



## **Form ADV Part 2A: Appendix 1**

# **The Strategic Select<sup>sm</sup> Portfolio Management Program Wrap Fee Brochure**

This wrap fee brochure provides information about the qualifications and business practices of The Strategic Financial Alliance, Inc. ("SFA"). If you have any questions about the contents of this Brochure, please contact us at (678) 954-4000. 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.

SFA is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about SFA (CRD #126514) also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

2200 Century Parkway, Suite 500  
Atlanta, Georgia 30345  
(678) 954-4000  
[www.thesfa.net](http://www.thesfa.net)

VERSION DATE: April 28, 2016

## ITEM 2 – MATERIAL CHANGES

This is the initial disclosure brochure for The Strategic Select<sup>sm</sup> Portfolio Management Program.

### **Annual Update**

We will provide you a Summary of Material Changes to this and subsequent Brochures within 120 days of the close of our business fiscal year (December 31). We may provide other ongoing disclosure information about material changes as necessary.

### **Brochure Availability**

We will provide our most current Brochure upon request at any time, without charge. Our Brochure may be requested by contacting our Chief Compliance Officer at (678) 954-4000. Our Brochure is also available on our website at [www.thesfa.net](http://www.thesfa.net).

Additional information about SFA (CRD #126514) and its Advisory Representatives is available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### ITEM 3 -TABLE OF CONTENTS

ITEM 1 -- COVER PAGE .....	i
ITEM 2 – MATERIAL CHANGES .....	ii
ITEM 3 -TABLE OF CONTENTS .....	iii
ITEM 4 – SERVICES, FEES AND COMPENSATION .....	1
PROGRAM DESCRIPTION.....	1
FEES, BILLING AND COMPENSATION .....	2
NEGOTIATION OF FEES AND COMPENSATION.....	6
OPTIONAL LIMITED TRADING AUTHORIZATION/DISCRETION .....	6
TERMINATION.....	7
ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS.....	7
ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION .....	8
CLIENT TAILORED SERVICES AND CLIENT IMPOSED RESTRICTIONS.....	8
WRAP FEE PROGRAMS .....	9
OTHER ADVISORY SERVICES.....	9
PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT .....	9
METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS .....	9
VOTING CLIENT SECURITIES.....	12
ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS .....	12
ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS .....	13
ITEM 9 – ADDITIONAL INFORMATION .....	13
DISCIPLINARY ACTION .....	13
CODE OF ETHICS.....	13
REVIEW OF ACCOUNTS .....	14
CLIENT REFERRALS AND OTHER COMPENSATION .....	15
FINANCIAL INFORMATION.....	16

## ITEM 4 – SERVICES, FEES AND COMPENSATION

The Strategic Financial Alliance, Inc. (“SFA”) is a registered broker-dealer with Financial Industry Regulatory Authority (“FINRA”), and is also an Investment Adviser registered with the Securities and Exchange Commission (“SEC”). SFA is an Atlanta based Georgia corporation, formed in 2003, and a wholly-owned subsidiary of SFA Holdings, Inc. Clive Slovin is the President and CEO.

SFA has worked to build a strong reputation within the Financial Services Industry through its independent model and commitment to service. Through its network of independent Advisory Representatives, SFA offers a range of advisory services.

As of 12/31/15, SFA managed assets valued at approximately \$438.1, of which approximately \$126.3 million were managed on a discretionary basis and \$311.8 million were managed on a non-discretionary basis.

Additionally, as of 12/31/15 SFA had approximately \$570.6 million in assets under advisement, which represents the assets referred by SFA to third party asset managers as described in the ADV Part 2A Brochure under “Third Party Asset Managers.”

SFA offers portfolio management through its Strategic Select<sup>sm</sup> Portfolio Management Program (“the program” or “Strategic Select”). Working with our Advisory Representatives, Strategic Select offers clients a personalized approach to implementing an individualized investment strategy designed to offer a diversified, long-term approach to meeting personal investment goals with the goal of meeting their investment objectives through asset allocation, portfolio monitoring, and consolidated reporting.

