

# Advisory Alpha, LLC

## Firm Brochure

*This brochure provides information about the qualifications and business practices of Advisory Alpha, LLC. If you have any questions about the contents of this brochure, please contact us at (866) 530-1400 or by email at: [steve@advisoryalpha.com](mailto:steve@advisoryalpha.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Advisory Alpha, LLC is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). Advisory Alpha, LLC's CRD number is: 158282.*

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*Registration does not imply a certain level of skill or training.*

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***Item 2: Material Changes***

Advisory Alpha, LLC made the following material changes since annual update of March 19, 2015:

***Item 4 E. Amounts Under Management*** – Updated AUM figures.

***Item 4 B. Types of Advisory Services*** – Updated the list of portfolio models to include the newly-created Defined Horizon portfolio and a fee-based variable annuity solution.

***Item 8 B. Material Risks Involved*** – Updated to include timing risk and political risk.

***Item 8 C. Risks of Specific Securities Utilized*** – Updated to include more information about mutual funds, exchange-traded products, and closed-end funds.

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#### **Item 4: Advisory Business**

##### **A. Description of the Advisory Firm**

Advisory Alpha, LLC is a Limited Liability Company organized in the state of Michigan.

This firm has been in business since June 2011, and the principal owner is Steve Mark Osterink, Jr. and the control person is Steven Mark Osterink, Sr.

##### **B. Types of Advisory Services**

Advisory Alpha, LLC (hereinafter "AA") offers the following services to advisory clients:

###### *Core Allocation Series*

AA's Core Allocation Series is composed of five portfolio models: Guardian, Yield Plus, Fundamental, Dynamic, and Opportunity. These extensively diversified portfolio models balance risk at five distinct levels striving to deliver optimal return for each of the five portfolio models. All of these strategies use income and growth to deliver total return, but expected risk decreases with more modest return expectations. AA manages each of the portfolio models to have a different risk return trade-off, liquidity limitation, time horizon, and asset allocation. For each client account, AA requires a completed Model Selection Guide that, together with the client's Investment Policy Statement, recommends a portfolio model.

###### *Focused Objectives Series*

AA's Focused Objectives Series is a collection of specialty portfolios, which offer targeted investment solutions specific to unique financial goals. These investment strategies are typically only appropriate for a portion of a client's investable assets, and are designed for higher net worth investors or investors with a greater degree of complexity within their financial plan.

The Global Defense portfolio is an all-weather strategy structured to withstand global economic storms and to benefit during four specific economic cycles: expansion, depression, inflation, and deflation. This conservative portfolio uses a significant allocation of alternative asset classes, including precious metals and commodities, to control risk and protect against possible negative global financial events. In addition, the Global Defense strategy prudently makes use of traditional asset classes to respond positively during normal market conditions, whether at home or abroad. AA's disciplined management process results in a unique conservative allocation offering durability across these distinct economic trends.

The Enhanced Income portfolio prioritizes current income, while using a unique multi-asset-class approach to generating yield. Many investors prefer current income because although asset values fluctuate and any gains may not be realized, yield provides "cash in hand." Even when focusing on yield, it is important to consider the value of diversification, which manages risk and protects during periods of market decline. Many income-oriented portfolios focus exclusively on stock dividends or bond interest, which introduces either volatility or interest rate risk. The Enhanced Income portfolio avoids this overconcentration, and the associated risks, by balancing the need for income with the benefits of diversification.

The Select Reserves portfolio seeks to generate attractive income through a variety of economic situations while it preserves principal, maintains liquidity, and protects against interest rate risk. This portfolio is well-suited for individuals planning for various short-term financial objectives, corporations or businesses managing their cash needs, and foundations or endowments organizing capital campaigns. The Select Reserves portfolio is a responsible alternative for the investors with short-to-intermediate term needs.

The Patriot portfolio seeks to provide enhanced US market exposure, while utilizing diversifying assets to control risk. The US exposure is actively managed according to sector, which allows for strategic allocations to correspond with the current state of the US economy. This portfolio is well-suited for individuals that desire US stock exposure to benefit from the strength of the US economy, want capital appreciation, have a growth objective, or simply desire additional US exposure in their investment portfolio.

The Defined Horizon portfolio seeks to provide high income and predictable cash flow. The portfolio is divided into five positions, mimicking a five-year bond ladder. The nearest-term position is invested using a traditional bond ETF, and the other four positions invest in target-maturity bond ETFs. The mixture of high-yield and high-quality positions is determined by credit spread data. This portfolio is well-suited to those with a five-year income need or short-term investment objective.

