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## Item 1. Cover Page

### **Sovereign Legacy, Inc.**

#### **FTC Wrap Program Brochure**

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**This wrap fee program brochure provides information about the qualifications and business practices of Sovereign Legacy, Inc. If you have any questions about the contents of this brochure, please contact us at 800-922-5601. 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 Sovereign Legacy, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2. Material Changes

3/31/2018 – Changes as listed below.

### **Changed Monarch WRAP Program name to: FTC WRAP Program**

#### **Changes to Monarch Portfolio Names, Investment Philosophy, Investment Objective, Performance Benchmark, Time Horizon & Risk Profile as listed:**

- Hybrid Dynamic Growth Portfolio has been re-named to the FTC Dynamic Growth Portfolio. Investment Objective has been changed to provide “to provide aggressive growth and maximum returns for the investor's assets without providing current income”. Benchmark has been changed to the “FTC Aggressive Growth benchmark”. Time Horizon has been adjusted to “ten years or more”.
- Hybrid Growth Portfolio has been re-named to the FTC Growth Portfolio. Investment Objective has been changed to provide “to provide capital appreciation”. Benchmark has been changed to the “FTC Growth benchmark”. Time Horizon has been adjusted to “seven to ten years”.
- Hybrid Growth & Income Portfolio has been re-named to the FTC Growth & Income Portfolio. Investment Objective has been changed to provide “to achieve steady portfolio growth and current income”. Benchmark has been changed to the “FTC Moderate Growth benchmark”. Time Horizon has been adjusted to “seven to ten years”. Risk Profile has been changed to “moderate growth”.
- Hybrid Income & Growth Portfolio has been re-named to the FTC Income & Growth Portfolio. Investment Objective has been changed to provide “to generate moderate current income and capital growth”. Benchmark has been changed to the “FTC Balanced benchmark”. Time Horizon has been adjusted to “five to seven years”. Risk Profile has been changed to “balanced”.
- Hybrid moderate Income Portfolio has been re-named to the FTC Moderate Income Portfolio. Investment Objective has been changed to provide “to achieve current income and conservative appreciation sufficient to outpace inflation”. Benchmark has been changed to the “FTC Moderate Income benchmark”. Time Horizon has been adjusted to “three to seven years”. Risk Profile has been changed to “moderately conservative”.
- Hybrid Balanced Income Portfolio has been re-named to the FTC Balanced Income Portfolio. Investment Objective has been changed to provide “to produce steady, conservative income and capital preservation”. Benchmark has been changed to the “FTC Balance Income benchmark”. Time Horizon has been adjusted to “two to five years”. Risk Profile has been changed to “conservative”.

The material changes discussed above are only those changes that have been made to this wrap fee program brochure since the firm's last annual update of the brochure. The date of the last annual update of the wrap fee program brochure was March 30, 2017.

## Item 3. Table of Contents

Item 2 Material Changes.....	2
Item 3 Table of Contents .....	3
Item 4 Services, Fees and Compensation .....	4
Item 5 Account Requirements and Types of Clients.....	24
Item 6 Portfolio Manager Selection and Evaluation.....	24
Item 7 Client Information Provided to Portfolio Managers .....	25
Item 8 Client Contact with Portfolio Managers.....	25
Item 9 Additional Information .....	25

## Item 4. Services, Fees and Compensation

Sovereign Legacy Inc.'s (the "Advisor") FTC Wrap Program provides six Investment Philosophies using an all-inclusive fee structure designed to address the investment needs of investors with different investment objectives and risk profiles. They are the FTC Dynamic Growth Portfolio, FTC Growth Portfolio, FTC Growth & Income Portfolio, FTC Income & Growth Portfolio, FTC Moderate Income Portfolio and the FTC Balanced Income Portfolio. Following is a discussion of each of these investment portfolios.