### **PROGRAM DESCRIPTION**

The program is designed to offer a diversified, long-term approach to personal investment goals and objectives through asset allocation, portfolio design, portfolio monitoring, consolidated reporting, and, most importantly, individualized portfolio management. It allows you to invest in no-load or load-waived mutual funds, variable products, stocks, bonds, commercial paper, money market shares, CDs and exchange traded funds, according to the investor’s needs, goals, objectives and preferences. The program is available to individual clients, high net worth individuals, pension and profit sharing plans, corporations, trusts, estates, charitable organizations, and other business entities.

Before participating in the program, you will receive an initial consultation with an SFA representative (“Advisory Representative”) to help determine your financial situation including investment history, goals and objectives, risk tolerance and special interests or concerns. Based on this consultation, a *Statement of Investment Selection* (“SIS”) is prepared. The SIS will help

your Advisory Representative work with you to design a portfolio intended to meet your goals as you have defined them.

Your Advisory Representative will assist you in establishing a brokerage account with Pershing Advisor Solutions, LLC, which will provide clearing and custody for your account(s).

Your Advisory Representative will review the strategy periodically, and may recommend changes in the asset allocation among securities as market and/or your circumstances change. It is important that you contact your Advisory Representative if your financial situation or objectives change.

### **FEES, BILLING AND COMPENSATION**

The SFA program is offered in two fee structures, an All-Inclusive Account (“Wrap Fee”) in which you pay an asset-based fee (“Advisory Fee”) and, occasionally, fees such as a stock reorganization fees passed on by the clearing firm; and, a Non-Inclusive Account (“Non-Wrap Fee”) in which you pay transaction costs as well as the Advisory Fee. Fees are negotiable, and are fully described in the Strategic Select agreement for services (“Agreement”).

You will be charged Advisory Fees based on an annualized percentage of the value of the assets in the Strategic Select Account. The fee will be assessed and billed quarterly in advance. The fee for any given calendar quarter is debited by the custodian from your account at the beginning of the calendar quarter, based on the total portfolio value as of the last business day of the preceding calendar quarter as determined by the custodian. Your account statement will show the fee for that quarter and the value of the assets on which it was calculated.

The Advisory Fee is comprised of two separate parts:

1. **Program Fee**. The Program Fee is assessed to pay SFA and the service providers which administer the Strategic Select<sup>sm</sup> Program, including Envestnet, the Platform Manager.
2. **Management Fee**. The Management Fee is negotiated with your Advisory Representative for managing your Account(s). The Management Fee you pay may differ from the fees negotiated by other clients for similar services. SFA will retain a portion of this fee for its services.

The first fee will be billed after execution of the Agreement and your Strategic Select account is funded. The fee will be based upon the opening value of the account. If the account is funded at any time other than the first day of a calendar quarter, the payment will be prorated.

During a quarter, if you contribute additional funds of \$10,000 or more to the account, or withdraw \$10,000 or more, the Advisory Fee for that quarterly period will be recalculated. Any

resulting difference in the fee for that period will be added to or deducted from the Advisory Fee for the next billing period.

We generally require that you authorize us in writing to direct your custodian to pay the Advisory Fee directly to us by charging your account. This authorization is set forth in the Agreement.

The following are the maximum advisory fees applied to this program.

#### **STRATEGIC SELECT - ALL INCLUSIVE PROGRAM**

<b>Account Value</b>	<b>Program Fee</b>	<b>Maximum Management Fee*</b>	<b>Maximum Annual Advisory Fee</b>
First \$250,000	0.20%	1.05%	2.25%
Next \$250,000 to \$500,000	0.18%	1.97%	2.15%
Next \$500,000 to \$1,000,000	0.16%	1.84%	2.00%
Next \$1,000,000 to \$2,000,000	0.14%	1.61%	1.75%
Next \$2,000,000 to \$5,000,000	0.10%	1.40%	1.50%
Above \$5,000,000	0.10%	1.15%	1.25%
<i>*Management fees are negotiable. Minimum Annual Fee is \$75.00.</i>			

#### **Transaction Charges**

No transaction or custody charges are assessed to you for trades in these accounts. Transaction costs are paid by your Advisory Representative out of the Management Fee. Certain nominal fees and charges beyond SFA's control such as reorganization charges, termination fees, wires and postage are assessed against the account.

