



**Pettinga Financial Advisors, LLC**  
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## Firm Brochure – March 21, 2018

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This Firm Brochure provides information about the qualifications and business practices of Pettinga Financial Advisors, LLC (Pettinga). If you have any questions about the contents of this Firm Brochure, please contact our Chief Compliance Officer, Tonya F. Borders, at 812-436-4000. The information in this Firm Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Pettinga is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.

Additional information about Pettinga is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by firm name or by a unique identifying number, known as a CRD number. The CRD number for Pettinga is 156369.

## **Item 2 – Material Changes**

The following is a summary of the material changes made to this Firm Brochure since it was last updated:

- There have been no material changes made to this Firm Brochure dated March 21, 2018 from its immediate predecessor dated August 1, 2017.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business' fiscal year. Our fiscal year ends on December 31. Pettinga's Firm Brochure may be requested at any time by contacting our Chief Compliance Officer, Tonya F. Borders, at 812-436-4000. There is no charge for this document.

Additional information about Pettinga is available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Pettinga who are registered, or are required to be registered, as investment advisor representatives of Pettinga.

### **Item 3 -Table of Contents**

Item 1 – Cover Page	1
Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	6
Item 6 – Performance-Based Fees and Side-By-Side Management	7
Item 7 – Types of Clients	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 – Disciplinary Information	9
Item 10 – Other Financial Industry Activities and Affiliations	9
Item 11 – Code of Ethics	10
Item 12 – Brokerage Practices	10
Item 13 – Review of Accounts	12
Item 14 – Client Referrals and Other Compensation	13
Item 15 – Custody	14
Item 16 – Investment Discretion	14
Item 17 – Voting Client Securities	15
Item 18 – Financial Information	15

## **Item 4 – Advisory Business**

Pettinga is an investment advisor registered with the SEC and is a successor to Pettinga Financial Advisors, Inc., which was first registered with the SEC in 1994. Pettinga succeeded to the business of Pettinga Financial Advisors, Inc. on December 31, 2010.

As of December 31, 2017, Pettinga managed \$780,837,346 in client assets, of which \$768,737,548 was discretionary and \$12,099,798 was non-discretionary.

Pettinga is part of the Focus Financial Partners, LLC (Focus) partnership. As such, Pettinga is a wholly-owned subsidiary of Focus Operating, LLC, which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial services firms (Focus Partners), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs. In July 2017, investment vehicles affiliated with Stone Point Capital LLC (Stone Point) and Kohlberg Kravis Roberts & Co. L.P. (KKR) each made an investment in Focus. This transaction resulted in certain funds managed by Stone Point collectively becoming a principal owner of Focus and the KKR investment vehicles collectively becoming a minority owner of Focus. Because Pettinga is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of Pettinga. Item 10 of this Firm Brochure contains additional information regarding this relationship.

### **Investment Management**

Each client of Pettinga works with a specific financial advisor. Selection of the financial advisor is at the client's discretion. Pettinga's financial advisors manage investment portfolios for a wide variety of clients including individuals, trusts, estates, pension and profit sharing plans, charitable organizations and foundations, and businesses. These services are typically provided on a discretionary basis; however, Pettinga's financial advisors also work with clients on a non-discretionary basis if requested.

Pettinga's financial advisors work with clients individually to determine each client's specific investment objectives. The financial advisor then allocates the client's investment portfolio among various asset classes based on the client's individual investment goals, tolerance for risk, and long-term investment return objectives.

Pettinga's financial advisors typically invest client accounts in mutual funds and exchange traded funds. Other investment types, such as (but not limited to) investment grade fixed income securities, limited partnerships, covered calls, or independent money managers, may be used if the financial advisor and client agree it is an appropriate strategy for the client. In addition, Pettinga's financial advisors may use model portfolios if they are deemed appropriate for the client. Pettinga's financial advisors do not regularly recommend individual stocks but may give opinions and execute transactions for clients on certain individual stocks the client desires.

