

## **Form ADV Part 2A Disclosure Brochure**

### **Item 1 – Cover Page**

#### **Duncan Investment Advisors, Inc.**

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This brochure provides information about the qualifications and business practices of Duncan Investment Advisors, Inc. doing business as Duncan Financial. If you have any questions about the contents of this brochure, please contact us at (760) 476-1560. 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 Duncan Investment Advisors, Inc. is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view information on this website by searching for Duncan Investment Advisors, Inc.'s name or by using its CRD number: 155836.

Duncan Investment Advisors, Inc. is a registered investment advisor, but registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since submitting our firm's last Annual Amendment to this brochure in March 2014, we have added two new programs to this brochure. Changes have been made to Item 5 to disclose the AssetMark and Managed Opportunities programs. We have also made changes to Item 8 specific to AssetMark accounts. Item 13 has been updated to describe reviews provided to accounts in the Managed Opportunities program. Finally, we have updated Item 14 to describe additional services received from AssetMark.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4 – Advisory Business**

### **Ownership**

Duncan Investment Advisors, Inc. doing business as Duncan Financial (“Advisor” or “we”) is an investment advisor registered with the Securities and Exchange Commission since January 2011. We are a California corporation and our sole owner is Charles Duncan.

### **General Description of Primary Advisory Services**

We offer personalized investment advisory services including financial planning, asset management and referrals to third party money managers. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

### ***Asset Management Services***

We offer asset management services providing you with continuous and on-going supervision over your accounts. This means that we continuously monitor your account and make trades in that account when necessary.

### ***Referrals to Third Party Money Managers***

We offer advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

### **Limits Advice to Certain Types of Investments**

We offer advice on any investment product that may be suitable for each client’s specific circumstances, needs, goals and objectives. These investment products can include:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Warrants
- Corporate debt securities (other than commercial debt)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Option contracts on securities and commodities
- Futures contracts on tangibles and intangibles
- Interests in real estate partnerships investing in real estate and oil and gas interests

We may also introduce you to investment managers who provide discretionary management of individual portfolios of equity and/or fixed income securities. In addition, we may use model mutual fund and variable annuity asset allocation portfolio programs provided by a number of institutional investment managers and strategists. Please refer to **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

### **Tailor Advisor Services to Individual Needs of Clients**

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

### **Wrap-Fee Program versus Portfolio Management Program**

We offer services through both traditional and wrap-fee management programs. In traditional management programs, advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services (including portfolio management or advice regarding selecting other investment advisors) and transaction services are provided for one fee. The LifeGuide Program (described in **Item 5, Fees and Compensation**) is a wrap-fee program. Whenever a fee is charged to a client for services described in this Disclosure Brochure (whether wrap fee or non-wrap fee), we receive all or a portion of the fee charged.

### **Client Assets Managed by Advisor**

As of January 7, 2014, our firm's total amount of assets under management is \$217,504,132; all managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provide in **Item 4, Advisory Business**, this section provides additional details regarding our services along with descriptions of each service's fees and compensation arrangements.

### **Asset Management Services**

Some of our clients elect to engage us to provide fee-based asset management services where we are solely responsible for making all investment recommendations and also for making changes to the managed account. If you elect to engage us for this service, we will develop an individualized investment program for your account(s). We provide various investment strategies through our management services; a specific investment strategy and investment policy is crafted for you and focuses on your specific goals and objectives. When managing assets, we may also utilize model portfolios provided by institutional investment strategists and/or introduce you to investment managers who provide discretionary management of individual portfolios.

To provide these services, we need to obtain certain information from you to determine your financial situation and investment objectives. You are requested to notify us whether your financial situation or investment objectives have changed or if you want to impose and/or modify any reasonable restrictions on management of your accounts. At least annually, we contact you to determine whether your financial situation or investment objectives have changed, or if you want to impose and/or modify any reasonable restrictions on your managed accounts. We are always reasonably available to consult with you relative to the status of your accounts. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities. Your beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account. A separate account is maintained for you with the custodian and you retain right of ownership of the account (e.g., the right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations).

It is important that you understand we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in allocating investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by us among equitably and consistent with the best interests of all accounts involved. However, there is no assurance that a particular investment opportunity that comes to our attention is allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to you or any other client or use it for any client's benefit.

### ***TD Ameritrade***

We provide a customized and individualized investment program giving advice among various asset classes, ongoing assistance with evaluating and selecting investments, adjusting and rebalancing portfolios. We require your assets be maintained in a brokerage account with TD Ameritrade, Inc. ("Ameritrade"). See **Item 12, Brokerage Practices**, for additional discussion on our required use of Ameritrade. We assist you in establishing a managed account through Ameritrade, who will serve as your qualified account custodian and maintain custody of your funds and securities. We do not act as custodian and do not have direct access to your funds and securities except to have advisory fees deducted from your account with your prior written authorization.

You authorize us to have trading authorization on your accounts and we provide management services on either a discretionary or non-discretionary basis. See **Item 16, Investment Discretion**, for additional discussion on discretionary and non-discretionary authority.

We charge for asset management services based on a percentage of assets under management with an annual fee range between .50% and 3.00%. Fees are billed quarterly in advance based on the value of the account as of the end of the previous quarter. If an agreement for services is executed mid-period, the initial fee is prorated based on the number of days services were provided during the first billing period.

Fees are negotiable based on the complexity of the client's financial situation, the amount of assets under management, the number of accounts established through this program and the investment mix.