### **FTC Dynamic Growth Portfolio Investment Philosophy**

The FTC Dynamic Growth Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor may inform Investor of scheduled changes recommended for the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

### **Investment and Allocation Objectives**

**The main objective of this profile is to provide aggressive growth and maximum returns for the investor's assets without providing current income,** while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of ten years or more) equal to the performance benchmark described below. Portfolios in this range may have substantial fluctuations in value from year to year – with the possibility that most, or all, of the money invested could be lost. The equity allocation range of the portfolio will vary between thirty to ninety-nine percent.

### **Performance Benchmark**

The "smart" FTC Aggressive Growth benchmark is dynamically adjusted to the comparative index weightings of the underlying securities within the respective portfolio allocation.

## **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be ten (10) years or more. Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

## **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

1. Financial ability to accept risk within the investment program, and;
2. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment calculator to determine his/her risk profile or has rated his/her own risk profile as **Aggressive**. The aggressive risk profile is appropriate for investors who have both a high tolerance for risk and a long investment time horizon ten (10) years or more. Accordingly, The FTC WRAP model which best corresponds to this description is the FTC Dynamic Growth Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 40% in a given year.

## **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 1% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

## **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

## **Permitted Asset Classes**

1. Cash and cash equivalents
2. Fixed Income–Domestic Bonds
3. Fixed Income–Non-U.S. Bonds
4. Equities–U.S.
5. Equities–Non-U.S.
6. Equities–Emerging Markets
7. Equities–REITs
8. Equipment Leasing
9. Mortgages
10. Annuities

### **Permitted Security Types**

1. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
2. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
3. Individual Bonds, as long as they are rated “A” or better and traded on a major U.S. exchange.
4. Closed-end funds and Separately Managed Accounts.
5. Deferred & Income Annuities issued by an insurance company with an A.M Best rating for financial strength of “B++” or better.
6. Leveraged Transactions

### **Prohibited Asset Classes and/or Security Types**

1. Venture Capital
2. Purchases of Letter Stock, Private Placements, or direct payments.
3. Puts, calls, straddles, or other option strategies, except as permitted above.
4. Purchases of real estate, with the exception of REITs.

### **FTC Growth Portfolio Investment Philosophy**

The FTC Growth Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and

other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor may inform Investor of scheduled changes recommended for the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

### **Investment and Allocation Objectives**

**The main objective of this portfolio is to provide capital appreciation** while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of seven to ten years) equal to the performance benchmark described below. Portfolio's in this range may have moderate fluctuations in their portfolio values, with the possibility of losing a substantial amount of the money invested. The equity allocation range of the portfolio will vary between thirty to eighty-five percent.

### **Performance Benchmark**

The "smart" FTC Growth benchmark is dynamically adjusted to the comparative index weightings of the underlying securities within the respective portfolio allocation.

### **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be seven to ten years (7-10 years). Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

### **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

1. Financial ability to accept risk within the investment program, and;
2. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment calculator to determine his/her risk profile or has rated his/her own risk profile as **Moderately Aggressive**. The moderately aggressive risk profile is designed for investors with a high tolerance for risk and a longer time horizon of seven to ten years (7-10 years). Accordingly, The Financial Trade Center™ WRAP model which best corresponds to this description is the FTC Growth Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 30% in a given year.

### **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 2% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

### **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

#### **Permitted Asset Classes**

1. Cash and cash equivalents
2. Fixed Income—Domestic Bonds
3. Fixed Income—Non-U.S. Bonds
4. Equities—U.S.
5. Equities—Non-U.S.
6. Equities—Emerging Markets
7. Equities—REITs
8. Equipment Leasing
9. Mortgages
10. Annuities

#### **Permitted Security Types**

1. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
2. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
3. Individual Bonds, as long as they are rated "A" or better and traded on a major U.S. exchange.
4. Closed-end funds and Separately Managed Accounts.
5. Deferred & Income Annuities issued by an insurance company with an A.M Best rating for



financial strength of “B++” or better.

