

Johnstone Financial Advisors, Inc.  
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May 8, 2017

This document ("Brochure") provides information about the qualifications and business practices of Johnstone Financial Advisors, Inc ("JFA"). If you have any questions about the contents of this Brochure, you may contact us at (503) 699-2929 or [Grant.Johnstone@JohnstoneFinancial.com](mailto:Grant.Johnstone@JohnstoneFinancial.com) to obtain answers and additional information. JFA is an investment advisor registered with the United States Securities and Exchange Commission ("SEC"). Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Johnstone Financial Advisors, Inc. is available on the SEC's website at **Error! Hyperlink reference not valid.** The searchable IARD/CRD number Johnstone Financial Advisors, Inc. is 286119.

## **Item 2 – Material Changes**

Johnstone Financial Advisors, Inc.'s previous Form ADV Part 2A Brochure filing was made on January 23, 2017. Since that date, the following material changes have been made:

Jamie Sullivan is no longer affiliated with the firm.

As required by the SEC, JFA will ensure that all current clients receive a Summary of Material Changes to this and subsequent Brochures within 120 days of the close of JFA's business' fiscal year which is December 31st. A Summary of Material Changes is also included with the JFA Brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Johnstone Financial Advisors, Inc. is 286119. The Firm may further provide other ongoing disclosure information about material changes as necessary.

Currently, the JFA Brochure may be requested by contacting Grant Johnstone, Compliance Officer of Johnstone Financial Advisors, Inc. at (503) 699-2929 or [Grant.Johnstone@JohnstoneFinancial.com](mailto:Grant.Johnstone@JohnstoneFinancial.com). The JFA Brochure is provided free of charge.

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## Item 4 – Advisory Business

A Johnstone Financial Advisors, Inc. (“JFA” “we” or “us”) is an investment advisory firm formed on September 6, 2005, and located in Lake Oswego, Oregon. JFA is registered with the Securities and Exchange Commission (“SEC”), and JFA provides investment management, financial planning and income in retirement planning to individual and corporate clients. The owners of JFA are Grant Johnstone, Amy Johnstone, Mark Buser, and Katie LaPlante.

The JFA investment advisory services are driven by and coordinated with each client’s individual financial goals. The JFA approach uses broadly diversified portfolios of mutual funds, individual equities, ETF’s, and individual bonds. The JFA strategies focus on long term results based on lowest possible level of risk to obtain highest reasonable returns. It is the JFA philosophy that being financially secure takes time and patience. JFA does not believe in taking a short-term view of a client’s financial picture. JFA follows strict fiduciary standards, asking ourselves, “Knowing what we know about the markets and our client, what would we do in their situation?” The JFA investment advice is independent and beholden to no investment company or mutual fund. JFA clients’ interests are first and foremost in our minds.

B JFA helps clients coordinate and prioritize their financial lives with all aspects of their life goals. For many clients this involves close coordination of business, retirement and personal assets. Client input and involvement is crucial to the JFA customized approach to investment management. JFA meets with its clients to discuss short, mid and long term objectives prior to establishing investment policy. These discussions not only involve questions of risk and income but also key factors such as taxes, family circumstances and inheritance objectives. Many clients have sensitive estate planning needs which are to be addressed through their investment plans. JFA conducts ongoing conversations with clients following the implementation of investment strategies. JFA advisors meet with its clients to review progress, understand changes in circumstance and to address needed changes due to market movement.

JFA has discretionary authority over client funds. Discretionary authority means that JFA has the authority to determine, without obtaining specific client consent, the securities bought or sold and the amount of securities bought or sold. The only restrictions on the above discretionary authority are those set by the client on a case by case basis. Discretionary authority allows us to act on behalf of the client in most matters necessary or incidental to the handling of the account, including monitoring certain assets, and making changes to the investments without client prior approval.

