

## **Alpha Fiduciary, Inc.**

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An SEC-registered advisory firm<sup>1</sup>

### **FIRM BROCHURE, FEBRUARY 2017**

This brochure provides information about the qualifications and business practices of Alpha Fiduciary, Inc. (“Alpha Fiduciary”). If you have any questions about the contents of this brochure, please contact us at (480) 505-4033 or the website at [www.alphafiduciary.com](http://www.alphafiduciary.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Alpha Fiduciary is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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<sup>1</sup> SEC or State registration does not and should not imply any certain level of skill or training.

## **MATERIAL CHANGES**

Since the filing of the firm's 2016 ADV annual amendment, the following material changes have taken place:

Alpha Fiduciary has discontinued use of the multi-factor forecast model from Model Capital Management. All other information in the "Methods of Analysis, Investment Strategies, and Risk of Loss" section remains the same.

Alpha Fiduciary no longer participates in or receives client referrals from TD Ameritrade's Advisor Direct Program. Alpha Fiduciary continues to provide advisory services to those clients previously referred by this program. Please refer to the "Client referrals and Other Compensation" section for more information.

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## **ADVISORY BUSINESS**

Alpha Fiduciary was founded in 2006 by president and owner Arthur Doglione after working for more than 20 years with high-net-worth clients and building the largest Merrill Lynch practice in the Arizona territory. An industry veteran who deeply understands affluent clients' needs, Art has assembled a team of professionals with experience in wealth management, portfolio management, financial planning, and alternative investments to help clients build and maintain their financial wealth. Clients of Alpha Fiduciary undergo a discovery process to identify their goals and needs, and advisors work with the clients and in certain cases, outside professionals, to match investment strategies and planning vehicles to their needs.

Alpha Fiduciary has under management more than \$600 million in client assets, including those held on both a discretionary and non-discretionary basis.

### **Investment Management Services**

Alpha Fiduciary generally provides investment management services on a discretionary basis according to the investment objectives of clients and in accordance with the terms and conditions of the Investment Advisory Agreement between Alpha Fiduciary and each client. The Alpha Fiduciary investment management process focuses on an in-depth client discovery meeting as well as several internally developed asset allocation models and custom portfolios in order to provide investment returns consistent with clients' investment goals and objectives. Alpha Fiduciary will invest clients' accounts in certain percentages across numerous asset classes (*e.g.*, stocks, corporate and government bonds, managed futures, and other "alternative" investments) in order to target desired investment returns while achieving lower volatility through the use of asset allocation and, in some cases, liquid alternative investment products. Tactical allocation may form part of our defensive or opportunistic strategies.

Prior to engaging Alpha Fiduciary to provide any investment management services, each client will be required to enter into a formal *Investment Advisory Agreement* with Alpha Fiduciary. This agreement sets forth the terms and conditions under which Alpha Fiduciary will manage client assets. Clients will also sign separate custodial/clearing agreements with each designated broker-dealer/custodian.

### **Financial Planning Services**

Alpha Fiduciary provides its clients with financial planning and consultation services (*e.g.*, review of goals and objectives, analysis and recommendations for cash flow planning, asset allocation/investment planning, income tax planning, insurance planning, estate planning, retirement planning, education planning, real estate/mortgage planning, etc.). Prior to engaging Alpha Fiduciary to provide financial planning or consulting services, clients will be required to enter into a *Financial Planning and Consulting Agreement* with Alpha Fiduciary. This agreement sets forth the terms and conditions of the engagement.

Based upon the potential for additional management fees, there does exist a conflict of interest in the event Alpha Fiduciary recommends its investment management services. To mitigate such conflict, no financial planning or consulting client is obligated to utilize Alpha Fiduciary's investment management services. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Alpha Fiduciary.

### **Other Terms & Conditions**

Both the Alpha Fiduciary Investment Advisory Agreement and the custodial/clearing agreements authorize the custodian to debit client accounts for the amount of the Alpha Fiduciary investment advisory fee and to directly remit that management fee to Alpha Fiduciary. In the event that Alpha Fiduciary bills the client directly, payment is due upon receipt of invoice. The Investment Advisory Agreement between Alpha Fiduciary and the client will continue in effect until terminated by either party. In the event the client terminates investment management services, the balance of any unearned fee, if any, shall be refunded to the client.

## **FEES AND COMPENSATION**

### **Investment Management Fees**

Alpha Fiduciary will provide discretionary investment management services pursuant to the Advisory Fee Schedule set forth below. Please note that the entire portfolio will be billed at the applicable rate when it falls within the ranges specified.