Fees are automatically deducted from the brokerage account and you must provide the account custodian with written authorization to have the fees deducted and paid directly to us, through Securities America, Inc. At least quarterly, you receive an account statement from the account custodian detailing transactions in your account, including advisory fees charged. You should review the account statements received from the account custodian and verify that appropriate advisory fees are being deducted. The custodian does not verify the accuracy of the advisory fees deducted.

Ameritrade generally does not charge separately for maintaining custody of your accounts, but may charge brokerage commissions and/or transaction fees directly to you. We do not receive any portion of the commission or fees from either the custodian or from you. In addition, you may incur certain charges imposed by third parties other than us in connection with investments made through your account, including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges and IRA and qualified retirement plan fees. Our management fees are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each security prospectus.

Either of us can terminate asset management services at any time by providing written notice to the other party. Termination is effective upon receipt of the notice. Fees are prorated to the effective date of termination and you are responsible for services provided through the effective date of termination. We send you a billing statement detailing the prorated fee due from you.

### ***LifeGuide Program***

We provide asset management services through the LifeGuide Program ("LifeGuide") which is offered and sponsored by Securities America Advisors, Inc. ("SAA"), an investment advisor registered with the Securities and Exchange Commission. LifeGuide is a wrap-fee program providing investment advisory services and execution of client transactions and the specified fees are not based directly on transactions in your account. Under LifeGuide, our representatives assist you in establishing one or more LifeGuide accounts with SAA. There is a minimum of \$50,000 to establish and maintain a LifeGuide account. Exceptions to these minimums may be granted upon request (i.e., anticipated future deposits). All brokerage transactions are processed by Securities America, Inc. ("SAI"), the affiliated broker/dealer of SAA, and cleared through National Financial Services, LLC ("NFS") pursuant to a clearing arrangement established by SAI with NFS. Neither we nor our representatives act as custodian of your account or have direct access to your funds and/or securities.

SAA has also entered into agreements with various insurance companies that allow for the management and valuation of client variable annuity accounts within SAA's LifeGuide. NFS, insurance companies or other custodians maintain physical custody of all funds and securities. Please see **Item 15, Custody**, for additional information. Our representatives implement securities transactions for LifeGuide accounts in their separate capacity as a registered representative of SAI. See, **Additional Compensation**, below.

The annual management fee is negotiable, with 3.00% being the maximum charged. If the account has only mutual funds, then the maximum fee is 2.25%.

Fees are negotiable based on the complexity of the client's financial situation, the amount of assets under management, the number of accounts established through this program and the investment mix.

SAA retains up to 15% of the annual management fee for LifeGuide accounts. The remainder of the fee charged to you is paid to us. SAA is responsible for collecting all fees paid by you and journals our portion of the advisory fee to us. Please note that our fees may be higher than fees charged by other financial professionals providing similar services.

We may invest a portion of your assets in mutual funds, exchange traded funds (ETFs), stocks or variable annuities and charge an investment management fee on your assets invested in these securities. Therefore, you may pay two levels of fees for management of your assets: one directly to us and one indirectly to the managers of the mutual funds, ETFs or variable annuities held in your portfolios.

A complete description of LifeGuide related fees, charges, when due and termination procedures are described in the LifeGuide Disclosure Brochure Appendices (Wrap Fee Program Brochures) prepared by SAA and which is given to you prior to or at the LifeGuide account is established.

### ***Annuity Management Services***

We also provide individualized investment management services for annuity products. The issuing insurance company or product sponsor maintains custody of the annuity; we do not act as custodian and do not have direct access to your account assets.

You authorize us to have trading authorization on your accounts and we provide annuity management services on either a discretionary or non-discretionary basis. See **Item 16, Investment Discretion**, for additional discussion on discretionary and non-discretionary authority.

Because the managed annuities are considered brokerage products, our representatives earn a commission on these products in their separate capacities as registered representatives and independently licensed insurance agents. (See, **Additional Compensation**, below.) We do not charge an asset management fee for these advisory services.

At least quarterly, you receive an account statement from the account custodian detailing transactions in your account, including any costs and expenses charged. You should review the account statements



received from the account custodian and verify that appropriate deductions are made. The custodian does not verify the accuracy of any fees account deductions.

Either of us can terminate annuity management services at any time by providing written notice to the other party. Termination is effective upon receipt of the notice. There are no prorated costs or prorated refunds charged.

### **AssetMark**

We can offer advisory services to clients through the AssetMark Platform which is sponsored by AssetMark, Inc., an unaffiliated investment adviser firm registered with the SEC. The AssetMark platform is an asset allocation system that we may use to manage client assets. It is made up of model portfolios by a number of institutional investment strategies selected and made available by AssetMark. We have access to the model portfolios and are able to select appropriate models for our clients. The portfolio designs are based on information, research, asset allocation methodology and investment strategies of the investment strategists. The independent investment strategists have no direct relationship with our firm and you will not need to execute an agreement with the strategists because they provide no direct analysis of your individual circumstances or objectives, and do not tailor their strategies to any specific client's needs. We are solely responsible for selecting appropriate models and implementing investment strategies for each client.

For more information regarding the AssetMark Platform, refer to AssetMark Platform Disclosure Brochure which you will receive if you decide to use this program.

AssetMark Platform client fees are payable quarterly, in advance, based on the assets under management during the previous quarter. Duncan Investments, AssetMark, Inc., the investment strategists who design the portfolios, and others who provide support services for the AssetMark Platform receive a portion of the fee paid by the client.