###### *Flat-Fee Variable Annuity Solutions*

AA manages some of its models on a fee-based variable annuity platform. This product allows for larger tax-deferrals and it allows for clients to consolidate their variable annuity gains under a single contract. AA offers the Core Allocation Series on this variable annuity platform. With access to more than 350 subaccounts, all five portfolio models are fully diversified and managed to maximize potential returns at each risk level. The platform charges a monthly flat fee, subaccounts are subject to their internal expenses, and AA charges a management fee.

###### *Advisory 401(k) Solutions*

AA's open architecture, turnkey 401(k) platform provides plan sponsors with a flexible, yet easy solution that includes significant fiduciary protection and powerful investment selections. AA offers the Core Allocation Series as the professionally-managed portfolio models for plan participants. All five portfolio models are fully diversified and actively managed to maximize potential returns at each risk level. Plan participants are also given the option of constructing their own investment portfolios using a selection of Exchange Traded Products. However, AA's professionally-managed portfolios are available at no additional expense.

#### *Sub-Advisor Relationships and Solicitor Arrangements*

AA has agreements in place to act as a sub-advisor and/or provide sub-advisory services for the various investment solutions available through appropriately registered entities.

AA also selects managers to act as a sub-advisor for specific clients.

AA may enter into solicitor agreements with other advisory firms and will compensate these solicitors who refer clients to AA.

#### *Financial Planning*

Financial plans and financial planning may include, but are not limited to: investment planning; tax concerns; retirement planning; college planning; and, for 401(k) plans, investment due diligence. These services are based on fixed fees or hourly fees and the final fee structure is documented in the Financial Planning Agreement.

#### *Services Limited to Specific Types of Investments*

AA generally limits its investment advice and/or money management to Exchange Traded Products ("ETPs"). AA may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

AA offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent AA from properly servicing the client account, or if the restrictions would require AA to deviate from its standard suite of services, AA reserves the right to end the relationship.

### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. AA DOES NOT participate in any wrap fee programs.

### **E. Amounts Under Management**

AA has the following Assets Under Management ("AUM"):

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$187,665,787	\$13,945,607	02/29/2016

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### *Discretionary or AUM Fees*

<b>Total Assets Under Management</b>	<b>Annual Fee</b>
All Assets Under Management	0.10% - 2.00%

AA charges fees based on a percentage of each client's assets under management. This fee arrangement applies to individual, institutional, and retirement plan clients as well as subadvisory relationships. These fees are negotiable depending upon the needs of the client and complexity of the situation. In all cases, the final fee schedule is outlined in the Investment Advisory Contract. Fees are paid quarterly in arrears, and clients may terminate their contracts with thirty (30) days' written notice. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their accounts without penalty within five (5) business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

AA may enter into solicitor agreements with any other advisory firms, but is currently engaged as a subadvisor. In either case, clients are never charged additional fees to cover these fee sharing agreements. The fees shared will not exceed any limit imposed by any regulatory agency. Fees are paid quarterly in arrears, and clients may terminate their contracts with ten (10) days' written notice. Because fees are charged in arrears, no refund is necessary.

#### *Financial Planning, Fixed & Hourly Fees*

Depending upon the complexity of the situation and the needs of the client, the consultation fee is between \$50 and \$400 per hour for hourly financial planning while the fixed fee financial planning are determined on a case by case basis with the client. The fees are negotiable and the final fee schedule will be outlined in the Financial Planning Agreement. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

#### **B. Payment of Fees**

##### *Payment of Discretionary or AUM Fees*

Advisory fees are withdrawn directly from the client's accounts with client written authorization, including accounts established through a subadvisory or solicitor's arrangement. Fees are paid quarterly in arrears.

Advisory fees may also be invoiced and billed directly to the client quarterly in arrears. Clients may select the method in which they are billed.

##### *Payment of Financial Planning, Fixed & Hourly Fees*

Financial Planning, Fixed and Hourly fees are paid via check in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

#### **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by AA. Please see Item 12 of this brochure regarding broker/custodian.

#### **D. Prepayment of Fees**

AA collects its fees in arrears. It does not collect fees in advance.

#### **E. Outside Compensation For the Sale of Securities to Clients**

In the course of their duties at AA, neither AA nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds. However, individual AA employees may accept such outside compensation through one of their other financial services affiliations.

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

AA does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

#### **Item 7: Types of Clients**

AA generally provides investment advice and/or management supervisory services to the following types of clients:

- Individuals
- High-Net-Worth Individuals
- Other Registered Investment Advisors
- Defined Contribution & Defined Benefit Retirement Plans
- Corporate and Institutional Investors

##### *Minimum Account Size*

There is no account minimum.