6. Leveraged Transactions

### **Prohibited Asset Classes and/or Security Types**

1. Venture Capital
2. Purchases of Letter Stock, Private Placements, or direct payments.
3. Puts, calls, straddles, or other option strategies, except as permitted above.
4. Purchases of real estate, with the exception of REITs.

### **FTC Growth & Income Portfolio Investment Philosophy**

The FTC Growth & Income Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor may inform Investor of scheduled changes recommended for the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

### **Investment and Allocation Objectives**

**The main objective of this profile is to achieve steady portfolio growth and current income** while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of seven to ten years) equal to the performance benchmark described below. Portfolios in this range should be expected to limit fluctuations and the possibility of loss to less than those of the overall stock markets. The equity allocation range of the portfolio will vary between twenty-five to seventy-five percent.

### **Performance Benchmark**

The “smart” FTC Moderate Growth benchmark is dynamically adjusted to the comparative index weightings of the underlying securities within the respective portfolio allocation.

## Time Horizon

For the purposes of planning, the time horizon for these investments is to be seven to ten years (7-10 years). Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

## Risk Profile

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

1. Financial ability to accept risk within the investment program, and;
2. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment calculator to determine his/her risk profile or has rated his/her own risk profile as **Moderate Growth**. An investor in the moderate growth profile will have a higher tolerance for risk and/or a longer time horizon of seven to ten years (7-10 years). Accordingly, The FTC WRAP model which best corresponds to this description is the FTC Growth & Income Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 25% in a given year.

## Liquidity

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 3% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

## Diversification

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

## Permitted Asset Classes

1. Cash and cash equivalents
2. Fixed Income—Domestic Bonds
3. Fixed Income—Non-U.S. Bonds
4. Equities—U.S.
5. Equities—Non-U.S.
6. Equities—Emerging Markets
7. Equities—REITs
8. Equipment Leasing
9. Mortgages
10. Annuities

### **Permitted Security Types**

1. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
2. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
3. Individual Bonds, as long as they are rated “A” or better and traded on a major U.S. exchange.
4. Closed-end funds and Separately Managed Accounts.
5. Deferred & Income Annuities issued by an insurance company with an A.M Best rating for financial strength of “B++” or better.
6. Leveraged Transactions

### **Prohibited Asset Classes and/or Security Types**

1. Venture Capital
2. Purchases of Letter Stock, Private Placements, or direct payments.
3. Puts, calls, straddles, or other option strategies, except as permitted above.
4. Purchases of real estate, with the exception of REITs.

### **FTC Income & Growth Portfolio Investment Philosophy**

The FTC Income & Growth Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance

standard. Advisor may inform Investor of scheduled changes recommended for the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

### **Investment and Allocation Objectives**

**The main objective of this profile is to generate moderate current income and capital growth** while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of at least 5-7 years) equal to the performance benchmark described below. Portfolio's in this range should expect fluctuations in value to be far less than those of the overall stock markets. The equity allocation range of the portfolio will vary between twenty to seventy percent.

### **Performance Benchmark**

The "smart" FTC Balanced benchmark is dynamically adjusted to the comparative index weightings of the underlying securities within the respective portfolio allocation.

### **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be in five to seven years (5-7 years). Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

### **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

1. Financial ability to accept risk within the investment program, and;
2. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment

calculator to determine his/her risk profile or has rated his/her own risk profile as **Balanced**. An investor in the balanced profile will be able to tolerate short-term risk to gain long-term capital growth and/or has a moderate time horizon of five to seven years (5-7 years). Accordingly, The FTC WRAP model which best corresponds to this description is the FTC Income & Growth Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 20% in a given year.

