

## **IFAM CAPITAL**

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This Disclosure Brochure (Form ADV Part 2A) provides information about the qualifications and business practices of IFAM Capital, dba of Institutional and Family Asset Management, LLC (hereinafter “we”, “IFAM” or the “Firm”). If you have any questions about the contents of this brochure, please contact IFAM at 970-530-5021. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a federally registered investment adviser. Registration does not imply a certain level of skill or training.

## Item 2. Material Changes

Since our previous annual updating amendment of March 21, 2016, material changes include:

- 1) As of August of 2016, Timothy B. Kneen is no longer an executive officer of the Firm.
- 2) As of April of 2017, investment decisions for the options overlay component of the IFAM Strategic Income Portfolio Strategy and the IFAM Dynamic Income Portfolio Strategy will be sub-managed by Cambria Investment Management, L.P. ("Cambria"), a firm whose Strategy Portfolio Manager was previously employed by IFAM.
- 3) 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 Financial Partners, LLC ("Focus"). This transaction resulted in certain funds managed by Stone Point collectively becoming principal owner of Focus and the KKR investment vehicles collectively becoming a minority owner of Focus. Because Institutional and Family Asset Management, LLC is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of Institutional and Family Asset Management, LLC. Items 4 and 10 have been revised to reflect this new ownership structure.

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## Item 4. Advisory Business

IFAM offers a variety of advisory services, which include financial planning, consulting, wealth management and investment management services. IFAM is the successor firm of IFM Capital Advisors, LLC and a federally registered investment adviser since October 28, 2014. Clayton E. Hartman is the executive officer of the Firm. The Registrant is part of the Focus Financial Partners, LLC ("Focus") partnership. As such, IFAM is a wholly-owned subsidiary of Focus Operating, LLC ("Focus Operating"), which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms ("the 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 investment in Focus Financial Partners, LLC ("Focus"). This transition 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 in Focus. Because IFAM is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of IFAM.

As of December 31, 2016, IFAM had approximately \$1,069,793,689 in regulatory assets under management; approximately \$895,577,209 was managed on a discretionary basis and approximately \$174,216,480 was managed on a non-discretionary basis for approximately 916 clients.

While this brochure generally describes the business of IFAM, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on IFAM's behalf and is subject to the Firm's supervision or control.

At the outset of the client relationship, we seek to evaluate a client's current financial situation and then to design and implement an investment plan aimed at achieving a client's financial objectives. Generally, we offer clients the following categories of services:

1. Financial Planning and Consulting (including Retirement Planning and Consulting) – we provide an overall wealth management program and holistic service (described in more detail below). Each engagement is individually negotiated and customized and is assessed a fixed fee.
2. IFAM Wealth Management Program – we provide diversified portfolio management through programs designed around asset allocation models to meet clients' investment objectives. These services are described in detail in our Wrap Brochure, which appears as Part 2A Appendix 1 of our Form ADV.
3. Investment Management – we manage proprietary Strategies which are components of some of our Wealth Management Programs.

## **Financial Planning and Consulting Services**

We offer clients a broad range of Financial Planning and Consulting services, which may include any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Trust & Estate Planning
- Financial Reporting
- Charitable Giving
- Distribution Planning
- Tax Planning
- Manager Due Diligence

While each of these services is available on a stand-alone basis, certain of them may also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management program engagement.

In performing these services, IFAM is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. IFAM may recommend clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage IFAM or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by IFAM under a financial planning or Consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising the Firm's recommendations and/or services.

## **Retirement Plan Consulting Services**

We provide various Consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. IFAM is able to act as a fiduciary and offer services to plans at ERISA Section 3(21) or 3(38) level. Services provided at the 3(21) level are provided on a non-discretionary basis, services provided at the 3(38) level are provided on a discretionary basis. Each engagement is individually negotiated and customized, and may include any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection (discretionary or non-discretionary)
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education - (IFAM's assistance in participant education is consistent with and within the scope of the definition of investment education found in Department of Labor Interpretive Bulletin 96-1).