The maximum advisory fee charged to clients will not exceed 1.95% per year. Custodian and transaction fees are charged separately from the AssetMark Platform client fees. The amount of the advisory fee charged by Duncan Investments and paid by the client depends on a variety of factors. Duncan Investments may retain up to 1.20% of the total fees charged to client for its role as investment adviser.

We have chosen AssetMark Trust, an affiliate of AssetMark, Inc., as the custodian for accounts in this program. Fees and compensation for using the AssetMark Platform are provided in more detail in the AssetMark Platform Disclosure Brochure.

### **Third Party Money Managers**

We act a solicitor and refer clients to unaffiliated third party investment advisors offering asset management and other investment advisory services. We perform due diligence in selecting the third party money managers recommended. Third-party investment advisors recommended by us must be registered or exempt from registration in the state where you client reside. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

Through this service, we assist you to identify your risk tolerance and investment objectives and then recommend money managers relative to those objectives and tolerances. You select a recommended third party investment advisor based on your needs and enter into an agreement directly with the selected advisor, who provides the asset management services. Our representatives are available to answer client questions regarding your account. Our representatives also act as the communication conduit between you and the third-party investment advisors.

Third party managed programs generally have account minimum requirements and these minimum requirements vary from investment advisor to investment advisor. Account minimums are generally higher on fixed income accounts than equity based accounts. A complete description of the third party investment advisor's services, fee schedules and account minimums are disclosed in the third party

investment advisor's Disclosure Brochure that is provided to you at the time an agreement for services is executed and an account established. The type and frequency of reports provided to you also depends on the third party investment advisor selected.

Third-party investment advisors may take discretionary authority to determine the securities to be purchased and sold for you. We do not have any discretionary authority and are not responsible for selecting investments or implementing trades in your accounts. We are responsible for determining the initial and on-going suitability and also for maintaining your current information.

When referring clients to third party money managers, we are paid a portion of the fee charged and collected by the third party investment advisor in the form of solicitor fees or consulting fees. You do not directly pay us for this referral service and our solicitor/referral fee does not appear as a direct cost to you. However, the third party money manager takes our solicitor/referral fee into consideration when determining the total fee charged to you. The third party money manager also considers other factors when determining the fee, such as the amount of assets under management and the number of client accounts. The actual fee charged to you varies depending on the third party investment advisor selected.

We reviewed the performance of numerous third-party investment advisor firms and recommend the programs described below. You are advised that there may be other third party managed programs that may be suitable to you and that may be more or less costly. No guarantees can be made your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. Investments involve risk, including the possible loss of principal.

### ***Independent Managed Assets Program***

Through this service, we are able to establish agreements directly with third-party money managers offering a wide range of advisory services, including asset allocation, market timing and portfolio management. We can then refer you to a third-party money manager and the third-party money manager provides asset management and investment advisory services directly to you. This means the third-party money manager is responsible for continuously monitoring your accounts and making trades in your accounts when necessary. You must enter into an agreement directly with the unaffiliated third-party investment advisor.

As previously explained, when you agree to engage a third-party investment advisor we recommend, we are considered a solicitor and we are paid a portion of the fee charged and collected by that advisor. We are always responsible for assisting you with identifying your risk tolerance and investment objectives. We recommend third-party investment advisors and help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance.

Although the third-party investment advisor is responsible for making all investment decisions, we are available to answer questions you may have regarding your account and act as the communication conduit between you and the third-party investment advisors. The third-party investment advisors we recommend generally require discretionary authority to determine the securities to be purchased and sold in your accounts. Neither we nor our representatives have any trading authority with respect to your managed account(s) with the third-party investment advisor(s).

We are limited in this program because we can only select the services of money managers approved through SAA's Independent Managed Assets Program ("IMAP"). One or more of these money managers may be affiliated entities of SAA.

You are advised that there may be other third-party managed programs, not recommended by us, that are suitable for you and that may be more or less costly than arrangements recommended by us. No guarantees can be made that your financial goals or objectives will be achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance can ever be offered by us. See **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss**, for more details.

Trading by IMAP money managers may trigger wash sale rule implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in the IMAP program.

If we recommend a third-party investment advisor to you, a complete description of that advisor's services, fee schedules and account minimums is provided in the advisor's Form ADV Disclosure Brochure or Wrap Fee Program Brochure. These brochures are provided to you when we initially recommend the third-party investment advisor.

While the actual fee charged to you varies depending on the third-party investment advisor utilized, the portion retained by us in the form of solicitor fees or consulting fees will not exceed 3%. All fees are calculated and collected by the selected third-party investment advisor firm who is responsible for delivering our portion of fee to us.

SAA receives a portion of the solicitor fee, a marketing override or an administrative fee for providing administrative and marketing services. You may incur additional charges including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, and IRA and qualified retirement plan fees. We will never receive any portion of such commissions or fees. We are only compensated by the consulting fee described above. We receive no other compensation in connection with your account managed by a third-party investment advisor. When we negotiate lower fees and expenses charged by third parties, all negotiated improvements are for your benefit.

### ***Managed Opportunities Program***

The Managed Opportunities Program (Managed Opportunities) is a wrap fee program developed by Securities America, Inc. (SAA), an investment advisor registered with the U.S. Securities and Exchange Commission. Managed Opportunities provides clients with the opportunity to establish mutual fund portfolios, separate account portfolios and unified managed account portfolios developed by third-party money managers that are registered investment advisors (collectively referred to as sub-advisors). One or more of these sub-advisors may be affiliated entities of SAA. We act as a referral party when referring you to the mutual fund, separate account portfolio and/or unified managed account portfolio options.