## **Financial Planning**

The objective of our financial planning engagement is to review and analyze a client's personal financial situation, prepare a comprehensive financial planning report, and make recommendations for implementing the financial plan. Our analysis and recommendations are based on information provided by the client.

The initial phase of our financial planning process involves accumulating and organizing facts about a client's financial status, identifying specific goals and objectives, and agreeing upon planning assumptions. The typical areas of discussion include (but are not limited to) retirement planning, estate planning, life insurance planning, college funding, and investment allocation analysis. After information is received, the data is analyzed and projections are made. We then meet with the client to review their comprehensive financial planning report which contains recommendations in all relevant areas of their financial situation. If necessary, the report is amended to reflect changes or alternative courses of action.

Clients are responsible for all decisions regarding implementation of the recommendations. The methods clients choose for implementing their financial planning recommendations are at their discretion. Pettinga is available to assist clients with implementation of their chosen strategies or to coordinate implementation with other financial professionals of the client's choosing.

## **Client Obligations**

Each client retains the responsibility to promptly notify Pettinga if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing, evaluating, and/or revising Pettinga's previous recommendations or services.

When performing requested services, Pettinga will not be required to verify any information received from the client or from the client's other professionals. Pettinga is expressly authorized to rely on such information.

## **No Legal or Accounting Advice**

While employees of Pettinga may be licensed attorneys or accountants, Pettinga does not provide any legal or accounting advice. Clients should seek the counsel of a qualified attorney and/or accountant when necessary.

## **Privacy**

Maintaining our client's trust and confidence is among our highest priorities. Thus, Pettinga has adopted a Privacy Policy, which details Pettinga's commitment to protecting nonpublic personal client information. Pettinga is happy to provide a copy of its Privacy Notice Regarding Client Privacy to any client or prospective client upon request.

## **Business Continuity Plan**

Pettinga has developed a Business Continuity Plan which contains procedures to launch a timely recovery from a disaster. The objective of these procedures is to minimize the impact of a disaster to the firm, its employees, clients, and vendors. The Business Continuity Plan is reviewed and updated at least annually, and it is tested at least every other year.

## **Culture of Compliance**

Pettinga strives to instill and maintain a culture of compliance throughout the firm. Compliance Policies and Procedures have been developed and implemented as part of the firm's overall compliance program. These policies and procedures include (but are not limited to) the following: Trading, Valuation of Securities, Principal Transactions, Personal Securities Transactions, Investment Processes, Insider Trading, Custody, Anti-Money Laundering, Identity Theft Prevention and Advertising. All employees must annually attend compliance training as well as acknowledge adherence to Pettinga's Compliance Policies and Procedures. The Chief Compliance Officer is responsible for conducting an annual review of Pettinga's compliance program and the annual compliance training.

## **Item 5 – Fees and Compensation**

### **Investment Management Fees**

Investment management fees are typically in the form of a percentage of assets for which Pettinga has responsibility. Currently, fees are charged according to the following schedule:

First	\$1,000,000.....	1.50%
Next	\$2,000,000.....	1.00%
Next	\$2,000,000.....	0.80%
Over	\$5,000,000.....	0.60%

In certain circumstances, Pettinga may elect to charge a flat fee. Each client's specific fee schedule is identified in the written agreement between Pettinga and the client.

Although Pettinga has established the aforementioned fee schedule, we retain the discretion to negotiate an alternative fee schedule on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, and account composition, among other factors.

Clients are billed in arrears each calendar quarter, and they may elect to be invoiced or may authorize Pettinga to directly debit fees from their accounts. Regardless, we strongly recommend that all clients verify the accuracy of their fee calculation by reviewing their custodian statement(s). At times, related client accounts may be grouped together for purposes of calculating the fee. Client relationships initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of a client relationship, all earned but unpaid fees will be due and payable.

Pettinga's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, broker-dealers, third party investment advisors and other third parties such as (but not limited to) fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such

charges, fees and commissions are exclusive of and in addition to Pettinga's fee, and Pettinga shall not receive any portion of these commissions, fees, and costs. Item 12 of this Firm Brochure contains additional information regarding brokerage practices.

