

Item 1 – Cover Page



**REDHAWK WEALTH ADVISORS™**

**ADV Part 2A: *Firm Brochure***  
**Redhawk Wealth Advisors, Inc.**

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04/25/2018

This brochure provides information about the qualifications and business practices of Redhawk Wealth Advisors, Inc. If you have any questions about the contents of this brochure, please contact Redhawk at (952) 835-4295 or [support@redhawkwa.com](mailto:support@redhawkwa.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.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training. Additional information about Redhawk Wealth Advisors, Inc. also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 146616.

## **Item 2 - Material Changes**

This Firm Brochure provides you with a summary of Redhawk's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform interested parties of the revision(s) based on the nature of the information as follows.

1. **Annual Update:** We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide interested parties with a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE.

2. **Material Changes:** Should a material change in our operations occur and depending on its nature, we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates, or any information that is critical to a client's full understanding of who we are, how to find us, and how we do business. The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated 3/20/2018:

1. Updated Wrap account fee schedules.

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#### **Item 4 – Investment Advisory Business**

Redhawk Wealth Advisors, Inc. (“Redhawk”) is an SEC-registered investment advisor with its principal place of business based in Minneapolis, Minnesota. Redhawk began conducting business in 2008. Below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Daniel Edward Hunt, CEO

Redhawk provides investment advice and portfolio management services to individuals, trusts, estates, charitable organizations, foundations, endowments, corporations, captive insurance companies (“CIC” or “CICs”), qualified retirement plans, or other businesses not listed above (collectively referred to herein as “Client” or “Clients”). Redhawk’s services include the review of Client investment objectives and goals, recommending investment products such as cash, model portfolios, stocks, mutual funds, exchange-traded-funds (“ETFs”), bonds, annuities, alternatives, and preparing a written Investment Policy Statement (“IPS”). Redhawk’s investment advice is tailored to meet the Clients’ needs and investment objectives. Clients may impose restrictions on investing in certain securities or types of securities (such as a product type, specific companies, specific sectors, etc.) by providing a signed and dated written notification, of which an e-mail is also an acceptable form of notification.

Redhawk provides investment advisory and other financial services through independent financial advisors who have either affiliated with Redhawk or have a solicitor’s agreement with the independent financial advisor’s registered investment advisory firm (“Financial Advisor” or “Financial Advisors”). Redhawk provides discretionary and non-discretionary investment advisory services to its Clients through various managed account programs and wrap programs. Redhawk and the Financial Advisor will assist Clients in determining the investments that are in the best interest of the Client. The Financial Advisor is compensated based on a percentage of assets and the account is assessed other brokerage and account transaction fees (except for wrap accounts). Redhawk and the Financial Advisor, as appropriate, will be responsible for the following:

- Perform due diligence in order to select the investments.
- Perform ongoing monitoring and replacement oversight of the investments.
- Provide a Client risk profile assessment.
- Provide research and analytics on investment product options, as needed.
- Recommend investments that are in the best interest of the Client based on:
  - Risk profile assessment
  - Age
  - Retirement date
  - Investible assets
  - Financial goals
- Prepare a customized IPS for the Client.
- Provide ADV Part 2A (Firm Brochure) and ADV Part 2A Appendix 1 (Wrap Fee Program Brochure).
- Obtain the investment management agreement from the Client with the required IPS and investment selection for each new account or change in investment.
- Perform Client best interest compliance review for new accounts on account documentation, IPS, and investment selections.

As of 12/31/2017, Redhawk disclosed \$1,058,114,788 in total assets representing \$1,015,737,518 in discretionary Assets under Management (“AUM”) and \$42,377,270 in non-discretionary Assets under Advisement (“AUA”).

AUM shall mean assets that are invested under either:

- a Redhawk Unified Managed Account Agreement (or “RUMA”); or
- a Wrap Agreement; or
- a Discretionary Investment Advisory Agreement (or “OIP”); or
- an ERISA 3(21) Investment Advisor Agreement; or
- an ERISA 3(38) Investment Management Agreement; or

- a CIC investment Management Agreement; or
- a 403(b) Investment Management Agreement.