Managed Opportunities also offers advisor directed portfolios and our advisory representatives may use this option to design investment management and asset allocation portfolios for you. When using this advisor directed portfolio option, your representative is acting in an advisory capacity rather than in a referral capacity. You grant SAA and the sub-advisors limited discretionary authority with respect to the purchase and sale of securities in mutual fund, separate account and unified managed account portfolios and also grant us discretionary authority with respect to the initial Managed Opportunities master account and advisor directed portfolios. This discretionary authority allows us to trade, rebalance, reallocate and replace funds within the guidelines of your suitability and risk tolerance.

Our advisory representative assists you in establishing a Managed Opportunities account through a web-based platform. To establish an account, you must provide relevant information to assist our representatives in determining the suitability of the program accounts and in establishing appropriate investment objectives. We may also request other supporting documents and financial information. An Investment Strategy Summary is generated from the application, profile and suitability information provided by you that summarizes recommended investment strategies and sets out the objectives and restrictions in managing your account. We provide services through Managed Opportunities based solely upon information supplied by you. Your portfolio may be managed by SAA or other sub-advisors with which SAA has established relationships. Although the third-party investment managers are responsible for making all investment decisions, we are available to answer questions you may have regarding your account and we act as the communication conduit between you and the investment manager.

A master brokerage account may be established at your request for the administrative purpose of holding and transferring your assets. If you are required to liquidate positions in order to invest proceeds into a Managed Opportunities portfolio or in order to transfer assets out of Managed Opportunities, the liquidating transactions may occur in the master account.

Generally, Securities America, Inc. (SAI), an affiliated broker/dealer of SAA, processes all transactions in Managed Opportunities accounts. Administrative, website, performance reporting, transaction order entry services and other services are provided to us by outside providers and sub-advisors. You grant us the discretionary authority to select one or more sub-advisors to provide those services to you and us. These services are provided by Envestnet, Inc. (Envestnet) as a sub-advisor to SAA, and clients establishing a Managed Opportunities account receive a copy of Envestnet's Disclosure Brochure. SAA and Envestnet are separate, non-affiliated entities.

Generally, National Financial Services, LLC (NFS) or other custodians maintain custody of funds and securities. Please refer to Item 12 and 16 for more details.

Trading by Managed Opportunities money managers may trigger wash sale rule implications. SAA does not manage accounts in the Managed Opportunities in a way to avoid wash sale implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in Managed Opportunities.

#### *Managed Opportunities Fee Arrangements*

The annual management fee for the Managed Opportunities Program is negotiable, with 3.00% being the maximum charged. The exact fee or fee schedule charged is disclosed to you prior to services being provided. Our representative can choose to "bundle" related accounts to achieve a break on management fees as long as the related program accounts have an identical fee schedule. For unified managed account portfolios, there is an annual minimum account fee that varies depending upon the specific program you select. For smaller accounts, this minimum annual account fee may result in an annual management fee greater than the maximum stated percentage. In advisor directed portfolios, you may also be assessed ticket charges on account transactions and other miscellaneous charges by the clearing firm, NFS. Account assets may also be subject to additional fees and expenses as explained in the prospectus for mutual funds or exchange traded funds. We are paid solicitor/referral fees for recommending mutual fund portfolios, separate account portfolios and unified managed account portfolios.

SAA retains a portion of the annual fee for management, administrative and support services it provides. The balance of the annual fee you are charged is then paid to us. SAA also compensates sub-advisors for the administrative fees it charges to us.

Management fees are calculated at the beginning of each period (monthly or quarterly) based on either the Average Daily Balance (ADB) or the Period Ending Balance (PEB) of your account assets under management for the previous period. Management fees are billed in advance with the exception of the initial fee. The initial fee is billed in arrears, prorated based on the number of days that services were provided during the first billing period. This initial fee is billed at the same time the first full period fee is billed in advance. For all portfolios except the unified managed accounts program, management fees are calculated at the beginning of each billing period based on the ADB of your account assets under management for the previous period. The ADB does not take into account un-priced securities held in the account or days when an account has a zero balance.

For unified managed accounts, management fees are calculated at the beginning of the billing period based on the PEB balance of your account assets under management for the previous period. Fee calculations are based solely on the PEB and do not take into consideration any day(s) in the billing period where the account has a zero balance. In addition, any un-priced securities held in the account are not included in the account's billable value.

Typically, management fees are automatically deducted from the Managed Opportunities account by SAA or a service provider selected by SAA according to an authorization provided in the program's client agreement. On an exception basis, you may have management fees paid from other accounts or have us bill you directly by invoice. In such cases, the management fee is noted as zero on your brokerage statements. When required, either SAA or the account custodian sends you a management fee

notification at the beginning of each billing period. The management fee notification may be included on your brokerage account statements. The management fee notification shows the ADB computed fee, any adjustment to the fee, an explanation of the adjustment and the net fee to be deducted later in the billing period from your core account investment vehicle. Sub-advisors will maintain cash in the core account investment vehicle which you select in order to pay for management fees and other charges and fees. All fees and charges are noted on your statements.

With respect to advisor directed program portfolios, the market value of variable annuity accounts included in the management portfolio may be included in the calculation of the management fees. We may not receive daily account valuation information for variable annuities from the insurance companies or their custodians. In some circumstances, when ADB is utilized, management fees on certain variable annuity accounts may be based on the weekly or monthly average balance. You may pay more or less in management fees when the pricing is based on a weekly or monthly average balanced compared to management fees when the pricing is based on the average daily balance.