## **Wealth Management Program Services**

We seek to evaluate a client's current financial situation and then to design and implement an investment plan aimed at achieving a client's financial objectives.

Our investment programs use asset allocation models that we have designed for a range of investment objectives and risk tolerances. The models primarily allocate assets among various exchange-traded funds (ETFs), mutual funds and investment managers in accordance with clients' individual investment objectives. Where appropriate, we may also provide advice about legacy positions and other investments held in client portfolios. These services are provided primarily through our role as sponsor and investment manager of the IFAM Wealth Management Wrap Fee Program (the "Program"). For our services as sponsor, we receive a Program fee. When we serve as an investment manager, we receive a Strategy fee. Additional information about these services and our fees is available in our Wrap brochure, which appears as Part 2A Appendix 1 of our Form ADV.

Clients may also engage us to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, we direct or recommend the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

We tailor our advisory services to meet the needs of its individual clients and seek to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. We consult with clients on an initial and ongoing basis to assess their risk tolerance, time horizon, liquidity constraints and other factors relevant to the management of their portfolios. Clients are advised to promptly notify the Firm if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if the Firm determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## **Investment Management Services**

We manage proprietary Strategies which are components of some of our Wealth Management Programs.

- A. IFAM Strategic Income Portfolio Strategy. This Strategy invests in 50 equally weighted Large Cap Dividend Growth stocks. We implement an equity collar that allows for 10% annual upside and limits downside risk with a 10% floor. We then seek to produce additional income by writing options (selling calls) against the 50 equity stocks. Investment decisions for the options overlay component of this strategy are made by a third party sub-manager, Cambria, a firm whose Strategy Portfolio Manager was previously employed by IFAM.
- B. IFAM Dynamic Income Portfolio Strategy. This Strategy invests in commodity and global equity market index funds. We then sell calls against those index funds to produce income within the strategy. Investment decisions for the options overlay component of this strategy are made by a third party sub-manager, Cambria, a firm whose Strategy Portfolio Manager was previously employed by IFAM.

## **Sub-Adviser Services**

IFAM may provide investment management services on a discretionary basis to clients of various Registered Investment Advisers' ("RIAs") under a sub-advisory investment management agreement. Under the terms of such an agreement, IFAM is appointed to act as investment manager for accounts of specific clients of the RIAs. IFAM assumes the responsibility for the investment and reinvestment of assets within the client's account. IFAM is then compensated by the RIAs for its service. The fee is based on a portion of the advisory fee that the client pays to its RIAs for managing all or a portion of the client's account.

## **Item 5. Fees and Compensation**

IFAM offers services on a fee basis, which may include fixed fees, as well as fees based upon assets under management or advisement. Clients receiving similar services may be billed at different rates as fees are negotiable and/or dependent upon the specific nature of the agreement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, may offer securities brokerage services and/or insurance products under a separate commission-based arrangement.

### *Financial Planning and Consulting Fees*

IFAM generally charges a fixed fee for providing financial planning and Consulting services under a stand-alone engagement. These fees are negotiable, but can range up to \$200,000 or more on a fixed fee basis, depending upon the scope and complexity of the services and the professional rendering the planning and/or the Consulting services. If the client engages the Firm for additional investment advisory services, IFAM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or Consulting services.

The terms and conditions of the financial planning and/or Consulting engagement are set forth in the Advisory Agreement and IFAM generally requires one-half of the fee (estimated fixed) payable upon execution of the Advisory Agreement. The outstanding balance is generally due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of more than \$1,200 in prepaid fees six months or more in advance of services rendered.

### *Retirement Plan Consulting Fees*

IFAM may charge a fixed project-based fee or asset-based fee to provide clients with retirement plan Consulting services. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement. These fixed project fees are negotiated with each plan client depending on the complexity and scope of the engagement. In those situations where IFAM has agreed to charge an annual asset-based fee, the fee generally varies between 10 and 100 basis points (0.10% – 1.00%), depending upon the amount of assets to be managed and complexity of the engagement.

