers**

Challenger and or its custodian, ETC, will provide all clients with continuous access via the web-based application for reporting information about Account status, securities positions and balances. Clients may also receive periodic, automatically-generated e-mail communications describing portfolio performance, Account information, and product features and reminders to update their investment profile.

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

Challenger does not offer compensation to current Clients or Solicitors for referring new clients. Clients are not charged any fee or other costs for being referred to Challenger by a current Client,

Challenger and/or its affiliates may, from time to time, provide a referral to other unaffiliated third party professionals ("Third Party Professionals"). Unless otherwise indicated by Challenger in writing, Challenger does not undertake to, nor does it perform, specific due diligence regarding Third Party Professionals and such referrals do not constitute recommendations by Challenger of the Third Party Professionals or their services. Services provided by Third Party Professionals are distinct from those provided by Challenger and its affiliates and additional terms of service may apply.

### **Brokerage for Client Referrals**

In selecting and/or recommending broker-dealers, we do not take into consideration whether or not we will receive client referrals from the broker-dealer or third party.

### **Soft Dollars**

ETC may provide us with certain brokerage and research products and service that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934.



These research products and services will assist us in our investment decision-making process. Such research generally will be used to service all of the clients, but clients who participate in certain strategies may benefit more depending upon the nature of the research.

Because soft dollar benefits could be considered to provide a benefit to the adviser that might cause the client to pay more than the lowest available commission without receiving the most benefit, they are considered a conflict of interest in recommending or directing custodial and third party managerial services. Challenger mitigates these conflicts of interest through strong oversight of soft dollar arrangement by the CCO, in order to assure the soft dollar benefits serve the best interest of the client. The conflict is also mitigated because the clients pay a wrap fee which includes the brokerage transaction costs.

There may be other benefits from requiring ETC such as software and other technology that (a) provide access to client Account data; (b) facilitate trade execution and allocate aggregated trade orders for multiple client Accounts; (c) provide research, pricing, and other market data; (d) facilitate payment of fees from its client's Accounts; and (e) assist with back-office functions, recordkeeping and client reporting.

## Item 15 – Custody

Except to withdraw wrap fees directly from Client accounts, Challenger shall never have custody of any Client funds or securities. Instead, the services of a qualified and independent custodian (ETC) will be used for custody of Client assets. Challenger will provide a fee invoice to each Client at the same time as the Custodian that contains the formula used to calculate the fee for that period. Clients are advised to review the invoice provided by Challenger and reconcile it with the invoice received from the Custodian.

### Account Statements

Since assets are always held at a qualified custodian, account statements will be provided by the custodian directly to Clients at the address of record quarterly.

### Performance Reports

Clients will receive transaction confirmations and quarterly statements from the account custodians. These reports will list client's account holdings as well as transactions and fees paid to Challenger. Clients are urged to compare the account statements received directly from their custodians to performance reports provided by Challenger.

## Item 16 – Investment Discretion

## Discretionary Authority for Trading

There are no limitations on Challenger's authority to determine the securities or the amount thereof to be bought or sold for Clients. In requiring DriveWealth/ETC as broker/custodian for its Clients, Challenger considers the full range and quality of the broker's services, including among other things, execution capability, financial stability, quality of service and commission rates.

Challenger manages and supervises the investment of Client assets on a discretionary basis and is committed to providing prudent investment strategies designed to meet the stated objectives of each Client.

## Limited Power of Attorney

Challenger may execute Limited Power of Attorney for certain Clients.

## Item 17 - Voting Client Securities

Given the nature of the assets in which Challenger's portfolio will invest, Challenger does not anticipate that it will encounter any proxies to be voted. Should Clients receive proxies, Challenger will not vote any proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. We are authorized to instruct the Custodian to forward copies of all proxies and shareholder communications relating to a client's Account to the client. Further, Challenger will not be required to take any action or render any advice with respect to any securities held in the Account, which are named in or subject to class action lawsuits.

## Item 18 - Financial Information

### Balance Sheet

We do not charge any fees in advance and therefore are not required to provide any Clients with a Firm Balance Sheet.

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

As an advisory firm, Challenger is required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Challenger does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

## Bankruptcy Petitions During the Past Ten Years

We have not been subject of any bankruptcy proceedings.

## Item 19 - Requirements for State-Registered Advisers

N/A

# Schedule A – Potential expenses not covered by the Challenger Fee

Below is a list of Custodian fees clients may incur that are not included in the Challenger's Wrap fee. These fees would be incurred based on a Client's request, beyond the control of Challenger. Should a Client incur any of these fees, such client will be responsible for their payment. This list of fees is the current list of the Custodian fees, as represented to Challenger, but the Custodian reserves the right to change these fees in the future.

## **Transfer Charges**

ACAT Out (USA) \$50.00 per Account\*

ACAT OUT (Intl.) \$100.00 per Account\*

ACAT Incoming Free

\*ACAT pass through fee \$0.10 per position (inbound and outbound)

DWAC Transfer \$75.00 per position

DTC Deliveries/ Receives \$15.00 per position

DRS Transfer Incoming and Outgoing \$50.00 per position

## **Miscellaneous Charges**

Returned Checks \$20.00

Check Stop Payments \$25.00

Overnight Check Delivery \$20.00

Returned Wire Transfers (applies to attempted third-party wires)\$25.00

Tax Certification (W-8 Ben) \$5.00 per Account. One-time fee assessed at Account opening. Non-U.S. Accounts only.

1099 Request for Exempt Accounts \$50.00

Tax Document Request (Fax and Regular Mail) \$25.00

Physical Copy of Trade Confirmations \$3.00 per confirmation

Physical Copy of Monthly Account Statements \$5.00 per statement

Broker Assisted Trades (Phone Order) \$10 per Transaction

## **Withdrawal/ Administrative Request Charges**

Paper Check / e-check (USD) \$3.00

ACH Transfer (outgoing) \$0.20

Outgoing Domestic Wire Transfer \$25.00

Outgoing International Wire Transfer \$35.00