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

##### **A. Methods of Analysis and Investment Strategies:**

AA provides a variety of investment strategies designed for a wide range of investors with diverse wealth management objectives. There are *Three Principles* that guide the AA investing process:

*Active Management* - Active management is used on several levels in our investing approach. This begins with asset allocation and asset selection decisions, but continues through the monitoring and rebalancing of portfolio holdings. Research indicates that short-term market timing strategies rarely generate consistent returns and may actually increase the risk of loss. We believe that a disciplined research and management approach, when applied consistently over longer time periods, can capture opportunities for improved returns.

*Full Diversification* - Many portfolios remain limited to a mixture of equities and fixed income securities. This overlooks important, alternative asset classes that can provide protection in periods of market volatility or decline. It is not possible to consistently predict these market movements and therefore it is critical to use true, extensive diversification throughout all market conditions. Our investment solutions give access to

thousands of individual securities and a level of asset class diversification typically only employed by sophisticated, institutional investors.

*Exchange Traded Products* - Our investment solutions are composed exclusively of Exchange Traded Products (ETPs), such as Exchange Traded Funds (ETFs). These investment products, like mutual funds, usually consist of dozens, hundreds, or even thousands of individual securities. This method of investing provides an additional layer of oversight and management, since we select ETPs from a wide variety of globally recognized investment management firms. We believe the critical advantages of low management fees, tax efficiency, broad diversification, and additional investment oversight benefit our portfolios and better position our investors to meet their financial goals.

The *Investing Process* itself is composed of four parts:

*Asset Class Selection* - The portfolio construction process begins by properly defining and selecting the individual asset classes that are consistent with the objectives of each portfolio.

*Asset Allocation* - AA implements a disciplined framework to determine asset class weightings for each portfolio. The research may include risk, return, correlation, and yield data as well as various other market and economic factors. The asset allocation of each portfolio is updated regularly based on AA's forecasts of the various asset classes.

*ETP Evaluation* - AA uses a systematic evaluation process to select the ETPs in each portfolio. This process can be based on a number of factors, including: management costs, liquidity, assets under management, anticipated trading costs, security selection process, income, and risk/return potential.

*Portfolio Rebalancing* - AA's rebalancing strategy is an ongoing component of the portfolio management process. This structured approach attempts to benefit from market movements by rebalancing individual portfolio positions at the most advantageous times.

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

#### **B. Material Risks Involved:**

*Asset Class Allocation* focuses on long term investments. The rise and fall of certain asset classes may not react according to predicted trends. Also, the risks associated with each underlying security (Domestic & International Stocks, Bonds, Alternative Investments, etc.) are also assumed.

*Active Management* - This process concentrates on factors that are believed to lead to the quality and future success of particular money managers. The risk assumed is that the manager will fail to perform as expected.

*Portfolio Rebalancing*- Depending on the rebalancing strategy implemented, Long-term or short-term trading may be involved. Trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short-term trading generally holds greater risk and clients should be aware that there is a material risk of loss using these types of strategies.

*Timing Risk*- While it is likely that stocks will gain over the next two decades, the prospects for the next two years are murky. If you need to protect your principal investment for the next two years, timing is a risk for you and you should discuss this with your investment advisor representative.

*Political Risk*- Government decisions may damage the value of your investments. Changes to social security, benefits law, and tax law may impact your financial decisions. Any foreign investments may be impacted by the decision of their local governments.

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

#### **C. Risks of Specific Securities Utilized**

AA generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity and fixed income markets. Liquid, publically traded alternative asset classes, such as commodities, may also be included in client portfolios and pose additional risks specific to those markets.

The risks of owning mutual funds, exchange-traded products, and closed-end funds include the risk of their underlying securities. Each of these fund structures also results in various internal expenses as a result of their management and trading activity. In addition, closed-end funds may trade at a discount or premium due their supply and demand at any given time.

*Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

#### **Item 9: Disciplinary Information**

##### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

##### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### ***C. Self-regulatory Organization (SR) Proceedings***

There are no self-regulatory organization proceedings to report.

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

#### ***A. Registration as a Broker/Dealer or Broker/Dealer Representative***

AA is not registered as, and has no pending applications to become, a broker/dealer, but Steven Mark Osterink, Sr. is a registered representative of Triad Advisors, Inc. ("Triad"). Several of AA's IARs are registered representatives of various Broker-Dealer firms, such as Triad and/or, if allowed by the appropriate jurisdiction, investment advisor representatives of other Registered Investment Advisor firms. From time to time, they will offer clients advice or products from those activities. Clients should be aware that the products or services offered through broker/dealer firms may pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment advisor. AA always acts in the best interest of the client. Clients are in no way required to implement the plan or products offered through any representative of AA in their capacity as a registered representative of a broker-dealer firm.

#### ***B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor***

Neither AA nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

#### ***C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests***

Steve Mark Osterink, Jr., Steven Mark Osterink, Sr., and various IARs of AA are licensed insurance agents. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment advisor.