### **Financial Planning Fees**

Financial planning fees are quoted on a project basis. Some clients will pay no fee for financial planning services, and others will pay a fee separate from and in addition to their investment management fee. For those clients who are charged a separate financial planning fee, the fee is fully disclosed in the client's financial planning engagement letter and the client is invoiced for the full amount upon delivery of their comprehensive financial planning report.

Additional fees may be incurred if Pettinga is engaged by the client to assist with implementation of the financial planning recommendations. These additional fees will be agreed upon by Pettinga and the client, and they will be based upon the scope of the project.

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

Pettinga does not charge or accept any performance-based fees which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

### **Item 7 – Types of Clients**

Pettinga provides services to individuals, trusts, estates, pension and profit sharing plans, charitable organizations and foundations, and businesses.

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

#### **Methods of Analysis and Investment Strategies**

Pettinga's financial advisors work with clients individually to determine each client's specific investment objectives. The financial advisor then allocates the client's investment portfolio among various asset classes based on the client's individual investment goals, tolerance for risk, and long-term investment return objectives.

Due to the individualized nature of each client relationship, client portfolios may or may not hold the same securities. Trades are placed on an individualized basis and are not aggregated or blocked. Purchases and sales of securities are based on a variety of factors including (but not limited to) client cash needs, tax implications, client preference, other holdings, and market fluctuation.

Pettinga's financial advisors typically invest client accounts in mutual funds and exchange traded funds. They review the experience and track record of the manager of the mutual fund or exchange traded fund in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. They also review the underlying assets in a mutual fund or exchange traded fund in an attempt to determine if

there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. They continually monitor the mutual funds and exchange traded funds being used in client accounts in an attempt to determine if they are continuing to follow their stated investment strategy. At the same time, Pettinga's financial advisors monitor prospective investments for possible addition to client accounts. They utilize various products to aid in this analysis, which is done both independently and in groups.

Other investment types, such as (but not limited to) investment grade fixed income securities, limited partnerships, covered calls, or independent money managers, may be used if the financial advisor and client agree it is an appropriate strategy for the client.

In addition, Pettinga's financial advisors may use model portfolios if they are deemed appropriate for the client. These model portfolios utilize mutual funds and exchange traded funds. They span a spectrum of potential investment returns and risks from relatively conservative to relatively aggressive. The model portfolios developed by each of Pettinga's financial advisors may differ and, thus, may generate different returns.

Pettinga's financial advisors do not regularly recommend individual stocks but may give opinions and execute transactions for clients on certain individual stocks the client desires. They may also work with clients to diversify out of concentrated positions of an individual stock.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Different investments involve varying types and varying degrees of risk.

All investments present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even if the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

The mutual funds and exchange traded funds utilized by Pettinga may include underlying investments in domestic and international equities, real estate investment trusts, corporate and government fixed income securities and commodities, among other security types. Each of these security types presents various risks, including (but not limited to) the following:

- Equity securities may decline in value if the issuer's financial condition declines or in response to overall market and economic conditions.
- Equity investments in a concentrated market segment, such as large cap, mid cap or small cap, or an investment's tilt towards growth or value, may underperform other market segments or the equity markets as a whole.
- Equity investments in smaller companies and mid-size companies may involve greater risk and price volatility than investments in larger, more mature companies.
- Investing outside the United States involves risks such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.



- Fixed income securities are subject to interest rate risk and credit quality risk. Inflation is also a concern, as the market value of fixed income securities generally declines when interest rates rise.
- An issuer of fixed income securities could default on its payment obligations thereby diminishing the value of the investment.
- Conservative fixed income securities have lower risk of loss of principal, but most bonds (with the exception of Treasury Inflation Protected Securities) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.
- A mutual fund's or exchange traded fund's selection and weighting of asset classes and/or underlying funds may cause it to underperform other funds with a similar investment objective.

The risks associated with other investment types utilized by Pettinga, only if the advisor and client agree it is an appropriate strategy, can vary widely. Any such risks are discussed with the client.