#### **STRATEGIC SELECT – NON-INCLUSIVE PROGRAM**

<b>Account Value</b>	<b>Program Fee</b>	<b>Maximum Management Fee*</b>	<b>Maximum Annual Advisory Fee</b>
First \$250,000	0.20%	1.80%	2.00%
From \$250,000 to \$500,000	0.18%	1.72%	1.90%
Next \$500,000 to \$1,000,000	0.16%	1.59%	1.75%
Next \$1,000,000 to \$2,000,000	0.14%	1.36%	1.50%
Next \$2,000,000 to \$5,000,000	0.10%	1.15%	1.25%
Above \$5,000,000	0.10%	0.90%	1.00%
<i>*Management fees are negotiable. Minimum Annual Fee is \$75.00.</i>			

#### **Transaction Charges for Non-Inclusive Program**

In addition to the asset management fee listed above, the maximum charge of \$15.00 will be charged for each transaction in the non-inclusive program. Certain nominal fees and charges beyond SFA's control such as reorganization charges, termination fees, wires and postage are also assessed against the account.

The custodian of your account will provide you with its fee schedule at account opening. Selected mutual funds are available through the custodian for no transaction fee ("NTF funds") to you in the Non-Inclusive Program. When your Advisory Representative recommends or selects funds which are not on the NTF Fund list, you will pay transaction fees, the cost of which may reduce the performance of the portfolio.

The scheduled Advisory Fees for the All-Inclusive Program are higher than the Non-Inclusive Program because transaction charges are paid by your Advisory Representative out of the Management Fee. This may create an incentive for your Advisory Representative to limit the number of transactions in your account. Your Advisory Representative will consider these costs when negotiating the Management Fee with you. When deciding whether to select an All-Inclusive or Non-Inclusive account, you should base your decision upon trading activity anticipated and the types of securities utilized in the account.

Please consider that depending upon the level of the wrap fee charges, the amount of portfolio activity in the account, the value of services that are provided under the investment program, and other factors, the wrap fee may cost you more than the aggregate cost of services if they were provided separately. Therefore, Advisory Representatives may have a financial incentive to recommend the wrap fee program over other programs or services. Generally, wrap programs are relatively less expensive for actively traded accounts. However, they may result in higher overall costs to you in accounts that experience little trading activity.

#### **ADDITIONAL EXPENSES**

In addition to the Advisory Fee, your investment account may also be charged:

- internal fees and expenses charged by mutual funds, ETFs and variable annuities;
- fees charged by third party money managers;
- maintenance and termination fees for IRAs, certain retirement and qualified accounts; and,
- other fees and taxes on brokerage accounts and securities transactions.

Mutual fund companies, ETFs, and variable annuity issuers charge internal fees and expenses for their products. These fees and expenses are in addition to any advisory fees charged by us. Class B, C, and similar mutual fund shares, and variable products held in accounts may incur sales charges when sold or redeemed. Complete details of these internal fees and expenses are explained in the prospectuses for each investment. We encourage you to read these documents before making or authorizing any investments. Your Advisory Representative will be available to answer any questions you have about fees and expenses. Generally, SFA does not hold Class B or Class C share mutual funds in Strategic Select Accounts.

## **SFA AND ADVISORY REPRESENTATIVE COMPENSATION**

The Advisory Representative managing your Strategic Select account will receive a portion of the advisory fee paid to SFA as a result of their services and the client's participation in the program. Such portions range up to 92% of the Management Fee portion of the Advisory Fee. The amount of this compensation may be more or less than the amount the Advisory Representative would receive if you participated in other company programs or paid separately for investment advice, brokerage, and other services.

When you purchase mutual fund shares or alternative investments through the custodian, you may pay a transaction fee that would not be charged if the transaction were made directly through the issuer. Also, mutual funds held in accounts at brokerage firms may charge internal fees that are different from mutual funds held at the mutual fund company.

Those investments, however, will not be part of our advisory relationship with you. This means that they will not be included in our investment strategies, investment performance monitoring, or investment reallocations.

Generally, only securities purchased at Net Asset Value ("NAV") through SFA or which were purchased through other firms may be deposited into a Strategic Select account.

