



## **FIRM BROCHURE**

April 6, 2017

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This brochure provides information about the qualifications and business practices of Advisory Advocates, LLC. If you have any questions about the contents of this brochure, please contact the firm at (616) 929-8817 or [info@advisoryadvocates.com](mailto:info@advisoryadvocates.com).

Advisory Advocates, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Advisory Advocates, LLC is available on the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for the adviser is 284100.

## **2. MATERIAL CHANGES**

We do not have any material changes to report since the initial inception date on July 6, 2016

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#### **4. ADVISORY BUSINESS**

##### OWNERSHIP/ADVISOR HISTORY

Advisory Advocates, LLC was formed in May 2016 by Luminist Capital, LLC. It's managing member and direct owner is John Timmermans. Additional information about Mr. Timmermans can be found in Item 19 below. It is a Michigan limited liability company. It is registered as a Michigan investment adviser and it has applied for registration in California, Hawaii and Maryland.

##### ADVISORY SERVICES OFFERED

Prior to the Adviser/Client relationship, the firm may offer a complimentary general consultation to discuss services available and to give a prospective client time to review services desired. Investment advisory services begin only after the client and firm formalize the relationship with a properly executed client agreement. After engaging the firm, the client will be asked to share in a data gathering and discovery process in an effort to determine the client's stated needs, goals, intentions, time horizons, risk tolerance and investment objectives, based upon information provided by the client and the nature of services requested. The client will then be placed in one or more of the firm's portfolios. They are:

##### *Market Participation and Protected Market Participation Portfolios*

These portfolios seek to participate in the performance of major equity indices through the use of options on the most liquid Equity Index ETF's including SPY, DIA, QQQ and IWM. It is anticipated that through the application of the portfolio's option strategies, investors could expect to outperform the relevant underlying markets in periods of low volatility or sharp market decreases. It is also expected the portfolios may underperform the relevant underlying market during periods of unexpectedly high market increases. In this case, while the portfolios may underperform the underlying market, results are still expected to be positive. In order to maintain consistent exposure the underlying markets, the portfolios may take temporary positions in the underlying ETFs or relevant futures contracts. Some of the portfolios utilize products that are inherently leveraged and the risk and return characteristics in some cases will be more pronounced than the underlying markets. At any time a portion of the assets in these portfolios may remain in cash or cash equivalents.

##### *Sector Participation and Protected Sector Participation Portfolios*

The portfolios seek to participate in the performance of major market sectors through the use of options on the most liquid sector ETF's including TLT, GLD, USO, EEM, XLF, XLU, XLE, XLV, XLP, JNK or any other sector ETF that satisfies the portfolio's required liquidity benchmarks. It is anticipated that through the application of the portfolio's option strategies, investors could expect to outperform the relevant underlying market sector in periods of low volatility or sharp market decreases. It is also expected that the portfolios may underperform the relevant underlying market sector during periods of unexpectedly high market

increases. In this case, while the portfolios may underperform the underlying market sector, results are still expected to be positive. In order to maintain consistent exposure the underlying market sector, the portfolios may take temporary positions in the underlying ETFs or relevant futures contracts. Some of the portfolios utilize products that are inherently leveraged and the risk and return characteristics in some cases will be more pronounced than the underlying markets. At any time a portion of the assets in these portfolios may remain in cash or cash equivalents.

#### *Equity Income Portfolio*

The portfolio seeks to generate yield and recurring income through use of combinations of equity and equity options. Typical positions will include long equity and short call options, commonly known as “covered call positions,” but may also include short equity and short put options which are commonly known as “covered put positions.” The portfolio utilizes a proprietary strategy to identify potential candidates that are investment quality and also sufficiently volatile to generate yield through the collection of short option premium. Through the use options, the portfolio is expected to be less negative in than pure equity exposure in down markets, more positive than pure equity exposure in flat to slightly up markets, and less positive than pure equity exposure in strongly up markets