Clients should not assume that future performance of any specific investment, including those recommended or undertaken by Pettinga, will be profitable or equal specific performance levels.

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

As a registered investment advisor, Pettinga is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of our business or the integrity of our management personnel. Both Pettinga and its management personnel have no reportable legal or disciplinary events to disclose.

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

As noted in Item 4 of this Firm Brochure, Pettinga is part of the Focus partnership. Focus also owns other registered investment advisors, broker-dealers, pension consultants, insurance firms, and other financial services firms (Focus Partners). Focus Partners provide wealth management, benefit consulting and investment consulting services to individuals, families, employers and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

Also, as noted in Item 4 of this Firm Brochure, investment vehicles affiliated with Stone Point and KKR each made an investment in Focus. This transaction resulted in certain funds managed by Stone Point collectively becoming a principal owner of Focus and the KKR investment vehicles collectively becoming a minority owner of Focus. Because Pettinga is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of Pettinga. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of Pettinga.

Pettinga does not believe that the Focus partnership presents a conflict of interest with our clients. In addition, Pettinga has no business relationship with other Focus Partners that is material to its advisory business or its clients.

### **Item 11 – Code of Ethics**

Pettinga has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Pettinga's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth Pettinga's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with Pettinga may buy or sell securities for their personal accounts identical to or different from those recommended to clients. It is the expressed policy of Pettinga that no person employed by the firm shall prefer his or her own interest to that of a client or make personal investment decisions based on investment decisions of clients.

Pettinga employees may buy or sell securities that the firm recommends to clients. However, the firm has a strict policy against entering into transactions that might pose a conflict of interest between employees and clients. Investment accounts of Pettinga employees are reviewed quarterly by the Chief Compliance Officer to ensure adherence to this policy. In addition, all trading activity of both clients and Pettinga personnel are reviewed regularly for possible conflicts of interest.

Pettinga's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. Pettinga requires that all employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any employee not in observance of the above may be subject to discipline or termination.

Pettinga is happy to provide a complete copy of its Code of Ethics to any client or prospective client upon request.

### **Item 12 – Brokerage Practices**

#### **Custodians and Broker-Dealers**

Pettinga does not maintain custody of client assets, although we may be deemed to have custody of client assets (see additional details included in Item 15 of this Firm Brochure). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer. Pettinga does not have discretionary authority to determine the custodian/broker-dealer to be used or commission rates to be paid. Clients must direct Pettinga as to the custodian/broker-dealer they wish to use. Pettinga does, however, recommend custodians/broker-dealers based on client objectives, the custodian/broker-dealer's past record, and the general reputation of the custodian/broker-dealer. Ultimately, though, responsibility for the selection of a custodian/broker-dealer remains with the client.

Pettinga currently participates in the advisor platforms offered by both Charles Schwab & Co, Inc. (Schwab) and Fidelity Investments (Fidelity) and, thus, recommends their custody and

brokerage services when appropriate for the client and consistent with Pettinga's fiduciary duty to put client interests first. Pettinga is independently owned and operated and not affiliated with Schwab or Fidelity. Both Schwab and Fidelity are FINRA-registered broker-dealers and members SPIC. The specific custodian/broker-dealer recommended depends upon the client's unique needs, objectives, and preferences.

Clients open accounts by entering into account agreements directly with the custodian/broker-dealer; Pettinga does not open accounts for clients. The custodian/broker-dealer holds client assets in an account and buys/sells securities when directly to do so by either Pettinga or the client.

### **Brokerage and Custody Costs**

If a client selects a broker-dealer recommended and used by Pettinga, Pettinga will attempt to negotiate commissions and obtain volume discounts and has a duty of best execution. The duty of best execution means that Pettinga has an obligation to get the best overall value for the client when placing trades and must consider cost, quality, timeliness, etc. However, if a client does not select a broker-dealer suggested and used by Pettinga, it should be understood that Pettinga will not have authority to negotiate commissions among various broker-dealers or obtain volume discounts, and best execution may not be achieved. In addition, differences in commission charges may exist between the commissions charged to other clients.