<u>Advisory Account Assets Under Management</u>	<u>Annual Fee</u>
Up to \$3 million	1.15%
Over \$3 million but under \$5 million	0.85%
Over \$5 million but under \$10 million	0.75%
Over \$10 million but under \$20 million	0.65%
Over \$20 million but under \$50 million	0.45%
Over \$50 million	0.30%

Advisory Fees are generally prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. (In certain cases for existing client relationships, fees may be paid monthly and/or in arrears.) Actual fees may be negotiated, and a client may pay more or less than similar clients depending on the particular circumstances of the client, which may include considerations related to size of the client's account, additional and/or differing levels of service or as negotiated. Clients that negotiate fees may end up paying a higher fee than that set forth in the fee schedules above as a result of fluctuations in the client's assets under management and/or account performance.

Alpha Fiduciary will generally recommend a broker-dealer/custodian for client's investment management assets. In addition to the investment management fee, the client may incur brokerage commissions and/or transaction fees for effecting certain securities transactions (*i.e.*, transaction fees are charged for certain no-load mutual funds, commissions are charged for

individual securities transactions). In addition, the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses). Client may also incur additional investment management fees assessed by independent managers.

### **Financial Planning Fees**

Fees for financial planning and consulting through Alpha Fiduciary are negotiable but are generally \$350 per hour on an hourly rate basis or from \$1,000 to \$10,000 on a fixed-fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

**Alpha Fiduciary offers a Wrap Fee Program. Please see our Wrap Fee Brochure for additional information.**

## **PERFORMANCE-BASED FEES and SIDE-BY-SIDE MANAGEMENT**

Alpha Fiduciary does not assess any performance fees in its advisory accounts.

## **TYPES OF CLIENTS**

Alpha Fiduciary provides investment advisory services to the following clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates, Charitable Organizations;
- Corporations, Pension Plans & 401(k)s;
- Pooled investment accounts.

Alpha Fiduciary generally requires an account minimum of \$1,000,000 in order to provide investment management services.

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

Alpha Fiduciary will invest client accounts in certain percentages across multiple asset classes (e.g., stocks, corporate and government bonds, managed futures, and other “alternative” investments) in order to target desired investment returns while achieving lower volatility through the use of asset allocation and, in some cases, liquid alternative investment products and/or tactical asset management.

To identify suitable investment products and strategies for clients, the Investment Committee discusses research, academic theory, our own investment philosophy, and current market conditions on approximately a weekly basis. In light of this information, the Committee constructs and modifies portfolios across multiple asset classes to achieve proper diversification as well as to take advantage of trends which may result in superior returns. Depending on client needs and risk comfort level, different mixes of the same investments might be used in a given portfolio. Individual investments undergo a rigorous research process that includes comparison with other available options, review of the regulatory literature, returns data, and fees/costs.

Alpha Fiduciary does not guarantee the future performance of any account or any specific level of performance, the success of any investment decision or strategy that Alpha Fiduciary may use, or the success of overall investment management. All investment decisions are subject to various market, currency, economic, political, and business risks, and investment decisions may not always be profitable. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Alpha Fiduciary if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising any previous recommendations and/or services.

### **DISCIPLINARY INFORMATION**

Registered Advisors are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of Alpha Fiduciary or its management.

On November 30, 2015, the US Securities and Exchange Commission ("SEC") entered administrative and cease-and-desist proceedings et al, against Alpha Fiduciary and Art Doglione. Alpha Fiduciary and Art Doglione agreed to settle the proceedings without admitting or denying the SEC's findings. Specifically, Alpha Fiduciary prepared and distributed marketing materials that contained back-tested hypothetical performance investment models. Additionally, these materials included several profitable investments without disclosing all investments during this time period, including unprofitable ones. The SEC determined that these marketing materials contained insufficient disclosures to prevent misleading clients and prospective clients regarding the investment performance of the firm.

In addition, throughout the relevant time period, Alpha Fiduciary failed to implement written compliance policies and procedures reasonably designed to prevent its employees from presenting marketing materials to clients that may be misleading.

As part of the settlement, Alpha Fiduciary and Doglione were jointly fined, subject to a cease-and-desist order, and Alpha Fiduciary was required to engage an independent consultant to review its policies and procedures.

### **OTHER FINANCIAL INDUSTRY AFFILIATIONS**

Alpha Fiduciary is affiliated with Alpha Fiduciary Insurance Services, LLC, an insurance entity duly licensed with the State of Arizona. Certain of Alpha Fiduciary's advisory affiliates, in their individual capacities, are licensed insurance producers and may recommend the purchase of certain insurance products to its clients. The Advisory Affiliates may sell insurance products to its investment advisory clients through Alpha Fiduciary Insurance Services, LLC.