#### *Market Opportunities Portfolio*

The portfolio seeks to generate a total return that is uncorrelated with typical equity or fixed income investments. Through the use of real-time market monitoring, the portfolio identifies equity candidates that exhibit unusual market activity as measured by the volume in both the shares and the options. Exposure to the equity may be long or short and expressed through the use of calls, puts, shares, or combinations of the three. Each position will be fixed risk by nature and will represent only a small percentage of the portfolio. Due to the leverage associated with the positions, it is possible for the portfolio to have a substantial portion of the assets in cash for extended periods of time until there are sufficient candidates in which to enter a position. The positions are expected to be of very short duration, typically less than 3 months and even less than 1 day. It possible, and even likely, that some positions may lose 100% of their value, however due to the small share they represent of the portfolio overall, the impact of the loss on any single position is negligible. Conversely, the portfolio expects a positive return of over 100% on any single position due to leverage inherent to options. In this case too, the overall impact on the portfolio will be small. The firm believes its ability to identify candidates that return over 100% will substantially outnumber the positions that lose and result in a positive total return in any market environment.

#### *Risk-Wrap™*

Risk-Wrap™ is a trademarked and proprietary portfolio protection strategy by Luminist Capital LLC. The purpose of Risk-Wrap™ is to help protect portfolios from catastrophic loss due to severe market movements while at the same time minimizing the cost of the protection. Risk-Wrap™ utilizes combinations of exchange traded options to hedge positions in the underlying markets. Risk-Wrap™ has insurance-like characteristics in that participants pay a premium to buy coverage against adverse events. The premium is offset by forgoing some participation in positive

market movements in the relevant underlying. The typical duration of the contracts used in Risk-Wrap™ is 1 to 3 months. The contracts are rolled into new contracts near the end of their term. It is important to note that while Risk-Wrap™ may offer protection against major market corrections, portfolios utilizing the strategy are still subject to normal negative market moves. Risk-Wrap™ can be added to most liquid ETFs (Exchange Traded Funds) and individual equities that offer listed options. ETF and individual equity eligibility for Risk-Wrap™ is determined by Luminist Capital. While Risk-Wrap™ utilizes products that are inherently leveraged, the strategy attempts to reduce the risk associated with an exposure at a reasonable cost. It is anticipated that portfolios utilizing Risk-Wrap™ could expect to outperform the relevant underlying markets in periods of low volatility or sharp market decreases. It is also expected the portfolios may underperform the relevant underlying market during periods of unexpectedly high market increases. In this case, while the portfolios may underperform the underlying market, results are still expected to be positive.

#### TAILORED SERVICES

The firm's services are individualized to each client. Portfolio management clients may impose restrictions on investment in certain securities or types of securities. All restrictions must be presented to Advisor in writing

#### WRAP PROGRAM

The firm does not sponsor or participate in a wrap program. This section is not applicable.

#### CLIENT ASSETS MANAGED

As of March 23, 2017, the firm does not have any assets under management because it is a newly formed adviser.

### **5. FEES AND COMPENSATION**

Fees for portfolio management services will be based on the assets under management. The annual management fee is calculated and collected monthly in advance (at the beginning of each month). The management fee is based on the account's custodian reported value as of the last business day of the previous month. The annual fee is 1.5% of the assets under management. The management fee is charged once an account is opened, funded and invested. The management fee is negotiable based on the size of the account. A client may aggregate multiple account to negotiate a lower fee. Cash balances and investments in money market funds, demand deposit accounts, and certificates of deposit that are covered by the account and are included in the fee calculations.

The client will be asked to allow the firm to deduct its management fee will be directly from the client's account. The client may terminate this ability at any time by notifying the adviser or by notifying the custodian. Clients in Maryland and California will receive a fee invoice detailing how the fee was calculated. Please see Item 15 for additional information about the fee invoice process. Also, the amount of the fee charged will be viewable as account activity in the monthly statement.

The firm's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment advisers or other third parties such as 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 the firm's fees and the firm does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that the firm considers in selecting or recommending broker/dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

#### Comparable Services Disclosure

Clients should note that lower fees for comparable services may be available from other sources.