AUA shall mean all other Client assets under advisement by a Financial Advisor.

Additional information regarding Redhawk's investment advisory services to wealth management and retirement plan Clients are described below.

### **Wealth Management**

As part of the financial planning process, the Financial Advisor conducts a personal discussion with the Client and completes a risk tolerance assessment to determine the Client's goals and objectives. The Financial Advisor then determines the appropriate investment or investments that is in the best interest of the Client. Under this arrangement, the Client retains individual ownership of all securities.

Redhawk's investment recommendations are not limited to any specific product or service offered by a broker dealer, registered investment advisors, or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- Exchange Traded Funds ("ETFs")
- Unit Investment Trusts ("UITs")
- Collective Investment Trust ("CITs")
- United States governmental securities
- Structured products
- Gold and Silver

Redhawk continuously monitors the performance of accounts managed by third-party money managers and will assume discretionary authority to hire or fire the money manager where such action is deemed appropriate and in the best interest of the client. Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the Client's stated investment objectives, tolerance for risk, liquidity, and best interest. To ensure that the initial determination of an appropriate portfolio remains in the best interest of the Client and that the account continues to be managed in a manner consistent with the Client's financial circumstances, the Financial Advisor will:

1. Conduct a Client review, at least annually, to determine whether there have been any changes in the Client's financial situation or investment objectives, and whether the Client wishes to impose investment restrictions or modify existing restrictions.
2. Ensure that they be available to consult with the Client.
3. Maintain Client suitability information and the IPS in each Client's file.

Financial Advisors have several choices for Client accounts and can utilize several investment platforms that are in the best interest of their Client including:

**Custom Account** – An account that is customized for the Client. Redhawk executes the trades based on direction from either the Financial Advisor or Client. The Client will enter into a Redhawk Unified Managed Account

("RUMA") agreement. The Client pays all transaction and trading costs and the minimum account balance required is \$5,000.

**Managed Account** – Includes various sub-advisors, mutual funds, and ETFs selected and monitored by Redhawk. Redhawk has full oversight over the investments and Redhawk executes the trades on behalf of the Client based on direction from the sub-advisors. The Client will enter into a Redhawk Unified Managed Account ("RUMA") agreement. The minimum account balance for a managed account is \$5,000 and the Client pays for all trading and transaction costs.

**Wrap Account** – An account that is invested in an asset allocation strategy managed by Redhawk. This account is an all-in-one fee account that includes the investment management fee, Financial Advisor fee, and all transaction and trading costs. The Client does not pay for the trading and transaction costs. The minimum account balance for a Wrap account is \$250,000 and more details on the wrap account can be found in our ADV Part 2A – Appendix 1.

**Open Investment Platform ("OIP")** – An account that enables the Financial Advisor to have full-discretion and fiduciary oversight of the Client's account. The Financial Advisor must execute the Redhawk IAR OIP Agreement with Redhawk and the Financial Advisor is responsible to execute the Redhawk Discretionary Investment Advisory Agreement with each Client. This agreement will give Redhawk the authority to deduct the Redhawk administration fee and Financial Advisor fee on a monthly basis. For this account, the Financial Advisor is responsible for executing trades and managing the account on behalf of the Client. The Client pays for all trading and transaction costs.

### **Retirement Plans**

#### **ERISA Section 3(21) Investment Advisor and 3(38) Investment Management Services**

For employer-sponsored retirement plans with participant-directed investments, Redhawk provides its investment advisory services as an investment advisor as defined under Section 3(21) and as an investment manager as defined under Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

When serving as an ERISA 3(21) investment advisor, the plan sponsor and Redhawk share fiduciary responsibility. The plan sponsor retains ultimate decision-making authority for the investments and may accept or reject the recommendations in accordance with the terms of a separate ERISA 3(21) Investment Advisor Agreement between Redhawk and the plan sponsor. Redhawk provides the following services to the plan sponsor:

- Screen investments and make recommendations.
- Monitor the investments and suggests replacement investments when appropriate.
- Provide a quarterly monitoring report.
- Assist the plan sponsor in developing an IPS.