### **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 4% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

### **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

#### **Permitted Asset Classes**

1. Cash and cash equivalents
2. Fixed Income—Domestic Bonds
3. Fixed Income—Non-U.S. Bonds
4. Equities—U.S.
5. Equities—Non-U.S.
6. Equities—Emerging Markets
7. Equities—REITs
8. Equipment Leasing
9. Mortgages
10. Annuities

#### **Permitted Security Types**

1. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
2. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
3. Individual Bonds, as long as they are rated "A" or better and traded on a major U.S. exchange.
4. Closed-end funds and Separately Managed Accounts.
5. Deferred & Income Annuities issued by an insurance company with an A.M Best rating for financial strength of "B++" or better.
6. Leveraged Transactions

## **Prohibited Asset Classes and/or Security Types**

1. Venture Capital
2. Purchases of Letter Stock, Private Placements, or direct payments.
3. Puts, calls, straddles, or other option strategies, except as permitted above.
4. Purchases of real estate, with the exception of REITs.

## **FTC Moderate Income Portfolio Investment Philosophy**

The FTC Moderate Income Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor may inform Investor of scheduled changes recommended for the upcoming quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

## **Investment and Allocation Objectives**

**The main objective of this profile is to achieve current income and conservative appreciation sufficient to outpace inflation** while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of at least 10 years) equal to the performance benchmark described below. Portfolio's in this range should expect fluctuations in the value of the portfolio and negative returns can occur from year to year. The equity allocation range of the portfolio will vary between fifteen to sixty-five percent.

## **Performance Benchmark**

The "smart" FTC Moderate Income benchmark is dynamically adjusted to the comparative index weightings of the underlying securities within the respective portfolio allocation.

## **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be three to seven years (3-7 years). Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

## **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

1. Financial ability to accept risk within the investment program, and;
2. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment calculator to determine his/her risk profile or has rated his/her own risk profile as **Moderately Conservative**. An investor in the conservative profile will have a higher tolerance for risk than the defensive risk profile and/or a longer time horizon of three to seven years (3-7 years). Accordingly, The FTC WRAP model which best corresponds to this description is the FTC Moderate Income Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 15% in a given year.

## **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 5% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

## **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

### **Permitted Asset Classes**

1. Cash and cash equivalents

2. Fixed Income—Domestic Bonds
3. Fixed Income—Non-U.S. Bonds
4. Equities—U.S.
5. Equities—Non-U.S.
6. Equities—Emerging Markets
7. Equities—REITs
8. Equipment Leasing
9. Mortgages
10. Annuities

### **Permitted Security Types**

1. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
2. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
3. Individual Bonds, as long as they are rated “A” or better and traded on a major U.S. exchange.
4. Closed-end funds and Separately Managed Accounts.
5. Deferred & Income Annuities issued by an insurance company with an A.M Best rating for financial strength of “B++” or better.
6. Leveraged Transactions

### **Prohibited Asset Classes and/or Security Types**

1. Venture Capital
2. Purchases of Letter Stock, Private Placements, or direct payments.
3. Puts, calls, straddles, or other option strategies, except as permitted above.
4. Purchases of real estate, with the exception of REITs.

### **FTC Balanced Income Portfolio Investment Philosophy**

The FTC Balanced Income Portfolio is an actively managed and fluid ensemble of various securities blended within a tactically dynamic investment philosophy. This investment philosophy includes sophisticated research, quantitative and qualitative analysis, esoteric securities selection, built in cost constraints, proprietary allocation methods as well as the strategic rotating, overweighting and underweighting of select sectors and styles. This level of effort and activity is built around providing the greatest possibility of achieving benchmark performance standards in both up and down markets.

Investment Manager and/or Advisor have full discretion to decide portfolio investments. Investment Manager(s) and/or Advisor will review portfolio holdings, economic indicators and other relevant information on a quarterly basis to assess attainment of benchmark performance standard. Advisor may inform Investor of scheduled changes recommended for the upcoming



quarter either by telephone, mail or some form of electronic communication. However, Investor understands that certain events may occur intra-quarter which may require Investment Manager(s) and/or Advisor to institute unscheduled changes in allocation or diversification in an attempt to de-risk the portfolio in order to preserve asset value or to capitalize on unique investment opportunities.<sup>1</sup>

### **Investment and Allocation Objectives**

**The main objective of this portfolio is to produce steady, conservative income and capital preservation without regard for keeping pace with inflation** while meeting a stated benchmark performance principle. The benchmark performance principle shall be to attempt to attain an average annual rate of return (over a period of at least 5 years) equal to the performance benchmark described below. Portfolio's in this range should know that minor and infrequent fluctuations in the value of this portfolio can occur; it would not be considered rare for this to happen. The equity allocation range of the portfolio will vary between zero to fifteen percent.