#### Termination of Portfolio Management Services

A client may terminate this service for any reason within the first five (5) business days after signing the contract without any cost or penalty. Thereafter, the contract may be terminated at any time by giving ten (10) days written notice to the firm at Advisory Advocates LLC, 6757 Cascade Road SE #50, Grand Rapids, MI 49546. Upon written notice of termination, fees will be pro-rated for the number of days that services were rendered during the termination month based on the account's valuation as of the termination date. Refunds are paid by depositing the fee back into the account if allowed by the client's custodian. In all other cases refunds are paid by check.

#### Other Securities Compensation

Neither the firm nor its investment adviser representatives receive any additional securities compensation in providing advisory services.

### **6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The firm does not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client). This section is not applicable.

### **7. TYPES OF CLIENTS**

The firm's services are offered to individuals, trusts, estates, corporations and other businesses entities. The firm does not require a minimum account size to become a client.

### **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Advisers are required to give a description of their methods of analysis and investment strategies that are used in formulating investment advice or managing assets. The firm may use one or more of the following depending on the portfolio:

**Fundamental Analysis** – Fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's *actual* business and its future prospects. The analysis is performed on historical and present data. On a broader scope, one can perform fundamental analysis on industries or the economy as a whole. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. The risk associated with fundamental analysis is that despite that appearance that a security is undervalued, it may not rise in value as predicted.

**Technical Analysis** – Technical Analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. The risk associated with technical analysis is that there is no broad consensus among technical traders on the best method of identifying future price movements.

**Asset Allocation** – Asset Allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon. Each class has different levels of risk and return, so each will behave differently over time.

**Tactical Asset Allocation** – Tactical Asset Allocation is an active management portfolio strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors. This strategy is designed to allow portfolio managers to create extra value by taking advantage of certain situations in the marketplace. It is as a moderately active strategy because portfolio managers return to the portfolio's original strategic asset mix when desired short-term profits are achieved.

Investment Strategies the firm uses include: long-term purchases (securities held at least a year); short-term purchases (securities sold within a year); and periodic rebalancing.

#### INVESTMENT RISKS

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to bear.** While the firm recommends various securities that are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates of return on investments entails accepting higher levels of risk. Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. Clients need to ask questions about risks they do not understand. The firm would be pleased to discuss them.

The firm strives to render its best judgment on behalf of its clients. Still, the firm cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser but is not a reliable predictor of future performance. The firm



continuously strives to provide outstanding long-term investment performance, but many economic and market variables beyond its control can affect the performance of an investment portfolio.

#### RECOMMENDED SECURITIES AND THEIR RISKS

The firm recommends several types of securities to its clients. These include, but are not limited to: mutual funds, stocks, bonds, certificates of deposit, commercial paper, municipal securities, options, real estate investment trusts and exchange traded funds. An investment in a security could lose money over short or even long periods. A client should expect his/her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. The risks associated with the recommended securities include, but are not limited to:

- ) **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.
- ) **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates.
- ) **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- ) **Manager risk:** The chance that poor security selection will cause a mutual fund or other managed product to underperform relevant to benchmarks or other securities products with similar investment objectives.
- ) **Active management fees risk:** Active management strategies that involve frequent trading generate higher transaction costs which diminish the fund's return. In addition, the short-term capital gains resulting from frequent trades often have an unfavorable income tax impact when such funds are held in a taxable account.
- ) **International Investing Risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, as well as regulatory and financial reporting standards, that differ from those of the U.S.
- ) **Leverage Risk:** Using derivatives to increase a portfolios combined long and short exposure creates leverage, which can magnify the portfolio's potential for gain or loss and, therefore, amplify the effects of market volatility on the portfolio.
- ) **Options Risk:** Like other securities - including stocks, bonds, and mutual funds - options carry no guarantees, and a person must be aware that it is possible to lose all of the principal he/she invests, and sometimes more. As an option holder, a person risks the entire amount of the premium he/she paid pay. But as an options writer, a person takes on a much higher level of risk. For example, if a person writes an uncovered call, he/she faces unlimited potential loss, since

there is no cap on how high a stock price can rise. However, since initial options investments usually requires less capital than equivalent stock positions, a potential cash losses as an options investor are usually smaller than if someone bought the underlying stock or sold the stock short. The exception to this general rule occurs when an option is used to provide leverage: Percentage returns are often high, but it is important to remember that percentage losses can be high as well.