When serving as an ERISA 3(38) investment manager, the plan sponsor is relieved of all fiduciary responsibility for the investment decisions made by Redhawk. Redhawk is a discretionary investment manager in accordance with the terms of a separate ERISA 3(38) Investment Management Agreement between Redhawk and the plan sponsor. Redhawk provides the following services to the plan sponsor:

- Select the investments.
- Monitor the investments and replace investments when appropriate.
- Provide a quarterly monitoring report.
- Develop a customized IPS.

Redhawk's goal in identifying the plan's investment options is to provide a range of options that will enable plan participants to invest according to varying risk tolerances, savings, time horizons or other financial goals. The plan's investment options may consist of ETFs, CITs, mutual funds, model portfolios, or other similar investment funds.

The investment funds from which Redhawk will select from will be those that are available on the plan recordkeeper's investment platform.

Redhawk will prepare an IPS for the plan. The purpose of the IPS is to provide guidelines for making investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring, and, replacement of the investment options offered by the plan. On a quarterly basis, Redhawk will perform on-going monitoring of the investment options within the plan. The ongoing monitoring of investments is a regular and disciplined process. Monitoring confirms that the criteria remain satisfied and that an investment option continues to be appropriate. The process of monitoring investment performance relative to specified guidelines will be consistently applied and Redhawk will provide the Client with a quarterly monitoring report.

Redhawk may make available to participants, either through the provider's recordkeeping platform, a stand-alone form, or a third party web-site, a risk tolerance questionnaire. The questionnaire's sole purpose is to provide participants with general assistance in order to identify their risk tolerance and investment objectives and, based on this information, help determine which investment is most aligned with their risk tolerance and investment objectives.

## **Item 5 - Fees and Compensation**

### **Wealth Management**

**Custom Account** - Redhawk's annual administration fees for the custom account services are based upon a percentage of assets. The Financial Advisor charges a fee to their Client and the fees are fully disclosed in the investment management agreement. The annualized fee for the custom account services and Financial Advisor services will be charged as a percentage of household assets according to the schedule shown below. There is not a minimum for the custom account services. The fees are automatically debited from the Client's account monthly in arrears based on the average daily balance.

<b>Household Account Size</b>	<b>Redhawk Administration Fee</b>	<b>Annual Financial Advisor Fee</b>
Any	0.25%	0.25%

**Managed Account** - Redhawk's annual fees for managed account services are based upon a percentage of assets under management and range from 0.25% to 1.25%. The Financial Advisor may charge a fee of up to 1.00% to their Client. The fees are fully disclosed in the investment management agreement and the annualized fee for portfolio management services and Financial Advisor services will be charged as a percentage of household assets under management according to the schedule shown below. Depending on the portfolio selected, minimum account requirements range from \$1,000 to \$250,000. The fees are automatically debited from the Client's account monthly in arrears based on the average daily balance.

<b>Household Account Size</b>	<b>Fixed Income Portfolio Management Fee</b>	<b>Tactical Portfolio Management Fee</b>	<b>Strategic Portfolio Management Fee</b>	<b>Alternative Portfolio Management Fee</b>	<b>Annual Financial Advisor Fee</b>
\$5,000 - \$249,999	0.25% - 0.95%	0.50% - 1.25%	0.50%	0.50%	0% - 1.00%
\$250,000 - \$499,999	0.25% - 0.90%	0.75% - 1.20%	0.50%	0.50%	
\$500,000 - \$999,999	0.25% - 0.85%	0.625% - 1.15%	0.50%	0.50%	
\$1,000,000 plus	0.25% - 0.80%	0.50% - 1.10%	0.50%	0.50%	

**Wrap Account** - Redhawk's annual fees for wrap account services are based upon a percentage of assets under management and range from 0.500% - 0.875%. The Financial Advisor charges a fee that ranges from 0.500% - 0.875% and the fees are fully disclosed in the investment management agreement. The annualized fee for portfolio management services and Financial Advisor services will be charged as a percentage of household assets under

management according to the schedule shown below. The minimum account requirement is \$250,000. Details on the wrap account can be found in our ADV Part 2A – Appendix 1. The fees are automatically debited from the Client’s account monthly in arrears based on the average daily balance.