### **Performance Benchmark**

The "smart" FTC Balance Income benchmark is dynamically adjusted to the comparative index weightings of the underlying securities within the respective portfolio allocation.

### **Time Horizon**

For the purposes of planning, the time horizon for these investments is to be two to five years (2-5 years). Capital values do fluctuate over shorter periods, and the Investor should recognize that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over short-term holding periods can be minimized with the long-term investment mix employed under this Investment Policy Statement.

### **Risk Profile**

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (e.g., volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk profile. There are two primary factors that affect the Investor's risk profile:

1. Financial ability to accept risk within the investment program, and;
2. Willingness to accept return volatility.

Taking these two factors into account, the Investor utilizes a Financial Trade Center™ investment

calculator to determine his/her risk profile or has rated his/her own risk profile as **Conservative**. An investor in the defensive profile will have the lowest tolerance for risk and/or a short-term time horizon of two to five (2-5 years). Accordingly, The FTC WRAP model which best corresponds to this description is the FTC Balanced Income Portfolio. The Investor recognizes that higher returns involve some volatility and has indicated a willingness to tolerate declines in the value of this Portfolio of between 0% and 10% in a given year.

### **Liquidity**

Investor has not expressed a need to maintain a minimum level of cash or cash equivalents in Investor's Portfolio at all times. However, at least 5% of the Portfolio shall be maintained in cash or cash equivalents at all times for emergencies or opportunities.

### **Diversification**

Investment of the Investor's funds shall be limited to individual marketable securities or packaged products (for example, mutual funds, separately managed accounts or unit investment trusts) in the following categories:

#### **Permitted Asset Classes**

1. Cash and cash equivalents
2. Fixed Income—Domestic Bonds
3. Fixed Income—Non-U.S. Bonds
4. Equities—U.S.
5. Equities—Non-U.S.
6. Equities—Emerging Markets
7. Equities—REITs
8. Equipment Leasing
9. Mortgages
10. Annuities

#### **Permitted Security Types**

1. Mutual Funds, ETFs, Stocks, Bonds, Publicly Traded REITs, Money Market Funds.
2. Individual Stocks, as long as they are traded on the New York, American or NASDAQ Stock Exchanges.
3. Individual Bonds, as long as they are rated "A" or better and traded on a major U.S. exchange.
4. Closed-end funds and Separately Managed Accounts.
5. Deferred & Income Annuities issued by an insurance company with an A.M Best rating for financial strength of "B++" or better.
6. Leveraged Transactions

## **Prohibited Asset Classes and/or Security Types**

1. Venture Capital
2. Purchases of Letter Stock, Private Placements, or direct payments.
3. Puts, calls, straddles, or other option strategies, except as permitted above.
4. Purchases of real estate, with the exception of REITs.

## **Information Applicable to All FTC Wrap Portfolio Investment Philosophies**

### **Investment Platform**

The recommended platform would be an investment management WRAP account where there are no transaction fees, sales charges or commissions (limitations may apply). This is true for all holdings including retail mutual funds which normally assess a sales charge/load. Since one of the keys to successful investing is the ability to independently evaluate each investment opportunity, the presence of a commission may hinder the decision-making process. These concerns are eliminated with fee-based accounts because no commissions are charged on individual transactions. The client, depending upon the Account Level selected may pay a monthly subscription fee and/or an annual asset-based fee, assessed quarterly, based on the size of the account. Because of this, we believe the Investment Manager and Advisor have a greater personal stake in the success of each account.