J) **Leveraged Exchange Traded Fund (“ETF”) and Mutual Fund Risk:** A leveraged ETF or mutual fund seeks to generate a return that is a multiple (usually 2X or 3X or -2X or -3X) of its benchmark index's performance over a specific, pre-set time period indicated in each fund's prospectus. That time period is also referred to as the "rebalancing period", and it is generally only one day, although it could be for a longer time period such as a month. As a result, the returns for these types of ETFs and mutual funds can differ significantly from that of their benchmark index, over periods lasting longer than the rebalancing period because of the compounding of returns. Generally, the longer the security is held, the more likely the returns of the leveraged product will differ from the long term return of the index. **Although potential returns are increased by leveraging, so are the potential losses, so these securities carry significant risk.** As a result, leveraged ETFs and mutual funds are intended only for investors with an aggressive tolerance for risk.

J) **Inverse Exchange Traded Fund (“ETF”) and Mutual Fund Risk:** An inverse ETF or mutual fund attempts to mimic the inverse, or opposite, of its stated benchmark. For example, an inverse S&P 500 ETF would attempt to deliver the opposite of the S&P 500's daily performance, net of fees. These funds, also called "short ETFs or Bear ETFs"/“short mutual funds or bear mutual funds” are often in an attempt to profit from a downturn in a given market, sector, or index, or to hedge against a potential loss in their portfolio. Although an inverse ETF or mutual fund does not explicitly use leverage to magnify the intended return, they can suffer from the same compounding effects as the leveraged long and leveraged short ETFs or mutual funds.

Clients need to ask questions about risks they do not understand. The firm would be pleased to discuss them.

## 9. DISCIPLINARY INFORMATION

The firm is required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management. There are a number of specific legal and disciplinary events that the firm must presume are material for this item. These include the following:

- A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the *supervised person*
  - 1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any *felony*; (b) a *misdemeanor* that *involved* investments or an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

2. is the named subject of a pending criminal *proceeding* that involves an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
3. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation; or
4. was the subject of any *order*, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the *supervised person* from engaging in any *investment-related* activity, or from violating any *investment-related* statute, rule, or *order*.

The firm and Mr. Timmermans has no information applicable to this item.

B. An administrative *proceeding* before the SEC, any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority* in which the *supervised person*

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or
2. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation and was the subject of an *order* by the agency or authority
  - i. denying, suspending, or revoking the authorization of the *supervised person* to act in an *investment-related* business;
  - ii. barring or suspending the *supervised person's* association with an *investment-related* business;
  - iii. otherwise significantly limiting the *supervised person's investment-related* activities; or
  - iv. imposing a civil money penalty of more than \$2,500 on the *supervised person*.

The firm and Mr. Timmermans has no information applicable to this item.

C. A *self-regulatory organization (SRO) proceeding* in which the *supervised person*

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or
2. was *found* to have been *involved* in a violation of the *SRO's* rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from *investment-related* activities; or (iii) fined more than \$2,500.

The firm and Mr. Timmermans has no information applicable to this item.

- D. Any other *proceeding* in which a professional attainment, designation, or license of the *supervised person* was revoked or suspended because of a violation of rules relating to professional conduct. If the *supervised person* resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a *proceeding* (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.

The firm and Mr. Timmermans has no information applicable to this item.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. BROKER-DEALER AFFILIATIONS**

The firm and its owners are not affiliated with a broker-dealer.

### **B. FUTURES/COMMODITIES FIRM AFFILIATION**

The firm and its owners are not affiliated with a futures or commodities broker.