Advice and services are tailored to the stated objectives of the client(s). JFA creates an investment policy statement for each client that summarizes their investment objectives, risk tolerance, time horizon, and projected future needs. This policy guides us in objectively and suitably managing the client’s investment accounts. It also provides a means by which to evaluate results. The statement is reviewed and updated at least annually as a part of JFA’s ongoing review process. JFA recognizes that the IPS sets the tone for its investment work and that many clients may have objectives relating to tax and inheritance which are dealt with and recognized/discussed in other planning documents prepared by us or key, outside, legal and accounting professionals.

The JFA approach uses mutual funds, individual equities, ETF’s and individual bonds to manage client portfolios. JFA is systematic and persistent in searching for asset classes, and investments that are most suitable for clients. Likewise, when necessary to employ outside money managers, JFA applies extensive experience in screening outside money managers and select those who are believed to be best positioned to deliver superior long-term performance. JFA believes research and a disciplined review process are critical to investment success. Fundamental and technical research, combined with subjective reasoning, underlie every investment decision JFA makes.

### Financial Planning and Consulting Services

Clients may engage JFA for complete financial planning services or hire us strictly for investment consulting. JFA typically prepares a written financial plan for all financial planning clients. The plan considers all of a client’s assets, liabilities, goals and objectives and includes gathering all information necessary to provide them with appropriate and agreed upon services, which may include one or more of the following:

1. Investment Planning
2. Retirement Planning
3. Employer retirement account monitoring
4. Capital Needs Analysis (Goal Funding)
5. Tax & Liability Planning
6. General Estate Planning from an Investment Perspective
7. Education Savings Planning
8. Risk Management (Life and Disability Insurance)
9. Employee Stock Option Planning

Clients are encouraged to review their plans at least twice a year.

Financial planning and consulting includes, in all or part, but is not limited to:

- the preparation of a financial plan by an investment advisor or an associated person of an Investment Advisor for a wealth management or investment advisory Client, which may include an estate or tax planning recommendation,
- a semi-annual or periodic review of Client’s financial plan,

- the management and/or monitoring of a client's investments under a financial plan,
- a provision of information and/or advice to a client regarding the purchase and/or sale of securities, real estate, insurance contracts, annuities contracts, or any types of real or personal property under a financial plan.

C Advice and services are tailored to the stated objectives of the client(s). JFA creates an investment policy statement for each client that summarizes their investment objectives, risk tolerance, time horizon, and projected future needs. This policy serves as a guide for objectively and suitably managing the client's investment accounts. It also provides a means by which to evaluate results. The statement is reviewed and updated at least annually as a part of the ongoing JFA review process. JFA recognizes that the IPS sets the tone for its investment work and that many clients may have objectives relating to tax and inheritance which are dealt with and recognized/discussed in other planning documents prepared by us or key, outside, legal and accounting professionals.

D JFA does NOT utilize a wrap fee arrangement for its advisory accounts. Instead, advisory accounts are charged a set advisory fee, and transaction costs are borne by JFA, unless specifically agreed otherwise.

E JFA manages \$105,000,000 of client assets on a discretionary basis and \$65,000,000 of client assets on a non-discretionary basis. This amount was calculated as of January 17, 2017.

#### **Item 5 – Fees and Compensation**

##### **A Asset Management Fees:**

JFA generally charges its clients an annual investment management fee of 1.00% to 1.50% of client assets under management ("AUM") based on the tiered schedule below. Asset Management fees are negotiable solely at JFA's discretion.

<b>Attained Min Limit</b>	<b>Attained Max Limit</b>	<b>Tiered Fee</b>
\$	\$ 249,999	1.5%
\$ 250,000	\$ 499,999	1.4%
\$ 500,000	\$ 749,999	1.3%
\$ 750,000	\$ 999,999	1.0%
\$ 1,000,000	\$ 99,999,999	0.8%

##### **Financial Planning and Consulting Services:**

JFA may charge a fixed fee and/or an hourly fee for financial planning and consulting services. The fix fee is generally \$1,000.00 and the hourly rate for planning services is currently \$250.00. The fixed and hourly fee may be adjusted by JFA depending upon the level and scope of the services and the professional rendering the financial planning and/or consulting services.