### **Investment Selection, Manager and Control Procedures**

Investment managers (including mutual funds, money managers and limited partnership sponsors) shall be chosen using the following criteria:

- a. Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance.
- b. Investment philosophy employed by the managers and overall success of managers relative to peer group.
- c. Acquisition costs and/or expense ratios relative to other funds with like objectives and investment styles.
- d. Size of the proposed mutual fund, turnover rate and average market cap.
- e. Length of time the fund has been in existence and length of time it has been under the direction of the current manager(s) and whether or not there have been material changes in the manager's organization and personnel.

- f. For Bond Funds, average credit quality and duration.
- g. The historical volatility and downside risk of each proposed investment.
- h. How well each proposed investment complements other assets in the Portfolio.
- i. The current economic environment.
- j. The likelihood of future investment success, relative to other opportunities.

## **Reporting**

1. Advisor shall provide Investor with a report each quarter that lists all assets managed by advisor and held by Investor, values for each asset and all transactions affecting assets within the Portfolio, including additions and withdrawals.
2. Investor shall receive no less frequently than on a quarterly basis and within 30 days from the end of each such quarter the following management reports:
  - a. Portfolio performance results over the last quarter, year, three years and five years
  - b. Performance results of each individual manager for the same periods
  - c. Performance results of comparative benchmarks for the same periods
  - d. Performance reporting on a basis that is in compliance with AIMR standards
  - e. End of quarter status regarding asset allocation—current versus policy
  - f. Any recommendations for changes of the above.
3. “Smart” benchmark comparison of portfolio performance. The “smart” benchmark is dynamically adjusted to the comparative index weightings of the underlying securities within the respective portfolio allocation. While there is no guarantee that the benchmark performance standard will be met, this “smart” benchmark approach is expected to more closely identify a proper performance standard of achievement.

## **Meetings and Communication between Investor and Advisor**

As a matter of course, Advisor shall keep Investor apprised of any material changes in the Advisor’s outlook, recommended investment policy and tactics. In addition, Advisor shall meet with Investor as necessary to review and explain the Portfolio’s investment results and any related issues. Advisor meetings shall either be conducted in person, via telephone, webinar or some other electronic means. Advisor may also be available on a reasonable on-demand basis for telephone communication when needed.

Any material event that affects the ownership of Advisor firm or the management of the Portfolio must be reported immediately to the Investor.

## **Rebalancing Procedures**

From time to time, market conditions may cause the Portfolio's investment in various asset classes to vary from the established allocation. To remain consistent with the asset allocation guidelines established by this Investment Policy Statement, quarterly, the Advisor and/or Strategist shall review the Portfolio and each asset class in which the Portfolio is invested. If the actual weighting differs from the target weighting by 5% or more from the recommended weighting, unless due to a strategist recommendation the Advisor shall rebalance the Portfolio back to the recommended weighting.

## **Duties and Responsibilities**

### **The Advisor**

Advisor is expected to manage the Portfolio in a manner consistent with this Portfolio strategy, with the Investment Policy Statement between Advisor and client, and in accordance with State and Federal law and the Uniform Prudent Investor Act. Advisor is a Registered Investment Advisor and shall act as the investment advisor and fiduciary to the Investor until the Investor decides otherwise. Fiduciary responsibility exceeds that which is normally required of ordinary business relationships – the Advisor must place the interest of their clients above those of its own. As such, Advisor will execute recommended transactions in a fiduciary standard at the Advisor's discretion and in the Investor's best interest.

### **Advisor shall be responsible for:**

1. Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement.
2. Recommending an appropriate custodian to safeguard Investor's assets.
3. Advising the Investor about the selection of and the allocation of asset categories.
4. Identifying specific assets and investment managers within each asset category.
5. Ensuring that the custodian provides Investor with a current prospectus, where applicable, for each investment proposed for the Portfolio.
6. Monitoring the performance of all selected assets.
7. Recommending changes to any of the above.
8. Periodically reviewing the suitability of the investments for the Investor and being available for discussion at such times within reason at the Investor's request.
9. Preparing and presenting appropriate reports.