If an account is terminated and securities are liquidated, you may incur separate charges for each transaction. In addition, you may incur contingent deferred sales charges imposed by mutual fund companies on mutual fund position liquidations if you direct us to liquidate the account or switch managers. All other brokerage commissions are waived in Managed Opportunities Program accounts. You are subject to a \$200 transfer charge if, within 12 months of the establishing a Managed Opportunities Program portfolio, you direct us to transfer the assets of that portfolio to another Managed Opportunities Program portfolio.

We may invest a portion of your assets in mutual funds, exchange traded funds or variable annuities and charge an investment management fee on your assets invested in these securities. Therefore, you may pay two levels of fees for the management of your assets: one directly to us and one indirectly to the managers of the mutual funds, exchange traded funds or variable annuities held in your portfolios. Our management fees for advisory services are separate and distinct from the fees and expenses charged by the funds and annuities recommended to you. A description of these fees and expenses are available in each mutual fund and annuity prospectus. The ongoing fee for our management services may cost you more than if your assets were held in a traditional brokerage account. In addition, you may be able to obtain similar services for a lesser fee from other advisors.

In addition, our representative may manage variable annuity account(s) held by your insurance company custodians even though those annuity accounts are not linked to an advisory account. If annuity management service is provided, it is provided on a discretionary basis only, and you may be subject to additional advisory fees. The underlying assets may be bought directly through the mutual fund company or variable annuity company. Therefore, you could generally avoid the second layer of fees by making your own decisions regarding the mutual fund, exchange traded fund or variable annuity investment. However, in that case, you would not receive the investment management services provided by your representative.

Generally, SAA policy prohibits imposing an asset-based fee for 18 months on certain products, including certain classes of mutual funds and variable annuities that were subject to a commission and sold by our representative at the time of purchase. There is an exception to this policy for mutual fund class-C shares. SAA's policy prohibits imposing an asset-based fee for 12 months on mutual fund class-C shares that were subject to a commission and sold to you by your representative in his/her capacity as a registered representative of SAI. For any alternative investment product purchased for a commission and then transferred from a commission-based account to an advisory account, SAA requires the alternative investment product held to be excluded from the asset-based fee charged to the advisory account. If an alternative investment product is purchased at NAV (in other words, purchased for no commission), then that alternative investment product may be held in an advisory account and be subject to an asset-based fee. While SAA (or an entity on its behalf) has designed reasonable controls to monitor for the accuracy of advisory fees, we also encourage you to check the accuracy of your advisory fee billings.

If your representative recommends a product previously purchased in a commission-based account be transferred into an advisory account, the recommendation may be deemed to be a conflict of interest. We manage this conflict through written disclosure to you and by imposing reasonable controls designed to monitor for this activity.

A complete description of Managed Opportunities and related fees, charges, when due, termination procedures and the investment strategies employed in the program portfolios are described in SAA's Managed Opportunities Disclosure Brochure Appendices (Wrap Fee Program Brochure) which you receive at or prior to the time a Managed Opportunities account is established.

### **Additional Compensation**

You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any recommendations made by our representatives. If you do decide to implement recommendations, you are responsible for taking any actions or implementing any transactions required. You are free to select any broker/dealer and/or insurance agent to implement our recommendations.

You should be aware that our representatives are also registered representatives of Securities America, Inc., a registered broker/dealer and member of FINRA/SIPC. In this separate capacity, they can receive a commission for selling securities products. This is a potential conflict of interest. As a registered representative, they may sell mutual funds and receive 12(b)-1 fees in addition to commissions. The 12(b)-1 fees, named after a section of the *Investment Company Act of 1940*, are annual marketing or distribution fees and considered an operational or administrative expense. The fees are included as a part of the mutual fund's total expense ratio and paid from fund assets. Therefore, the fees come indirectly from your account. Every mutual fund prospectus includes a description of the fund's fees and expenses. Receiving 12(b)-1 fees represents an incentive for a registered representative to recommend funds with 12(b)-1 fees or with higher 12(b)-1 fees than funds with no fees or lower fees. This is also a potential conflict of interest. Our representatives will only recommend mutual funds to clients if those funds are suitable for you and appropriate to help fulfill your objectives.

In addition, some of our representatives are also independently licensed as insurance agents and sell insurance products to any client. The representatives can earn commissions when selling insurance products in this separate capacity. This is a potential conflict of interest, since any commissions earned could be in addition to advisory fees earned in their capacity as an investment advisor representative.

Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. Both we and our representatives endeavor at all times to put your interests first as a part of our fiduciary duty. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of our representatives when making advisory recommendations.

### **Comparable Services**

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

### **Item 7 – Types of Clients**

We generally provide investment advice to individuals, including high-net worth individuals.

### **Minimum Investment Amounts Required**

We require a minimum of \$250,000 to establish and maintain a brokerage account, though exceptions may be made for existing clients. It is acceptable to aggregate or "bundle" household accounts in order to reach the minimum account requirement.

There is a minimum of \$50,000 to establish and maintain a LifeGuide account. Exceptions to these minimums may be granted upon request (i.e., anticipated future deposits).

The minimum investment required on the AssetMark Platform depends upon the Investment Solution chosen for a client's account and is generally \$25,000 to \$50,000 for Mutual Fund accounts and \$100,000 for ETF Accounts, and from \$50,000 to \$500,000 for Privately Managed and Unified Managed Accounts (i.e. accounts comprised of general securities such as stocks and bonds), depending on the investment strategy selected for the account. These minimums are described in more detail in the AssetMark Platform Disclosure Brochure. Accounts below the stated minimums may be accepted on an individual basis at the discretion of AssetMark.