The following model portfolio strategies are covered under the following fee schedule:

- High Income
- Conservative Allocation
- Moderate Allocation
- Aggressive Allocation
- Growth Stock

Household Wrap Account Assets	Annual Investment Manager Fee	Annual Advisor Fee	Total Annual Investment Management Fee
\$250,000 - \$499,999	0.875%	0.875%	1.75%
\$500,000 - \$999,999	0.750%	0.750%	1.50%
\$1,000,000 plus	0.500%	0.500%	1.00%

The following model portfolio strategies are covered under the following fee schedule:

- Liquid Income Conservative
- Liquid Income Moderate
- Liquid Income Aggressive
- Liquid Income Municipal Bonds

Household Wrap Account Assets	Annual Investment Manager Fee	Annual Advisor Fee	Total Annual Investment Management Fee
\$250,000 plus	0.250%	0.250%	0.500%

**Open Investment Platform** - The term “Open Investment Platform” (or “OIP”) refers to the investments that have been approved by Redhawk and are made available to the Financial Advisor for Client assets in which the Financial Advisor is serving in a fiduciary capacity with full discretion to act on behalf of such Client. Redhawk’s annual administration fees for the OIP are stated below and the Financial Advisor may charge a fee to their Client. The fees are fully disclosed in the investment management agreement and the annualized fee for administration services and Financial Advisor services will be charged as a percentage of household assets under management according to the schedule shown below. There is a minimum account requirement of \$2,500. The fees are automatically debited from the Client’s account monthly in arrears based on the average daily balance.

Account Size	Annual Administration Fee	Annual Financial Advisor Fee
\$2,500 - \$99,999	0.25%	0% - 2.50%
\$100,000 - \$249,999	0.20%	
\$250,000 - \$499,999	0.15%	
\$500,000 - \$999,999	0.10%	
\$1,000,000 plus	0.05%	



## **Retirement Plans**

### **ERISA 3(21) Investment advisor and 3(38) Investment Management Services**

The plan sponsor will pay, or shall cause the plan to pay to Redhawk an annual fee for these services. The fee will be charged quarterly in arrears based on the plan's assets at the end of each calendar quarter or on a fixed fee basis. The plan sponsor can direct that these fees be charged to participant accounts or to be paid directly by the plan sponsor. The fee schedules are outlined below:

<b>3(21) Annual Fee</b>	<b>3(38) Annual Fee</b>
0.01% - 0.15%	0.03% - 0.25%

## **GENERAL INFORMATION**

***Termination of the Investment Advisory Relationship:*** Clients may terminate investment advisory services obtained from Redhawk, without penalty, upon written notice within five (5) business days after entering into the investment advisory agreement with Redhawk. Except for Wrap accounts, the Client is responsible for any fees and charges incurred by the Client from third parties as a result of maintaining the account such as transaction fees for any investment transactions executed and account maintenance or custodial fees. Thereafter, a Client agreement may be canceled at any time, by either party, for any reason upon receipt of thirty (30) days written notice.

***Mutual Fund and ETF Fees:*** All fees paid to Redhawk for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a Client may pay an initial or deferred sales charge as further described in the prospectus. A Client could invest in a mutual fund or ETF directly without Redhawk's services and in that case, the Client would not receive the services provided by Redhawk which are designed, among other things, to assist the Client in determining which mutual fund or ETF are most appropriate to each Client's financial condition and objectives. Accordingly, the Client should review both the fees charged by the funds, Redhawk's fees, and the Financial Advisor fees to fully understand the total amount of fees to be paid by the Client and to thereby evaluate the investment advisory services being provided.

***Additional Fees and Expenses:*** Clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any trading charges, redemption fees, or transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the Client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Household Fees:*** The investment management and Financial Advisor fees for wealth management Clients are based on all of the accounts that pertain to all members of an immediate family or all related businesses of a company ("Household").