Other securities may be deposited into a Strategic Select Account with the following limitations:

- No advisory fees are assessed on mutual funds purchased within the previous 12 months on which sales compensation was paid to SFA; and
- No advisory fees may be assessed on assets on which brokerage commissions were paid to SFA during the preceding 90 days.
- No advisory fees may be assessed on alternative assets which are purchased in your Strategic Select account(s) for which a sales commission or solicitor's fee is paid to SFA during the preceding 24 months.

Exceptions will only be made if there is a strong economic or practical reason for doing so; and such fees are authorized in writing by the Chief Compliance Officer or the Chief Supervisory Officer. For these purposes, "sales compensation" does not include 12b-1 fees which may be paid on certain mutual funds and variable annuity products, pursuant to the product prospectus.

Third party advisers, mutual fund companies, alternative product sponsors, insurance companies, and other product vendors may agree to pay directly or indirectly additional



compensation to SFA. This additional compensation may include but is not limited to solicitor fees, marketing allowances, support for SFA conferences, meetings and/or functions. These companies may also provide software, training or other tools and services to facilitate SFA's and its Advisory Representatives' business.

### **NEGOTIATION OF FEES AND COMPENSATION**

Management Fees are negotiated on a case-by-case basis, depending on a variety of factors, including the nature and complexity of the particular service, your relationship with SFA and your Advisory Representative, the size of the Account, the potential for other business or clients, the amount of work anticipated and the attention needed to manage your Account. Your Advisory Representative may negotiate fees that are higher or lower than those negotiated by other SFA Advisory Representatives for similar services. Please note that the same or similar services to those described above may be available through other providers at a lower cost.

Management Fees may be negotiated but not waived for the All-Inclusive program, in which the transactions fees are included in the management fee. Accounts where management fees are waived will be transferred to the Non-Inclusive program, in which the transaction fees are charged separately from the advisory fee.

### **OPTIONAL LIMITED TRADING AUTHORIZATION/DISCRETION**

Clients may choose to sign a limited trading authorization in order to facilitate management of portfolios consistent with clients' stated investment objectives. This limited authority gives investment discretion as to the selection of securities, number of shares to be bought or sold and the time of execution. Discretion may not be authorized in ERISA accounts (e.g., 401k, profit/pension accounts).

Discretion applies only to the selection and amount of general securities, including stocks, bonds, commercial paper, money market shares and exchange traded funds; variable insurance sub-accounts; and, open-end and closed-end mutual funds bought and sold in your Account. Alternative Investments, including interval funds, and variable annuity contracts may not be purchased on a discretionary basis. Discretion does not extend to deposits into or withdrawals from accounts. All Strategic Select accounts are held at, and trades executed through, Pershing Advisor Solutions, LLC.

You must authorize discretion in writing, and you may withdraw the authorization, in writing, at any time. Advisory Representatives must receive the approval of SFA's Chief Supervisory Officer or Chief Compliance Officer prior to offering discretionary portfolio management in Strategic Select accounts.

## **TERMINATION**

Both you and SFA have the right to terminate the Agreement and relationship at any time with or without cause. Termination is effective within 30 days of receipt of your notice to SFA, unless a later date is requested in your notice and agreed to by SFA. For your convenience, SFA may accept your request for termination by telephone. You may terminate your Agreement without penalty within five business days of executing the Advisory Agreement.

If the Agreement is terminated before the end of a billing period (during a quarter), any unearned fees that were deducted from your account will be refunded to you.

The amount refunded to you is calculated by dividing the most recent advisory fee you paid by the total number of days in the quarter. This daily fee is then multiplied by the number of calendar days in the quarter that the Agreement was in effect. This amount, which equals the amount we earned for the partial quarter, is subtracted from the total fee you paid in advance to determine your refund.

If you choose to terminate an Account within the first calendar year after the Account is opened, you will be assessed a fee ("Administrative Fee") of \$200 to defray initial account setup and administration costs and such fee may be paid in the same manner as the Advisory Fee.