Third party managed programs generally have account minimum requirements and these minimum requirements vary from investment advisor to investment advisor. Account minimums are generally higher on fixed income accounts than equity based accounts.

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

#### **Methods of Analysis**

We use fundamental, technical, charting and cyclical analysis when considering investment strategies and recommendations for clients.

#### ***Fundamental***

Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's

value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

### ***Technical***

This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

### ***Charting***

Charting is a technical analysis that charts the patterns of stocks, bonds and commodities to help determine buy and sell recommendations for clients. It is a way of gathering and processing price and volume information in a security by applying mathematical equations and plotting the resulting data onto graphs in order to predict future price movements. A graphical historical record assists the analyst in spotting the effect of key events on a security's price, its performance over a period of time and whether it is trading near its high, near its low or in between. Chartists believe that recurring patterns of trading commonly referred to as indicators, can help them forecast future price movements.

### ***Cyclical***

Cyclical analysis looks at recurring periods of expansion and contraction that can impact a company's profitability and cash flow. Cyclical stocks tend to rise quickly when the economy turns up and fall quickly when the economy turns down (i.e., housing, automobiles, telecommunications, paper, etc.). Non-cyclical industries (i.e., food, insurance, drugs, health care, etc.) are not as directly impacted by economic changes.

### **Analysis Risks**

Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Technical analysis uses a shorter timeframe—often weeks or days. The price and volume data reviewed is released on a daily basis. Therefore, fundamental analysis could mean a gain is not realized until a security's market price rises to its "correct" value over the long run--perhaps several years.

As a general statement, technical analysis is used for a trade while fundamental analysis is used for an investment. It could also be said that traders buy assets they believe they can sell to someone else at a greater price while investors buy assets they believe will increase in value. The frequency of trading securities using technical analysis could have both a positive or negative impact and could also lead to increased brokerage and transaction costs, thus lowering performance. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

Both charting and cyclical analysts look for patterns to help identify the direction the market is going at any given time. However, patterns and expected ranges or time frames may not occur as anticipated due to any number of factors (i.e., natural disasters, political upheaval, etc.).

### **Investment Strategies**

We use the following investment strategies when implementing investment advice:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales (Borrowing securities in anticipation of a price decline and returning an equal number of securities at some future time.)



- Margin transactions (Investor pays for part of the purchase and borrows the rest from a brokerage firm; e.g., investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Advisor.)
- Option writing (Including covered options, uncovered options or spreading strategies.) (Note: options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.)

We gather information from a variety of sources, including financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the Securities and Exchange Commission and company press releases.

When managing accounts we may utilize the services of EdgeTech Analytics, LLC, and a third party research firm that provides modeling software and market research data to investment advisors. Our representatives use this software in their daily evaluation of general mutual funds, variable annuity sub-accounts and other equity positions. EdgeTech Analytics, LLC charges us for their research services. Those costs are .6% above and beyond the fees we earn to manage your assets and may be passed on to you and automatically deducted from your brokerage account as part of your quarterly fee. If we utilize EdgeTech Analytics to manage your account you will be asked to sign a fee agreement which incorporates these costs.

### **Risk of Loss**

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Further, depending on the different types of investments, there may be varying degrees of risk:

- **Market Risk.** Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- **Equity (Stock) Market Risk.** Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in our perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- **Company Risk.** There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- **Options Risk.** Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- **Fixed Income Risk.** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

- **ETF and Mutual Fund Risk.** ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- **Management Risk.** Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account
- The account custodian or clearing firm can force the sale of securities or other assets in your account
- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

#### **Primarily Recommend One Type of Security**

We generally do not recommend any specific security to clients. Instead, we recommend any product that may be suitable for each client relative to their specific circumstances and needs.

For cash balances, we generally invest in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on your cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance is maintained in a money market account so we can debit advisory fees for our services.

### **Item 9 – Disciplinary Information**

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

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

We do not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker

- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
- A investment adviser or financial planner
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- Accountant or accounting firm
- An insurance company or agency
- A lawyer or law firm
- A pension consultant
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships

We are an independent registered investment registered advisor and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment advisor representatives with us.

### **Securities Sales**

Our representatives are also registered representatives of Securities America, Inc. You can engage them in this separate capacity to render securities brokerage services under a commission arrangement. Our representatives may have a financial incentive to recommend that a financial plan be implemented using a certain product or service. This is a conflict of interest because they could receive commissions in their capacity as a registered representative and could also receive advisory fees in their capacity as an investment advisor representative.

You are under no obligation to use the services of our representatives in this separate capacity or to use Securities America, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use Securities America, Inc. Prior to effecting any transactions, you are required to enter into a new account agreement with Securities America, Inc. The commissions charged by Securities America, Inc. may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

### **Insurance Sales**

Some of our representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they may receive fees or commissions for selling these products. You are under no obligation to direct insurance transactions to insurance companies with which our representatives may be licensed. Suitable insurance and investment products may be available from other companies.

### **Third-Party Money Managers**

As described in **Item 5, Fees and Compensation**, we have formed relationships with independent, third-party money managers.

We may recommend clients work directly with third-party money managers. When we refer clients to a third party money manager, we receive a portion of the fee charged by the third party money manager. Therefore, we have a conflict of interest because we only recommend third party money managers that agree to compensate us by paying us a portion of the fees billed to your account managed by the third party money manager.