**Investor shall be responsible for:**

1. The oversight of the Portfolio.
2. Defining the investment objectives and policies of the Portfolio.
3. Directing Advisor to make changes in investment policy and to oversee and to approve or disapprove Advisor recommendations with regard to policy, guidelines, objectives and specific investments on a timely basis.
4. Investor shall provide Advisor with all relevant information on Investor financial conditions and risk tolerances and shall notify Advisor promptly of any changes to this information.
5. Investor will inform Advisor promptly of changes in address and any extended absence particularly in the two weeks prior to and directly after fiscal quarter breaks.
6. Investor shall read and understand the information contained in the prospectuses of mutual funds used and each investment in the Portfolio.
7. Investor is responsible for exercise all securities rights, including voting rights, as are acquired through the purchase of securities. Investor shall vote all proxies and Investor recognizes that Advisor will not vote proxies nor advise Investor on the voting of proxies.

**Investment Advisory Fees**

Pursuant to an Investment Advisory contract signed by each client, the client will pay Sovereign an Investment Advisory fee, payable quarterly in advance, based upon the assets in the account at the beginning of the period, and for new accounts, prorated from inception to the end of the period.

The all-inclusive Investment Advisory fee will be a maximum of 2.0% per annum but may be negotiated at the discretion of the Advisor for factors such as the overall size and nature of the client relationship or the complexity of the strategy employed. The Investment Advisory fees may be reduced or waived for directors, officers, and employees of Sovereign at the discretion of management. Investment Advisory fees will be automatically deducted from the client account on a quarterly basis by the Custodian as agreed in the contract.

At no time will Sovereign accept or maintain custody of a client's funds or securities except for authorized fee deduction. The Investment Advisory fee will include all custody, transaction and sub-advisory costs, which will be paid by the Advisor. To the extent used in Portfolio construction, the client will, however, pay certain ongoing costs of investing in packaged products, such as the total expense ratio of mutual funds. The specific arrangement for each client will be negotiated and defined in the investment advisory contract signed by each client.

Generally, clients in wrap fee accounts, with the transaction and custody costs included, will pay a higher Advisory Fee than those where those costs are not included in the fee. Clients that opt for the inclusive fee will not pay any transaction fees or costs beyond the inclusive Advisory Fee. The inclusive fee may cost the client more or less than purchasing such services separately depending on the number of transactions that occur in the account.

All fees paid to Sovereign for investment advisory services are separate and distinct from the expenses charged by mutual funds to their shareholders and the product sponsor in the case of variable insurance products. These fees and expenses are described in each fund's or variable product's prospectus. These fees will generally include a management fee and other fund expenses.

A client could invest in these products directly, without the services of Sovereign. In that case, the client would not receive the services provided by Sovereign which are designed, among other things, to assist the client in determining which products or services are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the product sponsor and the fees charged by Sovereign to fully understand the total fees to be paid.

Investment advisor representatives of Sovereign are not compensated differently for clients that choose the wrap fee arrangement versus a non-inclusive fee and therefore they do not have a financial incentive to recommend one method over the other.

**Termination and Cancellation.** Neither the Client nor the Advisor may assign, convey or otherwise transfer any of their rights, obligations or interests under this Agreement without the prior written consent of the other party. This Agreement may be terminated in whole or in part, at any time, by either party, by written notice to the other party.

- a. When advisor initiated, such termination shall be effective the earlier of: thirty (30) days after receipt of such notice in writing or when the account is liquidated and transferred.
- b. When client initiated, such termination shall be effective the later of:
  - i. thirty (30) days after receipt of such notice in writing, all transactions to liquidate account within thirty (30) days shall be treated as one and/or
  - ii. when the account or a remaining balance in account is liquidated and transferred after thirty (30) days, all transactions to liquidate account shall be treated separately as of their respective date.
- c. If no notice is provided, then all transactions to liquidate account shall be treated separately as of their respective date plus thirty (30) days.