***Grandfathering of Minimum Account Requirements:*** Clients are subject to Redhawk's minimum account requirements and investment advisory fees in effect at the time the Client entered into the investment advisory relationship. Therefore, Redhawk's minimum account requirements will differ among Clients.

***Investment Advisory Fees in General:*** Clients should note that similar investment advisory services may be available from other investment advisors for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances does Redhawk require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

**Limited Negotiability of Investment Advisory Fees:** Although Redhawk has established the aforementioned fee schedule(s), Redhawk retains the right to negotiate alternative fees on a Client-by-Client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the Client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in an agreement between the Financial Advisor and each Client. Redhawk may group certain related Client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. Discounts may be offered to family members and friends of associated persons of Redhawk.

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

Redhawk does not charge performance-based fees.

#### **Item 7 - Types of Clients**

Redhawk provides investment advisory services to the following types of Clients through Financial Advisors and a Client must have a minimum of \$1,000:

- Individuals
- Trusts
- Estates
- Charitable organizations
- Foundations
- Endowments
- Retirement accounts
- Retirement plans
- Captive insurance companies
- Corporations or other businesses not listed above

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

##### **METHODS OF ANALYSIS**

Redhawk continuously monitors the performance of accounts managed by third-party money managers and will assume discretionary authority to hire or fire the money manager where such action is deemed appropriate and in the best interest of the client. Redhawk uses the following methods of analysis in formulating investment advice and/or managing Client assets.

Redhawk's Investment Committee ("RIC") meets on a weekly basis and operates under a formalized charter and set of policies and procedures outlined under the Redhawk Investment Provider Selection and Monitoring Methodology document. RIC is responsible for the selection, monitoring, and replacement of investments. Redhawk makes available to Clients investments that have varied investment philosophies and strategies that cover fixed income, tactical managers, strategic allocation managers, and alternative investments encompassing a broad range of investment solutions.

**Frequency:** RIC is aware that the ongoing review and analysis of the investments is just as important as the initial selection. Investment performance will be monitored on a weekly basis, and it is at Redhawk's discretion to take corrective action by either terminating or replacing an investment if deemed appropriate at any time. RIC intends to evaluate investment performance from a long-term perspective and RIC makes available to Financial Advisors a communication that summarizes the opinions of the RIC for each investment offered to Clients.

**Selection Criteria:** RIC will use the information submitted by the investment company as required under the Redhawk Investment Provider Due Diligence Request for Information ("RFT") document. RIC will review the information and make a decision using various criteria.

**Monitoring:** The ongoing monitoring of investments is a regular and disciplined process. Monitoring confirms that the criteria remain satisfied and that an investment continues to be appropriate. The process of monitoring investment performance relative to specified guidelines will be consistently applied and frequent change of investments is neither expected nor desired. Monitoring will utilize some of the same selection criteria used in the selection analysis. Unusual, notable, or extraordinary events will be communicated to the Financial Advisor and Client on a timely basis. Examples of such events include investment manager or team departure, violation of investment guidelines, material litigation against the firm, or material changes in firm ownership structure and announcements thereof.

RIC has established performance objectives for each investment. Investment manager performance will be evaluated in terms of an appropriate market index (e.g., the S&P 500 Index for the large-cap domestic equity manager), the relevant benchmark, or peer group (e.g., the large-cap growth mutual fund universe for a large-cap growth mutual fund). RIC will exercise discretion and reasonable judgment in the monitoring process. In fulfilling RIC's ongoing duty, certain indicators have been selected to assist in determining whether a particular investment remains a suitable investment.