SFA may waive the Administrative Fee in its sole discretion. You will be responsible for any transactions initiated prior to termination. Such redemption or liquidation may affect the asset allocation and/or market value of the Account, and may also have tax consequences. In addition, early redemption fees or similar fees for mutual funds and other products may be applicable as described in the product's prospectus or other offering documents. Certain assets that may be transferred or held in the Account may not be accepted by another broker/dealer. SFA will use reasonable efforts to follow your instructions regarding the disposition of Account assets; however, assets that are not accepted by the receiving broker-dealer may be required to be liquidated.

## **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

SFA requires a minimum account size of \$25,000 for Strategic Select accounts. This minimum may be met by a single account or by aggregating the assets within multiple related managed accounts. This minimum account size serves as a guideline. SFA, at its sole discretion, may waive this minimum account requirement.

Should the value of your Strategic Select account (in aggregate with any related accounts considered in the \$25,000 minimum) fall below the minimum requirement of \$25,000 and remain 20% below the minimum (or below \$20,000) for two consecutive quarters, then the advisory

contract may be terminated and the assets would no longer be managed. It may be recommended that the assets be transferred to a non-managed brokerage account.

SFA provides investment advisory services to individuals, high net-worth individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

#### **ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION**

Your Advisory Representative is the sole portfolio manager available with respect to the Program. Please refer to your Advisory Representative's Supplement to this Brochure for information about his or her education and business experience. Your Advisory Representative must be properly registered, have at least five years experience in the financial services industry (or equivalent experience as determined by SFA), and be approved by SFA's management as a portfolio manager in the Strategic Select Program.

When your Advisory Representative works with another Advisory Representative in partnership to manage your account, you will receive the Supplement for each Advisory Representative.

Affiliated and unaffiliated service providers may develop asset allocation models. Your Advisory Representative may also develop asset allocation models or use others from outside independent sources. Each representative develops his or her own methods of analysis, sources of information, and investment strategies. As such, recommendations by representatives, individual investment portfolios and performance will differ.

Your Advisory Representative will manage accounts on an ongoing basis and will review accounts at least annually with you or more frequently upon your request. The purpose of the review is to review the portfolio and its performance; to discuss any changes in your financial profile and investment goals; and, to recommend changes that may be warranted.

You will receive monthly brokerage statements, except for months in which no account activity has occurred, and quarterly statements and performance reports. You may contact your Advisory Representative or the SFA home office 678-954-4000 when you have questions or concerns about your account, financial situation, or investment needs. Please note that your Advisory Representative may not be readily available for unscheduled or unannounced visits or calls.

#### **CLIENT TAILORED SERVICES AND CLIENT IMPOSED RESTRICTIONS**

Your Advisory Representative develops and recommends a strategy based on the information you provide about your financial profile using his or her knowledge and experience. It is very important that you communicate changes in your information so your Advisory Representative can make recommendations and manage your account in a manner that is consistent with your objectives, risk tolerance and time horizon. You may impose reasonable restrictions on the

manner in which your account is managed, such as limiting investments in certain types of securities or asset classes, in accordance with your values, beliefs or preferences.

### **WRAP FEE PROGRAMS**

You may select the All-Inclusive Program (“wrap fee program”) in which the asset-based fee Advisory Fee transaction costs. Alternatively, you may select a program in which you pay transaction fees in addition to the Advisory Fee. You and your Advisory Representative, together, agree on the asset-based fee applied to the management of the account (“Management Fee”), based on the program’s published maximum fee schedule. We do not manage the All-Inclusive program accounts in a manner different from the Non-Inclusive Program accounts, except as mentioned above, the All-Inclusive Program is more suitable when the portfolio strategy includes more active trading. A portion of the Advisory Fee is allocated to the Program Fee, which covers administrative and supervisory services provided by SFA as well as those provided by Envestnet as the Platform Manager. The Program Fee is set on a sliding scale determined by the amount of the assets in the account.

SFA also offers wrap fee and non-wrap fee programs sponsored by Lockwood Advisors, Inc., FTJ Fund Choice, Loring Ward and Asset Mark. These programs are fully described, including fees and expenses, in their respective ADV Part 2A Appendix 1 Disclosure Brochures. Disclosure brochures for these programs are available upon request to your Advisory Representative, at no charge.