Clients of Pettinga who choose Schwab or Fidelity as their custodian/broker-dealer:

- pay commissions and/or transaction fees, as is customary, when stocks, bonds, mutual funds, exchange traded funds, etc. are bought or sold through Schwab or Fidelity;
- do not "pay up" for these services, as Pettinga does not accept soft dollar payments from broker-dealers or third-parties;
- and are not charged separately for custody services.

### **Products and Services Available to Pettinga from Schwab and Fidelity**

Through participation in both Schwab and Fidelity's advisor platforms, Pettinga receives certain benefits. Additional disclosures are included in Item 14 of this Firm Brochure.

### **Trade Aggregation**

It is the policy of Pettinga to not aggregate client trades with those of another client due to their individual nature. In addition, it is Pettinga's policy to not aggregate transactions for a proprietary or employee account with client transactions. Aggregating trades can be attractive, as it can lead to more favorable transaction prices and/or commission rates. Thus, it is important to note that not participating in aggregation may lead to varied transaction prices (e.g. two clients purchasing the same security on the same day may pay a different price per share as the trades may be placed at different times) and/or higher execution charges.

### **Trade Errors**

If a trade is submitted erroneously at Schwab or Fidelity, a correcting trade may be placed on behalf of the client. Clients are not responsible for any errors that result in a loss to a client account. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client accounts that should have received

the gain, or if it is not permissible for the client to retain the gain, or if Pettinga confers with the client and the client decides to forego the gain (e.g. due to tax reasons).

## **Item 13 – Review of Accounts**

### **Data Reconciliation**

Each morning, a contracted third-party downloads data points directly from each custodian into Pettinga's portfolio accounting system. The data points downloaded include account details, holdings and prices, and transactions. Various reviews are performed, some by the third-party and others by Pettinga personnel, with the ultimate goal of reconciling each account each day but no less than each month-end.

### **Account Review**

Client accounts are reviewed at least annually, although typically three to four times per year, by the client's financial advisor. This review process includes the following elements: assessing client goals and objectives, evaluating the employed strategy, monitoring the portfolio, and addressing the need to rebalance. Additional account reviews may be triggered by a variety of events, including but not limited to: specific client requests, changes in client goals and objectives, imbalances in portfolio asset allocation, market/economic conditions, and tax loss harvesting.

### **Review of Underlying Securities**

Underlying securities within Pettinga's discretionary client accounts are regularly monitored by the client's financial advisor who is responsible for the day to day management of the portfolio. It is the financial advisor who ultimately determines the types and particular securities to buy, sell or hold on behalf of client account. In addition to performing his or her own research and analysis, the firm's financial advisors look to Pettinga's Investment Committee (IC) for input. The IC is led by the Chief Investment Officer and all other financial advisors are members. The IC may invite contributions from other employees of the firm and/or enlist the services of the Chief Compliance Officer. The IC meets at least quarterly, or more frequently as necessary, to conduct and review fundamental analysis on both securities currently being used in client accounts and securities being considered for use. The analysis and methodology of review varies depending on the security under review.

### **Client Reports**

In addition to the confirmations of transactions and no less than quarterly statements that clients receive directly from their account's custodian, Pettinga provides periodic reports which include portfolio details and performance data. For purposes of report preparation, a client's accounts are grouped into households. A household may include only one account or it may include multiple accounts. Standard client reports are produced from the portfolio accounting system on a monthly basis; other reports are produced ad-hoc and may be manually prepared or system generated.

### **Client Meetings**

Clients are urged to schedule and attend meetings with their financial advisor. Pettinga understands that some clients prefer to meet more often and others prefer to meet less often.

In addition, Pettinga understands that some clients prefer face-to-face meetings while others prefer conference calls. Regardless, Pettinga's financial advisors consider these meetings to be an integral part of the relationship as they are an opportunity to review details, discuss progress in achieving goals, and determine if goals or plans should be adjusted.