### **Hanson McClain Advisors and Hanson McClain Retirement Network**

Hanson McClain, Inc. doing business as Hanson McClain Advisors (“HMA”) serves as a third-party money manager available through Securities America Advisors’s IMAP program (previously detailed in Item 5 of this brochure). We actively refer clients to and are therefore a solicitor for HMA. As a solicitor, we are compensated to introduce clients to HMA, discuss with clients the material facts of HMA’s services, distribute to clients all required disclosures, assist clients in completing all necessary forms and applications, and provide continuing contact and service to the client concerning HMA services. Further, we are responsible for disclosing the material terms of HMA services and discussing the initial and ongoing risks associated with HMA services. Our compensation comes in the form of receiving a portion of the overall investment management fee charged by HMA to our clients.

In addition, Charles Duncan and Paul Duncan has established a relationship with Hanson McClain Retirement Network, LLC (HMRN), a dually registered investment advisor and broker/dealer affiliated with HMA, whereby HMRN provides us marketing and client acquisition support services. HMRN’s marketing services focus on, but are not necessarily limited to, identification of key market areas and segments; marketing strategies to increase our client base; and coordinating prospective client workshops. HMRN takes an active role in organizing workshops for our firm including the referral of attendees to workshops. HMRN does **not** provide clients with any personal investment advice, securities recommendations or guidance about when clients should retire. Any investment advice or recommendations shall only be provided to clients by our firm. As a result of this relationship, we pay HMRN a portion of the fee obtained from any clients due to the marketing and/or solicitation services provided by HMRN.

**Although we compensate HMRN directly for Network services, there is a conflict of interest when we refer clients to HMA because we may be influenced to refer clients to HMA based on the services and support provided by HMRN and not solely based on the performance history and investment services provided by HMA. Additional details regarding HMA’s services are provided in HMA’s Form ADV Part 2A.**

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

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary and has a fiduciary duty to clients. We have established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects our fiduciary obligations and those of our supervised persons and requires compliance with federal securities laws. Our Code of Ethics covers all individuals that are classified as “supervised persons.” All employees, officers, directors and investment advisor representatives are classified as supervised persons. We require our supervised persons to consistently act in clients’ best interests in all advisory activities. We impose certain requirements on our affiliates and supervised persons to ensure that they meet our fiduciary responsibilities to clients. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is only intended to provide current and potential clients with a description of our Code of Ethics. If current or potential clients wish to review the Code of Ethics in its entirety, they are provided a copy promptly upon request.

### **Participation in Client Transactions and Personal Trading**

Both we and our associated persons may buy or sell securities for our own accounts that are recommended to clients. We may also recommend the purchase or sale of different securities for different clients at different times. This could result in contrary advice being given or action taken on behalf of clients and in our personal accounts.

We are and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. To prevent conflicts of interest, we have developed policies and procedures that include

personal investment and trading policies for our associated persons, employees and their immediate family members:

- Associated persons cannot prefer their own interests to that of the client
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts
- Associated persons cannot buy or sell securities for their personal accounts when those decision are based on information obtained as a result of their employment, unless that information is also available to the investment public upon reasonable inquiry
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider"
- Associated persons are discouraged from frequent personal trading
- Associated persons are generally prohibited from serving as board members of publicly-traded companies unless an exception has been granted by our President and/or Chief Compliance Officer

To the extent we or an associated person maintains an outside account, the associated person must make arrangements to send quarterly statements to us and complete an annual certification concerning their personal securities activities. They must also provide additional information about personal trading activities as may be required under our insider trading policy and Code of Ethics. Any associated persons not observing our policies may be subject to sanctions up to and including termination.

#### **Agency Cross Transactions**

Our associated persons are prohibited from engaging in agency cross transactions, meaning they cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

### **Item 12 – Brokerage Practices**

#### **Securities America, Inc.**

If you elect to implement our advice, you are free to select any broker you wish. If you elect to have our representatives implement the advice in their capacity as registered representative or through one of the Securities America Advisors, Inc. ("SAA") programs detailed in **Item 5, Fees and Compensation**, then our representatives' broker/dealer, Securities America, Inc. ("SAI") will be used.

Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services and based on the arrangement with SAI, we require the use of SAI when opening an account through our programs. We are limited in the broker/dealer or custodians we are allowed to use due to our relationship with SAI. SAI may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

Because our representatives are registered representatives of SAI, they are required to use the services of SAI and SAI's approved clearing broker/dealers when acting in their capacity as registered representatives. SAI serves as the introducing broker/dealer. All accounts established through SAI are cleared and held through National Financial Services, LLC. SAI has a wide range of approved securities products for which it performs due diligence prior to selection. SAI's registered representatives are required to adhere to these products when implementing securities transactions through SAI. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Because our representatives are also registered representatives of SAI, SAI provides compliance and supervision support to our representatives. In addition, SAI provides our representatives, and therefore us, with back-office operational, technology and other administrative support.

Economic benefits are provided to us by SAI that are not provided if you select another broker/dealer or account custodian. These benefits may include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that services SAA/SAI participants exclusively
- A dedicated service group and an account services manager dedicated to our accounts
- Access to a real-time order matching system
- Electronic download of trades, balances and position information
- Access, for a fee, to an electronic interface with the account custodian's software
- Duplicate and batched client statements, confirmations and year-end reports

Please also see **Item 5, Fees and Compensation**, for additional information about advisory services and implementing recommendations.