### *Wealth Management Program Fees*

Program Fees, which range up to \$350,000 for fixed fees, and 200 basis points (2.00%) for asset-based fees, annually, are individually negotiated and largely determined by the scope and complexity of a particular engagement. Fees are negotiable and may vary based on a number of factors determined by IFAM, in its sole

discretion. These factors may include anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, assets in related accounts, account composition, pre-existing client relationships, account retention and *pro bono* activities.

Program Fees are prorated and billed quarterly in advance, except for clients subject to Title 1 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA plans”) which are billed quarterly in arrears. The fee is calculated using the market value of the program assets on the last day of the previous billing period. If assets are deposited into or withdrawn from an account after the inception of a billing cycle, the fee payable with respect to such assets is generally adjusted or prorated to account for the interim change in portfolio value. For the initial term of the program, the fee is calculated on a *pro rata* basis. In the event the Agreement is terminated, the fee for the final month is prorated through the effective date of the termination and any unearned fee is refunded to the client.

For asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), IFAM may negotiate a fee rate that differs from the range set forth above.

#### *Investment Management Strategy Fees*

Clients whose accounts use managers to make individual investment management decisions for a portion of the program assets in their portfolio pay a Strategy fee in addition to the Program fee. Strategy fees for third party managers range from 0.20% to 1.50%. IFAM’s Strategy fees are listed in the table below. IFAM pays Cambria a portion of the Strategy fees it receives to sub-advise the options overlay components of the IFAM Strategic Income Portfolio and the IFAM Dynamic Income Portfolio.

IFAM Strategic Income Portfolio*	Less than \$5 million	1.00%
	\$5 million - \$15 million	0.90%
	\$15 million - \$30 million	0.80%
	\$30 million - \$50 million	0.75%
	\$50 million +	0.70%
IFAM Dynamic Income Portfolio		0.75%

\*Existing accounts may be assessed lower Strategy fees.

IFAM is an asset manager for certain strategies that are components of two of our programs. We face a potential conflict of interest in recommending IFAM-managed strategies to clients, because we receive both Program fees and asset management fees for those recommendations. That conflict is mitigated through clear disclosure to clients and regular evaluation of our performance. We work to ensure that the total fees paid by clients are reasonable.

#### *Additional Fees and Expenses*

In addition to the advisory fees paid to IFAM, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial



Institutions”). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, reporting charges, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client’s account as disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), 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. The Firm’s brokerage practices are described at length in Item 12, below.

#### *Direct Fee Debit*

Clients generally provide IFAM and/or certain Independent Managers the authority to directly debit their accounts, via the qualified custodian, for payment of the investment advisory fees. In order to facilitate the direct fee debit, a balance of at least 2% of the account value is typically maintained in a money market instrument. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to IFAM. Alternatively, clients may elect to have IFAM send a separate invoice for direct payment.

#### *Account Additions and Withdrawals*

Clients may make additions to and withdrawals from their account at any time, subject to IFAM's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to IFAM, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. IFAM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

#### *Commissions and Sales Charges for Recommendations of Securities*

Clients can engage certain persons associated with IFAM (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with IFAM.

Under this arrangement, the Firm’s Supervised Persons, in their individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. (“PKS”), a registered broker-dealer, member SIPC/FINRA, may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to PKS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. IFAM may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with PKS.

A conflict of interest exists to the extent that IFAM recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm’s

recommendation. We work to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by ERISA and such others that IFAM, in its sole discretion, deems appropriate, IFAM provides its investment advisory services on a fee-offset basis. In this scenario, IFAM may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of PKS.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

The Firm does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

IFAM offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Requirements**

IFAM does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship. Certain Independent Managers may, however, impose more restrictive account requirements and billing practices from the Firm. In these instances, IFAM may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

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

### **Methods of Analysis**

IFAM utilizes a combination of fundamental, technical and cyclical analysis when implementing the Firm's asset allocation strategy.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For IFAM, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and

trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that IFAM will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (entire market or economy) or micro (company specific) level, rather than focusing on the overall fundamental analysis of the health of the particular company that IFAM is recommending. The risks with cyclical analysis are similar to those of technical analysis.