### **OTHER ADVISORY SERVICES**

In addition to the investment management services through the Strategic Select program, SFA offers financial planning and investment consulting, as well as recommendations of and referral to third party asset managers. These services are described in SFA’s ADV Part 2A Disclosure Brochure. SFA also offers the Strategic Choice Wrap Fee Program, which is described in the Part 2A Appendix 1 Strategic Choice Program Brochure. These Brochures are available upon request at no charge.

### **PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT**

SFA does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

Certain third party asset managers may assess a performance-based fee, which will be described in the respective manager’s disclosure brochure. In some cases, a portion of the performance fee may be shared with SFA and Advisory Representative(s) as a solicitor’s fee. Any such arrangement will be described to you in a written Solicitor’s Disclosure Statement.

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

SFA’s Advisory Representatives may rely on various types of tools and methods to assist in recommending or selecting investment strategies to you, including asset allocation and various

types of software. SFA's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis. The main sources of information used to formulate investment advice and/or manage assets includes financial newspapers and magazines, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the SEC, and company press releases. The investment strategies used to implement any investment advice given to clients includes long term purchases (securities held at least a year), short term purchases (securities purchased and sold within a year), margin transactions, and covered option writing. Investment returns are highly dependent on the value of underlying securities which are impacted by trends in the various investment markets.

We generally recommend stocks, bonds, ETFs, mutual funds and alternative investments.

Investing in **stocks** involves the assumption of risk including:

- Financial Risk: the risk that the companies we recommend to you may perform poorly which will affect the price of your investment.
- Market Risk: risk that the Stock Market will decline, decreasing the value of the securities we recommend to you.
- Inflation Risk: the risk that the rate of price increases in the economy deteriorates the returns associated with the stock.
- Political and Governmental Risk: risk that the value of your investment may change with the introduction of new laws or regulations.

Investing in **bonds** involves the assumption of risk including:

- Interest Rate Risk: the risk that the value of the bond investments we recommend to you will fall if interest rates rise.
- Call Risk: risk that your bond investment will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.
- Default Risk: the risk that the bond issuer may be unable to pay you the contractual interest or principal on the bond in a timely manner or at all.
- Inflation Risk: the risk that the rate of price increases in the economy deteriorates the returns associated with the bond.

Investing in **mutual funds** involves the assumption of risk including:

- Manager Risk: the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.
- Market Risk: the risk that the Stock Market will decline, decreasing the value of the securities contained within the mutual funds we recommend to you.

- **Industry Risk:** the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
- **Inflation Risk:** the risk that the rate of price increases in the economy deteriorates the returns associated with the mutual fund.

Investing in **Exchange Traded Funds** (“ETFs”) involves the assumption of risk including:

- The public trading price of a redeemable lot of the ETFs may be different from its net asset value. Declining stock prices can cause losses to your investment.
- Some leveraged and inverse ETFs and ETNs “reset” daily, meaning that they are designed to achieve their stated objectives on a daily basis. If held for a period longer than one day, their performance over the longer periods of time can differ significantly from the stated multiple of the performance (or the inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets.
- ETFs and ETNs linked to commodity futures do not offer direct exposure to the commodity’s spot price, and may perform differently than the spot price for the commodity itself.
- You should not assume that an ETF or ETN that is linked to commodity futures will provide an effective hedge because of a negative correlation with equities or other asset classes.

The use of margin, options and short sales are higher risk strategies. It is possible to lose all of the principal you invest, and sometimes more. In a cash account, your risk is limited to the amount of money that you have invested. In a margin account, your risk includes the amount of money invested plus the amount that has been loaned to you. When you short sell, your losses can be infinite.

You should also be aware that transactions in the account (including account reallocations and rebalancing) may trigger a taxable event for you, unless your account is a qualified retirement account.

When using third party asset managers, each manager will have its own methods of analysis, investment strategies and unique investment risks that should also be reviewed and considered. In instances where we recommend that a third party manage your assets, please refer to the third party’s ADV Part 2A and Appendix 1 Disclosure Brochures for details on their investment strategies, methods of analysis and associated risks.