**Replacement/Termination:** RIC will give consideration to either replacing or terminating an investment if one or several of the following conditions occur. Each month, the investments are scored by reviewing a number of key criteria and any company related activities as outlined in the Investment Provider Selection and Monitoring Methodology document. Enclosed below is a summary of our monitoring criteria. The levels consist of:

1. **Approved** - The investment has been approved by the RIC without any investment restrictions other than a minimum account balance and suitability.
2. **Watch List** - The investment has been placed on the watch list for any one of the following criteria listed below:
  - a. The investment significantly underperforms without a justifiable rationale.
  - b. The investment fails to achieve performance and risk objectives.
  - c. The investment fails to maintain a consistent investment style.
  - d. The investment fails to satisfy a minimum score for a certain period of time.
  - e. There is a material change in the Investment Company, investment philosophy, and/or personnel.
  - f. Any legal, Securities and Exchange Commission (SEC), and/or other regulatory agency proceedings affecting the investment company's organization.
3. **Restricted List** - The investment can be placed on the Restricted List for any one of the criteria listed under the Watch List due to the severity of the issue. In addition, the investment can also be placed on the Restricted List for any of the following:
  - a. The investment is no longer offered by the investment provider.
  - b. The RIC may also remove any investment at any time and for whatever reason it deems appropriate, including a determination that the investment is no longer suitable for Clients.

Once an investment is placed on the Restricted List, the RIC will give consideration to either replacing, terminating, or restricting the investment. The following courses of action are available.

- **Severity 1** - Keep the investment and limit the amount of new assets that can be placed in the investment. This may have a temporary timeframe or a permanent timeframe.
- **Severity 2** - Keep the investment and freeze the assets with the investment and do not allow any new assets to be invested in the investment. This may have a temporary timeframe or a permanent timeframe.
- **Severity 3** - Terminate the investment and replace with an investment that is similar to the terminated investment. Map all of the assets to the replacement investment.

## INVESTMENT STRATEGIES

Redhawk has agreements in place with investment companies and sub-advisors that have different investment philosophies in order to offer a full array of investments to Clients. The investment strategies need to be appropriate to the needs of the Client and consistent with the Client's investment objectives, risk tolerance, and time horizons, among other considerations. The investments available cover the following investment strategies:

### *Fixed Income Management*

Fixed income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. Individual bonds may be the best known type of fixed income security, but the category also includes bond mutual funds, ETFs, CDs, and money market funds.

### *Tactical Asset Allocation Management*

An active management portfolio strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors. This strategy allows portfolio managers to create extra value by taking advantage of certain situations in the marketplace. It is an active strategy since sub-advisors return to the portfolio's original strategic asset mix when desired short-term profits are achieved. The sub-advisor may use fundamental, technical, and/or macroeconomic analysis in determining when and how to change the investments in the portfolio.

### *Strategic Asset Allocation Management*

A passive portfolio strategy that involves periodically rebalancing the portfolio in order to maintain a long-term goal for asset allocation. At the inception of the portfolio, a target allocation is established based on expected returns. Because the value of assets can change given market conditions, the portfolio constantly needs to be re-adjusted to meet the policy. Asset allocation is an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals and investment time frame.

### *Alternative Investments*

An investment that is not one of the three traditional asset types (stocks, bonds, and cash). Alternative investments include hedge funds, gold, silver, managed futures, real estate, structured products, commodities, and derivatives contracts. Alternative investments typically have a low correlation with those of standard asset classes.

## RISKS

The strategies and investments may have unique and significant tax implications. Redhawk strongly recommends that Clients continuously consult with a tax professional prior to and throughout the investing of Client assets. Investing in securities involves risk of loss that Clients should be prepared to bear. Although investments are selected in a manner consistent with Client's risk tolerances, there can be no guarantee that the investments will be successful. Clients should be prepared to bear the risk of loss.

All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends, and other distributions), and the loss of future earnings. These risks include market risk, interest rate risk, issuer risk, and general economic risk. Regardless of the methods of analysis or strategies suggested for Clients particular investment goals, Clients should carefully consider these risks, as they all bear risks.