Steve Mark Osterink, Jr. is also an investment advisor representative of AlphaStar Capital Management. From time to time, he will offer clients advice or products from those activities. Similarly, several of AA's IARs are registered representatives of various Broker-Dealer firms and/or investment advisor representatives of other Registered Investment Advisor firms.

Steven Mark Osterink, Sr. is a registered representative of Triad through his affiliation with Schipper & Osterink. From time to time, he will offer clients advice or products from those activities; however, he will not recommend products or advice offered by Triad to clients of Advisory Alpha LLC unless they are already clients of Schipper & Osterink. Clients should be aware that these services pay a commission and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment advisor.

AA itself does not offer commissionable products and will always act in the best interest of the client. Clients are in no way required to act on investment recommendations through any employee of AA in such individual's capacity as a registered representative or insurance agent.

#### ***D. Selection of Other Advisors or Managers and How This Advisor is Compensated for Those Selections***

Occasionally, AA selects additional advisors or managers to serve as sub-advisors for specific clients. Clients are never charged additional fees to cover these fee sharing agreements. The fees shared will not exceed any limit imposed by any regulatory agency. Fees are paid quarterly in arrears, and clients may terminate their contracts with ten days' written notice. Because fees are charged in arrears, no refund is necessary.

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

#### ***A. Code of Ethics***

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Outside Business Activities, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

#### ***B. Recommendations Involving Material Financial Interests***

AA does not recommend that clients buy or sell any security in which a related person to AA or AA has a material financial interest.

#### ***C. Investing Personal Money in the Same Securities as Clients***

From time to time, representatives of AA may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of AA to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. AA will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

#### ***D. Trading Securities At/Around the Same Time as Clients' Securities***

From time to time, representatives of AA may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of AA to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. AA will always transact client's transactions before its own when similar securities are being bought or sold.

#### ***Item 12: Brokerage Practices***

##### ***A. Factors Used to Select Custodians and/or Broker/Dealers***

The Custodian(s) was/are chosen based on their relatively low transaction fees and access to mutual funds and ETPs. AA will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

##### ***B. Research and Other Soft-Dollar Benefits***

AA does not receive research, products, or services from its broker-dealer or another third-party in connection with client securities transactions ("soft dollar benefits"). There is no minimum client number or dollar number that AA must meet in order to receive free research from the custodian or broker/dealer. There is no incentive for AA to direct clients to this particular broker-dealer over other broker-dealers who offer the same services. The first consideration when recommending broker/dealers to clients is best execution.

##### ***C. Brokerage for Client Referrals***

AA receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

##### ***D. Clients Directing Which Broker/Dealer/Custodian to Use***

AA allows clients to direct brokerage. AA may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage AA may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisors allow their clients to direct brokerage.

##### ***E. Aggregating (Block) Trading for Multiple Client Accounts***

AA maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing AA the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

#### ***Item 13: Reviews of Accounts***

##### ***A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews***

Client accounts are reviewed annually by investment advisor representatives of the firm, by the primary investment advisor, or by a referring solicitor if they are appropriately registered and have an advisory agreement in place with the client. These individuals are the chief advisors and are instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at AA are assigned to these reviewers.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by the investment advisor representatives of the firm.

##### ***B. Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

##### ***C. Content and Frequency of Regular Reports Provided to Clients***

*Discretionary or AUM Services* - Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

*Financial Planning, Fixed, & Hourly Services* - Clients are provided a one-time investment or financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

##### ***A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)***

AA does not receive any economic benefit, directly or indirectly from any third party for advice rendered to AA clients.

##### ***B. Compensation to Non - Advisory Personnel for Client Referrals***

AA may enter into solicitor agreements with other advisory firms and will compensate these solicitors who refer clients to AA. Clients will sign a solicitor disclosure agreement, separate advisory agreements with AA and AA's custodian firm's new account application or limited power of attorney documents. Clients should review the solicitor agreement between AA and the solicitor for more information.

#### ***Item 15: Custody***

AA, with client written authority, has limited custody of client's assets through direct fee deduction of advisory fees only. Constructive custody of all client's assets and holdings is maintained primarily at the Custodian(s) accounts. Clients will receive all required account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

***Item 16: Investment Discretion***

For those client accounts where AA provides ongoing supervision, the client has given AA written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides AA discretionary authority via a limited power of attorney in the agreement between the client and the custodian.

***Item 17: Voting Client Securities (Proxy Voting)***

AA will not ask for, nor accept, voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

***Item 18: Financial Information***

***A. Balance Sheet***

AA does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

***B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients***

Neither AA nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

***C. Bankruptcy Petitions in Previous Ten Years***

AA has not been the subject of a bankruptcy petition in the last ten years.