## **Investment Strategies**

The Firm primarily allocates client assets among ETFs, mutual funds and managers in accordance with a client's stated investment objectives. In addition, the Firm may also recommend that certain eligible clients invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds). Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in a client's portfolio.

## **Risks of Loss**

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of IFAM's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of securities and other asset classes. There can be no assurance that IFAM will be able to predict those price movements accurately or capitalize on any such assumptions.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily

for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Use of Independent Managers*

As stated above, IFAM may select certain Independent Managers to manage a portion of its clients' assets. In these situations, IFAM continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, IFAM generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

#### *Use of Private Collective Investment Vehicles*

IFAM recommends that certain clients invest in or have portfolio exposure to privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities, including the risk of illiquidity. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

#### *Risks Associated with Trading Options*

Certain strategies where IFAM serves as the Manager center on the trading of options. The purchaser of an option, who has the right to buy or sell a security or other instrument at the agreed-upon "strike" price, risks the loss of premium payments required to purchase the option. The seller of an option, who has the obligation to deliver to the purchaser a security or other instrument at the agreed-upon "strike" price, under certain circumstances risks incurring substantial and immediate losses. Specifically, if the sellers' options are "uncovered" (meaning the seller does not own the underlying security), the seller could suffer huge losses by being required to acquire at market prices securities that are trading at prices vastly different than the agreed upon "strike" price, in order to deliver them to the purchaser. Moreover, sales of options are subject to the costs and risks of trading on margin.

#### *Index or Index Options*

The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether the position will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

### *Hedging Transactions*

Options may be used for risk management purposes. However, we may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. The use of hedging transactions may result in a poorer overall performance than if we had not engaged in any such transactions. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

## **Item 9. Disciplinary Information**

IFAM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

### **Registered Representatives of a Broker/Dealer**

Certain of the Firm's Supervised Persons are registered representatives of PKS and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

### **Licensed Insurance Agents**

Certain of the Firm's Supervised Persons are licensed insurance agents and may offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that IFAM recommends the purchase of insurance products where its Supervised Persons may be entitled to insurance commissions or other additional compensation. The Firm seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

### **Focus Operating, LLC and Focus Financial Partners, LLC**

The Registrant is part of the Focus Financial Partners, LLC ("Focus") network. As such, IFAM is a wholly-owned subsidiary of Focus Operating, LLC ("Focus Operating"), which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the "Focus Partners"). The Focus Partners provide wealth management, benefit and investment consulting services, serving 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.

As noted above in response to Item 4, in July 2017, investment vehicles affiliated with Stone Point and KKR each made an investment in Focus. This transaction resulted in certain funds managed by Stone Point investment

vehicles collectively becoming a principal owner of Focus and the KKR investment vehicles collectively becoming a minority owner in Focus. Because IFAM is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of IFAM. None of KKR, Stone Point, or any of their affiliates participates in the management or investment recommendations of our business.

IFAM does not believe the Focus Partnership presents a conflict of interest with our clients. IFAM has no business relationship with other Focus Partners that is material to its advisory business or to its clients.

## **Item 11. Code of Ethics**

IFAM has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. The Firm's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of the Firm's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares of a registered unit investment trust, exchange-traded fund or open end or closed-end investment management company; (iv) shares of equity Securities of a company for which the market capitalization is at least \$2 billion.

Clients and prospective clients may contact IFAM to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker/Dealers for Client Transactions**

IFAM generally recommends that clients utilize the custody, brokerage and clearing services of Fidelity or TD Ameritrade Institutional Wealth Services (“Fidelity” or “TD Ameritrade”) for investment management accounts.

Factors which IFAM considers in recommending Fidelity or TD Ameritrade or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Fidelity or TD Ameritrade may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity or TD Ameritrade may be higher or lower than those charged by other Financial Institutions.