- **Interest-rate Risk:** Fluctuations in interest rates may cause security prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their prices to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a

security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **Concentration Risk:** A portfolio that is less diversified across countries, geographic regions, sectors or industries is generally riskier than more diversified portfolios. A portfolio that focuses on a single country, or a specific region, sector or industry, is more exposed to that country's, regions, sector's or industry's economic cycles, stock market valuations and political risks, among others, compared with a more diversified portfolio. The economies and financial markets of certain regions can be interdependent and may be adversely affected by the same events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Issuer Risk:** A portfolio's performance depends on the performance of individual securities to which the portfolio has exposure. Changes to the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline or become worthless.
- **Currency Risk:** Overseas investments, even if made by domestically based companies, are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Income Risk:** A portfolio's income may decline when interest rates decrease. During periods of falling interest rates an issuer may be able to repay principal prior to the security's maturity ("prepayment"), causing the portfolio to have to reinvest in securities with a lower yield, resulting in a decline in the portfolio's income.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Credit/Default Risk:** Debt issuers and other counterparties of fixed income securities or instruments may default on their obligation to pay interest, repay principal or make a margin payment, or default on any other obligation.
- **U.S. Economic Risk:** The United States is a significant trading partner with other countries. Certain changes in the U.S. economy may have an adverse effect on the economy and markets of other countries.

#### **Item 9 - Disciplinary Information**

Redhawk is required to disclose any legal or disciplinary events that are material to a Client's or prospective Client's evaluation of Redhawk's investment advisory business or the integrity of Redhawk's management. Redhawk's management personnel have no reportable disciplinary events to disclose.

#### **Item 10 - Other Financial Industry Activities and Affiliations**

Redhawk endeavors at all times to put the best interest of its Clients first as part of Redhawk's fiduciary duty as a registered investment advisor; Redhawk takes the following steps to address this:

- Disclose to Clients the existence of all material conflicts of interest, including the potential for Redhawk and Redhawk employees to earn compensation from investment advisory Clients in addition to Redhawk's investment advisory fees;
- Disclose to Clients that they are not obligated to purchase recommended investment products from Redhawk employees or Redhawk affiliated companies;
- Collect, maintain and document accurate, complete and relevant Client background information, including the Client's financial goals, objectives and risk tolerance; Redhawk's management conducts regular reviews of each Client account to verify that all recommendations made are in the best interest of the Client;
- Require that Redhawk employees seek prior approval of any outside employment activity so that Redhawk may ensure that any conflicts of interests in such activities are properly addressed;
- Periodically monitor outside employment activities to verify that any conflicts of interest continue to be properly addressed by Redhawk; and
- Educate Redhawk employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to Clients.

Management personnel of Redhawk and Financial Advisors affiliated with Redhawk may act as agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of investment advisory Clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of investment advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the Client.

Additionally, management personnel of Redhawk and Financial Advisors affiliated with Redhawk may engage in outside business activities including the sale of precious metals products. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of investment advisory Clients. Again, Clients are not under any obligation to engage these individuals when considering implementation of these outside recommendations. The implementation of any or all recommendations is solely at the discretion of the Client.

Lastly, management personnel of Redhawk and Financial Advisors affiliated with Redhawk, may engage in outside business activities as business services consultants assisting businesses in providing payroll, human resource management, and other business services. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing these services. Again, Clients are not under any obligation to engage these individuals when considering implementation of these outside services. The implementation of any or all recommendations is solely at the discretion of the Client.

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

Redhawk has adopted a Code of Ethics which sets forth high ethical standards of business conduct that Redhawk require of its employees and is compliant with applicable federal securities laws.

Redhawk and its personnel owe a duty of loyalty, fairness, and good faith towards Clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. Redhawk's Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, Redhawk's Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Redhawk's Code of Ethics also provides for oversight, enforcement and recordkeeping provisions.

Redhawk's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While Redhawk does not believe that it has any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

You may request a copy by sending an email to support@redhawkwa.com, or by calling Redhawk at 888-835-4295.

#### **Item 12 - Brokerage Practices**

Redhawk does not have any soft-dollar arrangements and does not receive any soft-dollar benefits. Redhawk utilizes independent qualified custodians that include custody of securities, trade execution, clearance, and settlement of transactions. Redhawk requires that Clients provide written authority to determine the broker-dealer to use and the commission costs that will be charged to Clients for these transactions. Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to Redhawk in writing. As a matter of policy and practice, Redhawk generally does block Client trades for the purpose of trade execution. However, certain Client trades may be executed before others and at a different price. Using Redhawk's institutional trading platform, Clients may not receive volume discounts.