A conflict of interest exists to the extent that Advisory Affiliates of Alpha Fiduciary recommend the purchase of insurance products upon which they receive insurance commissions or additional compensation as a result. Such conflict is disclosed at time of sale and in this Brochure delivered to the client.

## **CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Alpha Fiduciary or related persons may own an interest in, or buy and sell for their own account, the same securities that may also be held, purchased, or sold in client accounts. In some cases the adviser may buy or sell a specific security for his own account which the adviser does not consider appropriate for client accounts. If an employee participates in a block trade with clients, in no case shall the adviser or associate receive a better price or more favorable circumstance than a client. If an employee trades for his/her own account on the same day that the firm executes trades for clients in the same security, the employee is prohibited from using that knowledge to obtain a better price or more favorable circumstances than clients. The CCO will regularly review employee trades to ensure this policy is being followed.

Alpha Fiduciary has implemented a policy relative to personal securities transactions. This policy is part of the Alpha Fiduciary Code of Ethics, which serves to establish a standard of business conduct for all of associated persons and is based upon fundamental principles of openness, integrity, honesty, and trust. A copy of the Code of Ethics is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Alpha Fiduciary also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Alpha Fiduciary or any person associated with Alpha Fiduciary.

Alpha Fiduciary has adopted procedures to implement the firm's policy on personal securities transactions and reviews such trading to ensure that the firm's policy is observed, implemented properly, and amended or updated, as appropriate.

## **BROKERAGE PRACTICES**

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

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian or purchase a particular mutual fund, Alpha Fiduciary may receive from a broker-dealer/custodian or mutual fund company, without cost and/or at a discount, support services and/or products, certain of which assist Alpha Fiduciary to better monitor and service client accounts maintained at such institutions/within such funds. Included within the support services that may be obtained by Alpha Fiduciary may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or *gratis* consulting services, discounted and/or *gratis* attendance at conferences or on-site due diligence meetings (including lodging and airfare), meetings, and other educational and/or social events, marketing support, computer hardware, and/or software or other products used by Alpha Fiduciary in furtherance of its investment advisory business operations.

Alpha Fiduciary participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers services to independent investment Advisors which include



custody of securities, trade execution, clearance and settlement of transactions. Alpha Fiduciary receives some benefits from TD Ameritrade through its participation in the program, as detailed in this section.

Alpha Fiduciary participates in TD Ameritrade's institutional customer program, and Alpha Fiduciary may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between the firm's participation in the program and the investment advice it gives to its clients, although Alpha Fiduciary receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Alpha Fiduciary participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Alpha Fiduciary by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by related persons of Alpha Fiduciary. Some of the products and services made available by TD Ameritrade through the program may benefit Alpha Fiduciary but may not benefit its client accounts. These products or services may assist Alpha Fiduciary in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Alpha Fiduciary manage and further develop its business enterprise. The benefits received by Alpha Fiduciary or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Alpha Fiduciary endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Alpha Fiduciary or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the choice of TD Ameritrade for custody and brokerage services.

Certain of the support services and/or products that *may* be received assist Alpha Fiduciary in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Alpha Fiduciary to manage and further develop its business enterprise. Clients of Alpha Fiduciary do not pay more for investment transactions effected and/or assets maintained at a particular broker-dealer/custodian as a result of this arrangement. There is no corresponding commitment made by Alpha Fiduciary to any particular broker-dealer/custodian or to any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

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

Alpha Fiduciary does not participate or receive client referrals based upon any brokerage arrangement.

### **Directed Brokerage**

The client may direct Alpha Fiduciary to use a particular broker-dealer (subject to the right of Alpha Fiduciary to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and Alpha Fiduciary will be unable to seek better execution services or prices from other broker-dealers or be able to "bunch" the client's transactions with orders for other clients' accounts managed by Alpha Fiduciary. As a result, clients may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for their accounts than would otherwise be the case.

Alpha Fiduciary seeks to execute orders for its clients fairly and equitably. Alpha Fiduciary follows written procedures pursuant to which it may, and to the extent consistent with best execution, combine purchase or sale orders for the same security for multiple clients so that they can be executed at the same time. The procedures for "bunching" trades may differ depending on the particular strategy or type of investment. Alpha Fiduciary is not required to bunch or aggregate orders if it determines that bunching or aggregating is not practical.