### **C. OTHER INDUSTRY AFFILIATIONS**

The firm is owned by Luminist Capital, LLC, registered investment adviser. Also, the firm's designated principal, John Timmermans, is also an investment adviser representative of Luminist Capital, LLC. Mr. Timmermans may recommend these services to clients in states in which Luminist Capital, LLC is registered. This other business activity pays him advisory fees that are separate from the fees described above. This is a conflict of interest because the advisory fees give Mr. Timmermans a financial incentive to recommend and sell additional advisory services to clients. However, Mr. Timmermans attempts to mitigate any conflicts of interest to the best of his ability by placing the client's interests ahead of his own, through his fiduciary duty and by informing clients that they are never obligated to use recommended services through him.

### **D. SELECTION OF THIRD PARTY INVESTMENT ADVISERS**

The firm does not Select and Monitor Third Party Investment Advisers.

## **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **DESCRIPTION**

The firm's Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. The firm will provide a copy of its Code of Ethics to any client or prospective client upon request.

The firm's Code of Ethics covers all supervised persons and it describes its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at the firm must acknowledge the terms of the Code of Ethics annually, or as amended.

## MATERIAL INTEREST IN SECURITIES

The firm and its owners and investment adviser representatives do not have securities in which they have a material financial interest.

## INVESTING IN OR RECOMMENDING THE SAME SECURITIES

The firm's associates may buy or sell for their own accounts the same securities at or about the same time that they recommend to sell or purchase those securities for client accounts. This causes a conflict of interest because they can trade ahead of client trades. The firm mitigates the conflict of interest in two ways. First, its Code of Ethics requires employees to: 1) report personal securities transactions on at least a quarterly basis, and 2) provide the firm with a detailed summary of certain holdings (both initially upon commencement of employment and quarterly thereafter) in which these employees have a direct or indirect beneficial interest. The reports are reviewed to ensure the associates do not trade ahead of client accounts. Second, the firm requires client transactions to be placed ahead of its associates' personal trades, or its associates can place personal trades as part of a block trades (Please see Item 12.B for details on our block trading practices). The records of all associates' personal and client trading activities are reviewed and made available to regulators to review on the premises.

## **12. BROKERAGE PRACTICES**

### **A. RECOMMENDATION CRITERIA**

The firm participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services that include custody of securities, trade execution, clearance and settlement of transactions. The firm receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

## RESEARCH AND SOFT DOLLAR BENEFITS

"Soft dollars" are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. The firm does not receive any soft dollar benefits.

## BROKERAGE FOR CLIENT REFERRALS

The firm does not receive client referrals TD Ameritrade.

## DIRECTED BROKERAGE

Some clients may direct the firm to a specific broker/dealer to execute securities transactions for their accounts. When so directed, the firm may not be able to effectively negotiate lower brokerage

commissions or achieve best execution on client's transactions. This can result in substantially higher fees, charges or dealer concessions in one or more transactions for the client's account because the firm cannot negotiate favorable prices.

#### BLOCK TRADING

Transactions for each client account generally will be effected independently, unless the firm decides to purchase or sell the same securities for several clients at approximately the same time. The firm may, but is not obligated to, combine or "batch" such orders to obtain best execution or to allocate equitably among the firm's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients' accounts in proportion to the purchase and sale orders placed for each account 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 the firm's principal(s) and/or associated person(s) may invest, the firm shall generally do so in accordance with the parameters set forth in SEC No-Action Letter, SMC Capital, Inc. The firm shall not receive any additional compensation or remuneration as a result of the aggregation.

### **13. REVIEW OF ACCOUNTS**

#### PERIODIC REVIEWS

The firm's designated principal, John Timmermans, will review client accounts on a monthly basis.

#### OTHER REVIEWS

Additional reviews are conducted periodically depending on market conditions, economic or political events, or by changes in a client's financial situation (such as retirement, termination of employment, physical move or inheritance). Any changes in a client's financial situation, goals, or risk tolerance may also affect the current strategy guiding a client's portfolio and other investments. Clients are urged to notify their investment adviser representative of any such change at their earliest convenience.

#### REPORTS

Portfolio Management clients receive at least quarterly statements from their custodian. The firm urges clients to carefully review such statements.