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

### **Client Referrals**

Pettinga does not have any referral compensation arrangements.

### **Other Compensation**

As noted in Item 12 of this Firm Brochure, Pettinga currently participates in the advisor platforms offered by both Schwab and Fidelity. As such, both Schwab and Fidelity provide Pettinga with access to its institutional trading and operations services, which are typically not available to retail investors. These services are generally available to independent investment advisors at no charge to them so long as a minimum dollar amount of client assets is maintained with the custodian. Pettinga maintains sufficient assets at both Schwab and Fidelity so that any fee those firms might assess an independent investment advisor for use of their services is waived, which is an economic benefit to Pettinga.

Schwab and Fidelity's services include research, brokerage, custody, and access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. Schwab and Fidelity also make available to Pettinga other products and services that benefit Pettinga but may not benefit its clients' account directly. Some of these other products and services assist Pettinga in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of Pettinga's fee from its clients' accounts, and assist with back-office support, recordkeeping and client reporting.

Schwab and Fidelity may also provide Pettinga with other services intended to help Pettinga manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab and Fidelity may make available, arrange and/or pay for these types of services to Pettinga by independent third parties. Schwab and Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Pettinga.

As noted in Item 4 of this Firm Brochure, Pettinga is part of the Focus partnership. From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include Pettinga, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Pettinga. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third party service providers. Sponsorship fees

allow these companies to advertise their products and services to Focus firms, including Pettinga. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conference could cause Pettinga to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Pettinga. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement. The following entities have provided conference sponsorship to Focus in the last year: Fidelity Brokerage Services, J.P. Morgan Asset Management, Charles F. Schwab & Co., and Lord Abbett & Co.

As part of its fiduciary duty to clients, Pettinga strives at all times to put the interests of its clients first. Client should be aware, however, that the receipt of economic benefits by Pettinga in and of itself creates a potential conflict of interest and may indirectly influence Pettinga's suggestion and use of broker-dealers and custodians.

### **Item 15 – Custody**

All client funds and securities are held with an independent, qualified custodian. Clients receive at least quarterly statements from the custodian that holds and maintains their investment assets. Pettinga urges its clients to carefully compare official custodial records to the reports which may be provided by Pettinga. Pettinga's reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients are urged to contact Pettinga's Chief Compliance Officer, Tonya F. Borders, at 812-436-4000 to discuss any discrepancies noted.

Pettinga has custody of some client funds and securities because the firm deducts its fees from client accounts when directed and authorized to do so by the client. Pettinga also has custody of funds and securities in those client accounts for which an employee of the firm has been appointed by the client to serve as trustee. Finally, Pettinga is deemed to have custody of client funds and securities when a client provides password access to his or her account for purposes of reviewing and/or trading in the account (e.g. a 401(k) account). The qualified custodian for this type of account, not Pettinga, maintains actual custody of client assets.

Because Pettinga is deemed to have custody of some client accounts, as noted above, the SEC requires that the firm engage an independent public accountant to perform an annual surprise audit.

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

Pettinga's investment management services are primarily provided on a discretionary basis. In these cases, Pettinga has the authority to place trades (i.e. determine the securities and amount of the securities to be bought or sold in a client's account) without obtaining client consent prior to the transaction.

For a minority of clients, investment management services are provided on a non-discretionary basis. In these cases, client consent must be obtained prior to each transaction. For some clients, trades are placed by Pettinga. For other clients, trades are placed directly by the client. Clients who decide to engage Pettinga in a non-discretionary relationship must be willing to accept that Pettinga cannot effect any account transactions without obtaining prior written or verbal consent to any such transactions from the client. Accordingly, in the event of a market correction during which the client is unavailable, Pettinga will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's written or verbal consent.

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

Pettinga's policy is to not vote proxies for clients. Thus, clients will receive applicable proxies directly from the issuer of securities held in their investment portfolios.

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

As a registered investment advisor, Pettinga is required to provide certain financial information or disclosures about Pettinga's financial condition. Pettinga has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.