When client orders are bunched by Alpha Fiduciary, the order will be placed with the broker-dealer custodian for execution. When a bunched order is completely filled, Alpha Fiduciary generally will allocate the securities purchased or proceeds of sale among participating accounts based on the purchase or sale order. Adjustments or changes may be made by Alpha Fiduciary under certain circumstances, such as to avoid odd lots or excessively small allocations. If the bunched order is filled at different prices through multiple trades, generally all such participating accounts will receive the average price. When a bunched order is partially filled, trade allocation procedures provide that the securities are to be allocated in a manner deemed fair and equitable to clients.

## **REVIEW OF ACCOUNTS**

Account reviews are conducted on an ongoing basis by the firm's principal, Arthur Doglione, or those qualified staff members to whom he may delegate this responsibility for a particular client. All investment management clients are encouraged to discuss with Alpha Fiduciary their investment objectives, needs and goals and to keep him informed of any changes. All clients are encouraged to meet at least annually with Alpha Fiduciary to comprehensively review financial planning issues, including investment objectives and performance.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

Alpha Fiduciary currently does not have any solicitor arrangements. Under these agreements, Alpha Fiduciary would pay the solicitor a percentage of the advisory fees paid by referred clients to Alpha Fiduciary. The percentage of the advisory fee to be paid to the solicitor is jointly determined by Alpha Fiduciary and the solicitor. Advisory fees do not differ between referred and non-referred accounts but are determined based on the level of assets managed. Certain terms of the agreement with the solicitor are disclosed in writing to referred clients in a

Solicitor's Disclosure Statement Pursuant to Rule 206(4)-3 of the Investment Advisors Act of 1940, as amended.

Alpha Fiduciary formerly participated and received client referrals from TD Ameritrade's AdvisorDirect (the "referral program"). Although no longer a participant, Alpha Fiduciary maintains some legacy clients from this referral program in which it pays TD Ameritrade an ongoing referral fee. This fee is a percentage (not to exceed 25%) of the advisory fee that the client pays to Alpha Fiduciary. Alpha Fiduciary does not charge these legacy AdvisorDirect referred clients any fees or costs higher than its standard fee schedule offered to its clients. For more information please refer to AdvisorDirect's Disclosure and Acknowledgement Form.

### **CUSTODY**

For its liquid assets, Alpha Fiduciary does not maintain custody of client assets. Instead, all client assets are custodied with nationally recognized, SEC-registered and FINRA member broker-dealer/custodians and/or nationally chartered trust companies. Clients are provided with transaction confirmation notices and regular summary account statements directly from the custodians of the client accounts. Alpha Fiduciary provides a quarterly report summarizing account activity, positions, and performance.

In 2015, Alpha Fiduciary acquired a number of illiquid partnerships, many of which they manage. Alpha Fiduciary maintains custody of client assets, including cash, for 18 illiquid partnership investments only and provides clients reports on current net asset values, holdings, transactions, and performance. All partnerships are audited annually by a PCAOB auditor as per rule 206(4)-2 of the Advisor Act. The partnerships will only be managed until fully distributed. Alpha Fiduciary does not intend to make further investments in the partnerships or to invest in other illiquid holdings.

### **INVESTMENT DISCRETION**

Alpha Fiduciary primarily provides advisory services on a discretionary basis. As such, prior to engaging Alpha Fiduciary to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Alpha Fiduciary setting forth the terms and conditions which under which Alpha Fiduciary shall manage client's assets on a discretionary basis.

### **VOTING CLIENT SECURITIES**

Alpha Fiduciary votes proxies for clients who have given formal permission to their custodians for this service. Proxies are generally voted according to management's recommendations except in cases where a proposal clearly conflicts with clients' interests in the view of Alpha Fiduciary.

With respect to shareholder class action litigation and similar matters, Alpha Fiduciary generally will not make any filings in connection with any shareholder class action lawsuits involving securities currently or previously held in clients' accounts but will forward these notices to clients when received. Alpha Fiduciary recommends that its clients promptly review such materials, as they identify important deadlines and may require action on the client's part. Alpha

Fiduciary will not be required to notify third party custodians or clients who utilize third party custodians of shareholder class action lawsuits and similar matters.

### **FINANCIAL INFORMATION**

Based upon the firm's business practices, the use of a qualified custodian, and the firm's advisory fee procedures, the SEC does not require the disclosure of financial information. Please be advised that there are no known financial conditions that would impair the ability of Alpha Fiduciary to meet contractual commitments to clients.

Alpha Fiduciary has not been the subject of a bankruptcy petition or filing.