***Investing in securities involves risk of loss that you should be prepared to bear.***

## **VOTING CLIENT SECURITIES**

As a matter of firm policy and practice, SFA does not have any authority to and does not vote proxies on behalf of advisory clients. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your account(s). Your Advisory Representative may provide advice to you regarding the voting of your proxies. SFA will not take any action with respect to any securities held in any accounts that are named in or subject to class action lawsuits.

You will receive information related to proxies directly from your account custodian. We will forward any information received by us regarding proxies and class action legal matters involving securities held in your accounts.

## **ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

SFA appreciates the trust you place in us, and we respect your right to privacy.

We are committed to safeguarding the personal information you entrust to us. At SFA, we believe that it is important that you understand the uses and safeguarding of your personal information.

SFA receives information:

- From paperwork you provide such as Client Account Forms, questionnaires and product applications;
- From conversations, discussions and interviews; and
- From product or service vendors, as a result of your transactions with or through SFA.

At SFA we:

- Maintain all client records in a secured environment;
- Protect computer programs through physical and electronic safeguards; and
- Limit access to responsible employees who require access to the information in order to act on your behalf.

SFA may disclose certain types of information to qualified entities that perform administrative services on our behalf, and as required or permitted by law for legal or regulatory purposes. The information that falls within this category is:

- Information provided by you on Client Account Forms and product applications; and
- Information provided by product or service vendors, as a result of your transactions with SFA.



SFA maintains physical, electronic and procedural safeguards to help ensure that your personal information is safe and accessed only according to these policies, and we will continue to make safeguarding your privacy our highest priority.

Our Privacy Notice is available on our website at [www.thesfa.net](http://www.thesfa.net).

### **ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS**

You are encouraged to contact your Advisory Representative with respect to any changes regarding your investment objectives, risk tolerance and requested restrictions with respect to management of your Strategic Select account. Your Advisory Representative will conduct a review of your account with you no less than annually.

### **ITEM 9 – ADDITIONAL INFORMATION**

#### **DISCIPLINARY ACTION**

On October 29, 2015, SFA entered into an Acceptance, Waiver and Consent with the Financial Industry Regulatory Authority (“FINRA”) concerning its supervision of and procedures related to consolidated reports. Without admitting or denying the allegations, SFA consented to a censure and a \$30,000 fine. SFA was also required to submit an attestation that it had implemented procedures which more fully addressed the supervision of consolidated reports.

Information about your Advisory Representative is available in his or her Supplement to this brochure, and at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### **CODE OF ETHICS**

We have adopted a *Code of Ethics* (“Code”) to address the standard of business conduct required of our Advisory Representatives and employees. The *Code* includes our policies and procedures developed to protect your interests in relation to the following:

- Duty at all times to place your interests ahead of ours;
- All personal securities transactions of our Advisory Representatives and employees must be conducted in a manner consistent with the *Code* and avoid any actual or potential conflict of interest, or any abuse of an Advisory Representative’s or employee’s position of trust and responsibility;
- Advisory Representatives may not take inappropriate advantage of their positions; and
- Information concerning the identity of your security holdings and financial circumstances is confidential and must be safeguarded.

We will provide a copy of the *Code* to you or any prospective client upon request.



We do not buy or sell securities for our own account that we also recommend to you. Our Advisory Representatives and employees are permitted to buy or sell the same securities for their personal and family accounts that are bought or sold for your account.

The personal securities transactions by our Advisory Representatives and employees may raise potential conflicts of interest when they trade in a security that is owned by you or is being considered for purchase or sale for your account.

We have adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- Require our Advisory Representatives and employees to act in your best interest,
- Prohibit favoring one client over another, and
- Provide for the review of transactions to monitor that an Advisory Representative or employee does not place a trade for a personal or beneficial account ahead of a client's transaction in the same security.

Our Advisory Representatives and employees must follow our procedures when purchasing or selling the same securities purchased or sold for your account.

## **REVIEW OF ACCOUNTS**

Our Advisory Representatives review your account on an on-going basis to monitor that your investments and investment strategies are performing in a manner consistent with your stated objectives. Your Advisory Representative will contact you at least annually (or more often as agreed upon with you) to review your account with you and to update your financial status, goals, objectives, and risk tolerances. These reviews also consider any investment restrictions you have requested and how your investments meet your investment time horizons, liquidity needs, tax considerations and other circumstances unique to you. Changes in your investments and your investment strategies will be made or recommended by your Advisory Representative as they are deemed appropriate. Interim reviews may be triggered by social, economic and/or political events.