As noted, the quarterly management fee is payable in advance. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client (see Expenses & Fees in Section 3 above). There is no refund of monthly subscription fees.

## Item 5. Account Requirements and Types of Clients

The Advisor will offer its services to the following types of clients: individuals, trusts, estates, or charitable organizations, corporations and other business entities.

The Advisor does not have any minimum requirements for opening or maintaining an account.

## Item 6. Portfolio Manager Selection and Evaluation

Each client is assigned a Sovereign investment advisory representative (“IAR”) when they become a client. Generally, the IAR will be the individual who introduces the client to the firm. Each IAR at Sovereign is responsible for managing the investment accounts of their assigned clients. This includes managing some or all of the client portfolios themselves or selecting unaffiliated portfolio managers to meet the investment requirements of the client. As described in Item 4 above, unaffiliated portfolio managers will be selected based on a variety of factors, including but not limited to the investment strategy they offer, investment risk profile and investment methodology, past performance in the strategy, operational abilities, compliance and regulatory record, transparency in monitoring their accounts under management, and ease of doing business with them. The Sovereign IAR will monitor the client account on an ongoing basis to, among other things, ensure that the unaffiliated manager is meeting the client needs, goals and objectives. The IAR will recommend changes if the unaffiliated portfolio manager no longer meets their needs.

Investing in securities involves risk of loss that the client needs to be prepared to bear.

In addition to investment supervisory services, Sovereign may provide Financial Planning Services to some of its clients. The Advisor’s Financial Planning services may include recommendations for portfolio customization based on their client’s investment objectives, goals and financial situation. Financial Planning Services may also include recommendations relating to investment strategies as well as tailored investment advice.

Investment Advisor Representatives of Sovereign provide general non-securities advice on topics including tax planning, estate planning, business planning, retirement planning, education planning, budgeting and cash flow. Fees are billed at rates up to \$1,000 per hour and are billed as services are rendered. Fees are negotiable. Pre-payment of fees will not exceed \$500 per client, 6 months in advance.

Sovereign will tailor its advisory services to its client’s individual needs based on meetings and completion of a client profile. If clients wish to impose certain restrictions on investing in certain securities or types of securities, the Advisor will address those restrictions with the client to have a clear understanding of the client’s requirements.



Sovereign will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, Sovereign cannot give any advice or take any action with respect to the voting of these proxies. The client and Sovereign agree to this by contract. Clients will receive proxy solicitations from their custodian and/or transfer agent.

## Item 7. Client Information Provided to Portfolio Managers

In accordance with the Advisor's Privacy Policy, the Advisor does not communicate any non-public financial information to unaffiliated entities. When an unaffiliated portfolio manager is used, the Advisor will only provide sufficient information to the unaffiliated manager for them to perform the contracted services, and they will be bound by a privacy policy no less comprehensive than the Advisor's Privacy Policy.

## Item 8. Client Contact with Portfolio Managers

The Advisor does not place any restriction on the client's ability to contact and consult with their IARs and encourages clients to communicate with their IARs whenever their circumstances change that may cause a change to their investor profile.

## Item 9. Additional Information

Neither Sovereign nor its management person(s) have had any legal or disciplinary events, currently or in the past.

Neither Sovereign nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor.

The IARs of Sovereign may also be licensed and registered as insurance agents either individually or through Sovereign Wealth Management Group, Inc., entities registered as insurance agencies in various states. IARs may sell annuity, life, accident and other lines of insurance for various insurance companies. Therefore, they will be able to purchase annuity and insurance products for any client in need of such services and will receive separate, yet typical compensation in the form of commissions for the purchase of insurance products. This creates a conflict of interest. A conflict of interest exists because of the receipt of additional compensation by the Investment Advisor Representatives. Clients are not obligated to use any Sovereign or its Investment Advisor Representatives for insurance products services. However, in such instances, there is no advisory fee associated with these insurance products.

Sovereign recommends and selects other investment advisors for clients as described above in Item 4.