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

While the underlying securities within Clients' accounts are continually monitored, these accounts are reviewed at least annually by the Client's Financial Advisor. Accounts are reviewed in the context of the investment objectives and guidelines of each investment, the risk score, as well as any investment restrictions provided by the Client. More frequent reviews may be triggered by material changes in variables such as the Client's individual circumstances, or the market, political or economic environment. These Client account review is conducted by the Financial Advisor and submitted to Redhawk's Chief Compliance Officer for review.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that Clients receive from their broker-dealer, Redhawk provides quarterly reports summarizing account performance and balances. These reports will also remind the Client to notify Redhawk if there have been changes in the Client's financial situation or investment objectives and whether the Client wishes to impose investment restrictions or modify existing restrictions.

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

Redhawk has entered into arrangements with independent third-parties such as other financial advisors, broker-dealers, or their representatives whereby Redhawk compensate the independent third parties, Financial Advisors, broker-dealers, or their representatives as summarized below and the specifics of the arrangements are defined in an agreement between Redhawk and the party. Where applicable, the parties will comply with SEC Rule 206(4)-3 under the Investment Advisers Act of 1940 with respect to Solicitor Referral Arrangements.

##### **1. National Gold Consultants ("NGC") – Physical Gold and Silver Supply Company**

Redhawk has a marketing agreement with NGC whereby Redhawk earns an override on commissions if an Financial Advisor affiliated with Redhawk places physical gold or silver with a Client through NGC.

#### **Item 15 - Custody**

Any Financial Advisor having custody or access to customer funds or securities must comply with certain rules and regulations designed to protect the Clients' assets. Rule 206(4)-2 of the Investment Advisers Act of 1940 details strict requirements governing investment advisors that have "custody" over Client securities or funds. Redhawk meets the definition of having custody by being able to directly debit fees from Client accounts.

Redhawk does not have the authority to wire money without a Client's authorization and signature. Redhawk does not have physical custody of any Client funds and/or securities. Client funds and securities will be held with a bank,

broker dealer, or other independent qualified custodian. Clients will receive account statements from the independent, qualified custodian holding their funds at least quarterly. The account statement from Client's custodian will indicate the amount of investment advisory fees and Financial Advisor fees deducted from account(s) each billing cycle. Clients should carefully review statements received from the custodian. In addition to the statements that Clients receive directly from their custodian, Redhawk also sends performance statements directly to Clients on a quarterly basis. Redhawk urges Clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

#### **Item 16 - Investment Discretion**

Clients may hire Redhawk to provide discretionary investment management services, in which case Redhawk places trades in a Client's account without contacting the Client prior to each trade to obtain the Client's permission. Redhawk's discretionary authority includes the ability to do the following without contacting the Client to:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell; and/or
- Determine which third-party money manager(s) to hire or fire.

Clients give Redhawk discretionary authority when they sign a discretionary agreement with Redhawk, and may limit this authority by giving Redhawk written instructions. Clients may also change/amend such limitations by once again providing Redhawk with written instructions. Redhawk requires written authority to determine which securities and the amounts of securities that are bought or sold in a Client's account.

#### **Item 17 - Voting Client Securities**

As a matter of firm policy, Redhawk does not vote proxies on behalf of Clients. Therefore, although Redhawk may provide investment advisory services relative to Client investment assets, Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the Client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the Client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. Redhawk does not offer any consulting assistance regarding proxy issues to Clients.

#### **Item 18 - Financial Information**

Under no circumstances does Redhawk require or solicit payment of fees in excess of \$1,200 per Client more than six months in advance of services rendered. Therefore, Redhawk is not required to include a financial statement. As an investment advisory firm that maintains discretionary authority for Client accounts, Redhawk is also required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual obligations. Redhawk has no additional financial circumstances to report. Redhawk has not been the subject of a bankruptcy petition at any time during the past ten years.