The commissions paid by IFAM’s clients to Fidelity or TD Ameritrade comply with the Firm’s duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where IFAM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution’s services, including among others, the value of research provided, execution capability, commission rates and responsiveness. IFAM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist IFAM in its investment decision making process. Such research generally will be used to service all of the Firm’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because IFAM does not have to produce or pay for the products or services.

IFAM periodically reviews its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Software and Support Provided by Financial Institutions**

IFAM may receive without cost from Fidelity or TD Ameritrade computer software and related systems support, which allow IFAM to better monitor client accounts maintained at Fidelity or TD Ameritrade. IFAM may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Fidelity or TD Ameritrade. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit IFAM, but not its clients directly. In fulfilling its duties to its clients, the Firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that IFAM’s receipt of economic benefits from

a broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, IFAM may receive the following benefits from Fidelity or TD Ameritrade:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### **Brokerage for Client Referrals**

IFAM does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

The client may direct IFAM in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by IFAM (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, IFAM may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

### **Commissions or Sales Charges for Recommendations of Securities**

As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of PKS. These Supervised Persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless PKS provides written consent. Therefore, clients are advised that certain Supervised Persons may be restricted to conducting securities transactions through PKS if they have not secured written consent from PKS to execute securities transactions through a different broker-dealer. Absent such written consent or separation from PKS, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than PKS. The Firm is cognizant of its duty to obtain best execution.

### **Trade Aggregation**

Transactions for each client generally will be effected independently, unless IFAM decides to purchase or sell the same securities for several clients at approximately the same time. IFAM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this process, transactions will



generally be averaged as to price and allocated among IFAM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which IFAM's Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. IFAM does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Trade Error Policy**

Any trade errors will be rectified to make the client whole, as if the error did not occur. IFAM has the responsibility to effect orders correctly, promptly and in the best interest of our clients. Should an error occur in the handling of a client transaction, IFAM seeks to identify and correct it as soon as possible without disadvantaging the client or benefitting IFAM in any way.

IFAM is always responsible for trade error losses. When offered the option, IFAM elects to keep trade error gains in order to net them against trade error losses and the client does not receive the benefit of any trade error gains. IFAM calculates net trade errors on a quarterly basis. To the extent any trade error gains remain at the end of the quarter, the full amount will be donated to a 501(c)(3) charity of our choice.

## **Item 13. Review of Accounts**

### **Account Reviews**

IFAM's Investment Adviser Representatives attempt to review all accounts quarterly, but will do so no less than annually. Those reviews address the Firm's previous services and/or recommendations and the impact resulting from any changes in the client's financial situation and/or investment objectives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with IFAM and to keep the Firm informed of any changes thereto.

## **Account Statements and Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from IFAM and/or an outside service provider for accounts with assets under management in excess of \$100,000, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from IFAM or an outside service provider.

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

### **Client Referrals**

IFAM has arrangements in place with certain third parties whereby the firm provides compensation for client referrals. If a client is introduced to IFAM by a solicitor, IFAM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from IFAM's Investment Management Fee, and does not result in any additional charge to the client. If the client is introduced to IFAM by a solicitor, the solicitor provides the client with a copy of IFAM's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation.

### **Other Compensation**

IFAM's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include IFAM, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including IFAM. 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 IFAM. 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 conferences could cause IFAM 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 IFAM. 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 G. Schwab & Co.

## **Item 15. Custody**

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize IFAM and/or the Independent Managers to debit client accounts for payment of the Firm's fees and to directly remit those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to IFAM.

In addition, as discussed in Item 13, IFAM may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from IFAM.

## **Item 16. Investment Discretion**

IFAM may be given the authority to exercise discretion on behalf of clients. IFAM is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. The Firm is given this authority through a power-of-attorney included in the agreement between IFAM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). IFAM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

## **Item 17. Voting Client Securities**

### **Declination of Proxy Voting Authority**

Clients have the option of choosing to delegate proxy voting authority to IFAM, whereby we avoid potential conflicts of interest in proxy voting by relying on the recommendations of an independent proxy advisory service. Clients who would like to know how their proxies were voted may contact us.

## **Item 18. Financial Information**

IFAM is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.