We strongly encourage you to advise your Advisory Representative of any changes in your personal circumstances, your investment goals or objectives, and your risk tolerances to ensure that your investments and investment strategies are most appropriate for you.

In addition to the reviews done by your Advisory Representative, an Advisory Representative's designated supervisor reviews purchase and sell transactions in your Strategic Select account for suitability. The designated supervisor and SFA also monitor client accounts on a periodic

and on-going basis to help ensure that the investments and transactions in those accounts are consistent with the information you have provided.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **OTHER COMPENSATION**

In its capacity as a broker-dealer, SFA and its registered representatives will earn brokerage commissions and/or fees from the sale or services of investment products such as stocks, bonds, mutual funds, variable annuities and variable universal life products. Commissions vary depending upon the type of security and service offered. Commissions are not earned on transactions in Strategic Select accounts.

Clive Slovin, President of SFA, and certain Advisory Representatives are shareholders of SFA Holdings, Inc. ("SFAH"), parent company of SFA. Shareholders will benefit from the profits accrued to SFAH in the form of dividends.

Certain Advisory Representatives of SFA are shareholders of Ecovest Capital, Inc. ("Ecovest"). Ecovest is the sponsor of real estate development programs sold through private placement to accredited investors. If you purchase an Ecovest program through your Advisory Representative in his or her capacity as a registered representative of SFA, he or she will earn sales compensation. Additionally, shareholders of Ecovest will benefit from profits accrued to Ecovest. Your Advisory Representative's shareholder status, if applicable, will be disclosed to you if an EcoVest product is offered.

In certain instances, product sponsors, investment companies, and third party asset managers ("product sponsors") may participate in activities that are designed to help facilitate the distribution of their products, such as marketing activities and educational programs, and by offsetting expenses that result from the cost of doing business. Additionally, SFA may enter into arrangements with product sponsors whereby SFA receives a marketing allowance or other financial benefit based on sales of the product sponsor's products or by providing access to registered representatives affiliated with SFA's broker-dealer. In return for assistance in facilitating the activities described above, SFA may receive additional compensation from product sponsors. While SFA does not recommend these products over others, these companies may have greater access to our representatives to provide training, education presentations and product information. And this additional compensation may give rise to a financial incentive for SFA to recommend these products over other products where such financial incentives are not present.

While SFA and its registered representatives endeavor at all times to put the interest of their clients first, you should be aware that the receipt of additional compensation itself creates a

conflict of interest and may potentially affect the judgment of these individuals when making recommendations. Additionally, because of the revenue sharing arrangements referenced above, though they do not impact registered representative or advisory representative compensation, representatives may prefer recommending products offered by a sponsor who is participating in the revenue sharing program over other mutual funds, variable products, DPPs, REITs or third party asset managers available through SFA. You should feel free to ask your Advisory Representative how he or she will be compensated for any transaction.

#### **CLIENT REFERRALS**

We enter into written agreements with certain unaffiliated investment advisers and other professionals (such as CPAs, attorneys, etc.) to compensate them for referring clients to us. We will pay these individuals (referred to as “solicitors”) a percentage of the advisory fee that you pay us if it is determined that you have become a client of ours as a result of their direct or indirect efforts.

The payments we make to a solicitor will not result in an increase in the amount of the advisory fee that you pay.

Additionally, we enter into written agreements through which SFA will serve as a solicitor to other investment advisers. SFA (and, in turn, your Advisory Representative) will receive a portion of the advisory fee as a solicitor’s or referral fee when you enter into an advisory agreement with a third party asset manager as a result of your advisory representative’s recommendation.

Our solicitation or referral arrangements will comply with applicable laws that govern:

- the nature of the services provided;
- the fees to be paid;
- disclosure of solicitor arrangements to clients; and
- client consents, as required.

Any solicitor’s fee will be fully described in a written Solicitor’s Disclosure Statement which you will receive when you enter into an advisory agreement as a result of your Advisory Representative’s recommendation.

#### **FINANCIAL INFORMATION**

SFA 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.