### **14. CLIENT REFERRALS AND OTHER COMPENSATION**

#### OTHER COMPENSATION

As disclosed under Item 12, above, the firm participates in TD Ameritrade's institutional customer program and the firm may recommend TD Ameritrade to clients for custody and brokerage

services. There is no direct link between the firm's participation in the program and the investment advice the firm gives to its clients, although the firm receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving the firm's participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by the firm's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit the firm but may not benefit its client accounts. These products or services may assist the firm in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the firm manage and further develop its business enterprise. The benefits received by the firm or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, the firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the firm or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the firm's choice of TD Ameritrade for custody and brokerage services.

#### CLIENT REFERRALS

The firm does not use the services of solicitors or pay for client referrals.

### **15. CUSTODY**

All client funds, securities and accounts are held at third-party custodians (TD Ameritrade). However, the client will be asked to authorize the firm with the ability to deduct its management fee directly from the client's account. The client may terminate this authorization at any time. When deducting the management fee, the firm will send each client a fee invoice that details the fee amount deducted, the account balance the management fee was based upon, the period of time the management fee covers, and how the management fee was calculated. Clients will also receive at least quarterly statements from the broker/dealer, bank or other qualified custodian that holds and maintains client's investment assets. The statements will show the fee withdrawn. The firm urges each client to carefully review such statements and compare them to the fee invoice received from the firm.

### **16. INVESTMENT DISCRETION**

The firm's Portfolio Management Services are discretionary. The firm's discretionary authority is obtained when a client signs an investment management agreement and also a limited power of attorney. The agreement and power of attorney allows the firm to buy and/or sell securities the

firm has selected, within the tolerance agreed to by the client, and in the amounts the firm deems suited to the agreed upon portfolio structure. It allows the firm to place each such trade without the client's prior approval. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account, and any other investment policies, limitation or restrictions.

## **17. VOTING CLIENT SECURITIES**

The firm will not be responsible for responding to proxies that are solicited with respect to annual or special meetings of shareholders of securities held in clients' accounts. Proxy solicitation materials will be forwarded to clients directly from their accounts' custodian for response and voting. In the event a client has a question about a proxy solicitation, the client should contact his/her investment adviser representative.

## **18. FINANCIAL INFORMATION**

The firm does not require the prepayment of fees of more than \$500 per client and for six months or more in advance. Therefore, it does not need to provide clients with a balance sheet. Additionally, registered investment advisers are required in this item to provide you with certain financial information or disclosures about the firm's financial condition. The firm has no financial commitment that impairs its ability to service its clients. Also, the firm and its owners have not been the subject of a bankruptcy proceeding.

## **19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

The firm has one designated principal (management person), John Timmermans. Mr. Timmermans biographical information is provided in the attached Brochure Supplement document. Mr. Timmermans works as a Senior Risk Management Consultant for ThinkLiquidity. He is also an owner and investment adviser representative of Luminist Capital, LLC.

Adviser is required to disclose additional information if the executive officer receives performance-based fees, has any relationship or arrangement with an issuer of securities, or was ever found liable in an arbitration, civil, self-regulatory organization or administrative proceeding. As none of these apply to the Adviser, its management persons and investment adviser representatives have no information to disclose regarding these matters.

### Conflicts of Interest Disclosure

Pursuant to California Code of Regulations Section 260.238(k), in this Part 2, the firm, its representatives and employees have disclosed all material conflicts of interests that could reasonably be expected to impair the rendering of unbiased and objective advice. The conflicts of interest may include, but are not limited to: (a) compensation arrangements connected with advisory services which are in addition to the advisory fees, (b) other financial industry activities or affiliations, or (c) participation of interest in Client transactions.

### Business Continuity Plan



The firm has a Disaster Recovery and Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, and/or services.

The plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The plan also covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, internet outage, railway accident and aircraft accident. Electronic files are backed up daily and stored on encrypted cloud service provided.

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. TD Ameritrade may also assist, depending on the type of disaster, with back office and trading assistance for accounts held in custody by them. TD Ameritrade has their own disaster recovery plans with backup facilities in different parts of the U.S. It is the firm's intention to contact all clients within five days of a disaster that dictates moving its office to an alternate location for a period of time.