### **TD Ameritrade**

We participate in the institutional adviser program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers, such as Duncan Investment Advisors, Inc., services which include custody of securities, trade execution, clearance and settlement of transactions. We receive certain benefits from TD Ameritrade through our participation in the Program.

If you elect to utilize our management services using TD Ameritrade, then you are required to establish brokerage accounts at TD Ameritrade. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our 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 our 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 us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

You are under no obligation to act on our recommendations. You may select a broker/dealer or account custodian other than TD Ameritrade, although in this case we cannot assist you with asset management services.

### **Best Execution**

While we do not allow directed brokerage, we must still use reasonable diligence to make certain that best execution is obtained for clients when implementing any transactions. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions surrounding the transaction execution is in the best

interests of clients. When considering best execution, our associated persons look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with existing systems of the advisor, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered. We perform periodic reviews to determine that the relationship with SAI and National Financial Services, LLC are still in the best interests of clients.

### **Soft Dollar**

Investment advisors may direct portfolio brokerage commissions to a particular broker/dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research is known as “soft dollars.” Section 28(e) of the *Securities Exchange Act of 1934* provides a “safe harbor” that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

Although we don’t allow directed brokerage, we may still receive products and services from SAI, SAA or other program sponsors and product issuers. These products and services may be used for both research and non-research purposes and allows us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues
- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. We do not attempt to allocate the relative costs or benefits of research among clients because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to clients.

These arrangements may be deemed to create a conflict of interest to the extent that we would have to pay for some or all of the research and/or services with “hard dollars” if we were unable to obtain the research and services in exchange for commissions in connection with client transactions. Client trades are always implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

### **Handling of Trade Errors**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific

circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and we absorb any loss resulting from the trade error if we caused the error. If the error is caused by the broker/dealer, the broker/dealer is responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. We may also confer with clients to determine if they should forego the gain (e.g., due to tax reasons). We never benefit or profit from trade errors.

### **Block Trades**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used when we believe such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions are averaged as to price and are allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation or remuneration as a result of blocking trades.

## **Item 13 – Review of Accounts**

### **Account Reviews**

Managed accounts are reviewed at least quarterly. Accounts at third party money managers are also reviewed at least quarterly, usually when copies of account statements are received from the manager.

The calendar is the main triggering factor, although reviews may also be conducted due to your request, due to a change in your circumstances or due to unusual market or political activity. Charles Duncan and Paul Duncan conduct all account reviews. Absent your specific instructions, we review accounts to verify portfolio holdings, appropriate asset allocation, possible re-balancing needs, anti-money laundering concerns, fee calculation accuracy, continued suitability and that performance continues to work toward your investment goals and objectives.

### **Account Reports**

You receive a statement at least quarterly from the broker/dealer, investment advisor or money manager where your account is maintained. We provide verbal reports at least annually.

If you have a LifeGuide account, you may receive monthly, quarterly or on-demand reports showing the investment performance of your account from us or from SAA. Triggering factors for reviews may include material market, economic or political events, and changes in your personal or financial situation or performance of the accounts in general. We urge you to compare any performance reports you receive from us with account statements you receive directly from the custodian. Inquiries or concerns regarding your account including performance reports should be directed to us.

Clients participating in the Managed Opportunities Program are able to view daily and quarterly performance reports on a web site maintained on behalf of SAA by a third party which describes the performance, holdings and other activity in your account. During any month in which there is activity in Managed Opportunities accounts, you receive a statement from the account custodian or clearing firm showing the activity in the account as well as positions held in the account at month end. You also receive a confirmation of each purchase and sale transaction that occurs within your Managed



Opportunities account. If there is no activity in the account, you receive statements at least quarterly from the account custodian or clearing firm.

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

We do not directly or indirectly compensate anyone for client referrals to us.

Please see **Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations** and **Item 12, Brokerage Practices**, for additional discussion about solicitor/referral fees from third party managers, other compensation and non-economic benefits.

In addition, under AssetMark's Business Development Allowance program, we can receive a quarterly business development allowance for reimbursement of qualified marketing/practice development expenses incurred by our firm. These amounts vary depending on the value of the assets on the AssetMark Platform held by our clients at the time of receiving the payment. We may also receive business consulting services from AssetMark at a discount or free of charge.

#### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody. We are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. Our procedures do **not** result in our maintaining physical custody of client funds and securities.

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

#### **Item 16 – Investment Discretion**

Although you grant us trading authority in all accounts, asset management services in LifeGuide, Ameritrade, and AssetMark Platform accounts can be provided on a discretionary or non-discretionary basis.

When accounts are managed on a non-discretionary basis, we always contact you before implementing any transactions in an account. You must accept or reject our investment recommendations, including (1) the security being recommended, (2) the number of shares or units and (3) whether to buy or sell. Once these factors are agreed upon, we are responsible for making decisions regarding the timing of the purchase or sale and the price at which it is bought or sold. You should know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of implementing trades and we may not achieve the optimal trading price.

When managing on a discretionary basis, we can make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority. When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian.

You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

#### **Item 17 – Voting Client Securities**

We do not vote proxies on your behalf. Proxies are sent directly to your address of record from the custodian or transfer agent. You should read the information provided with the proxy document and make a determination based on the information provided. Upon your request, we may provide clarifications of issues presented in the proxy materials or provide an opinion on how you should vote on an issue. However, you are solely responsible for all proxy voting decisions.

#### **Item 18 – Financial Information**

This item is not applicable to our brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

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