B Annual management fees are payable in four quarterly installments in advance of each quarter. JFA will bill the client an amount equal to one-quarter of the calculated annual fee. Any partial quarters are pro-rated based on the number of days in the quarter that JFA provided the client services. The advisor deducts quarterly management fees from client accounts held at the account custodian.

C In addition to fees paid to JFA, the client will incur administrative and transaction fees along with the usual expenses charged by mutual fund companies.

D Either party may terminate the investment advisory contract at any time by sending a written communication to the other party. The ongoing management fee will cease upon JFA's receipt of notice of termination and JFA will bill the client for that portion of the quarter already elapsed.

E Certain representatives of JFA are also Registered Representatives of Purshe Kaplan Sterling Investments ("PKS"). PKS is a registered broker-dealer, member of FINRA, and SIPC (CRD No. 35747), and is not affiliated with JFA. Certain representatives of JFA are also licensed to sell insurance in one or more states, either through a licensed general insurance agency or as direct agent representative of a specific insurance company.

Securities and insurance related business is transacted with advisory clients, and individuals may receive commissions from products sold to clients. Clients are advised that the fees paid to JFA for investment advisory services are separate and distinct from the commissions earned by any individual for selling clients insurance or other securities products. If requested by a client, JFA will disclose the amount of commission expected to be paid.

The receipt of commissions by an affiliated entity or individuals associated with the firm presents a conflict of interest. As fiduciaries, JFA must act primarily for the benefit of investment advisory clients. As such, JFA will only transact insurance or securities related business with clients when fully disclosed, suitable, and appropriate. Further, JFA must determine in good faith that any commissions paid to JFA representatives are appropriate. Clients are informed that they are under no obligation to use any individual associated with JFA for insurance or securities products or services. Clients may use any insurance or brokerage firm or agent they choose.

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

JFA does not charge advisory fees on the performance of funds or securities in client accounts. JFA does not provide side-by-side management.

## **Item 7 – Types of Clients**

JFA provides investment advice to asset management and financial planning services to the following types of clients:

1. Individuals
2. High-Net-Worth Individuals
3. Corporations
4. Pension and Profit Sharing Plans
5. Charitable Organizations

JFA will consider prospective clients based on their rapport with the individual advisor, a match in investment philosophy, and overall fit between the prospective client's needs and the firm's services.

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

### **ANALYSIS METHODS**

JFA prefers to keep things clean and simple at every level. JFA clients prefer less mail and more personal counseling. JFA clients and advisors are afforded access to the broadest spectrum of investments. Together, JFA advisor representatives and JFA clients formulate a comprehensive plan that addresses both financial and life goals.

Investments include stock & bond, mutual funds, internally managed low-cost ETF portfolios, insurance, and annuities. Advisors are free to recommend any approved investment under the advisory program, as this prevents any bias conflicting with the advisors' recommendations. Investments that have sales-incentives for advisors are not permitted, as Johnstone Financial Advisors, Inc. insists on providing the most neutral consultative relationship, free of bias. All investment recommendations are pre-screened by the Chief Investment Officer.

JFA will generally invest client assets with mutual funds and ETFs. Mutual funds and ETFs will use various investment approaches and will be diversified among multiple strategies, asset classes, regions, industry sectors, and securities. JFA portfolio managers will use only those mutual funds and ETFs approved for investment. In approving a mutual fund or ETF, and allocating assets to them, JFA considers both quantitative and qualitative factors including:

- Relative performance during various time periods and market cycles
- Industry reputation
- Experience and training of staff investment professionals
- The clarity of, and adherence to, a viable investment philosophy
- Risk management capabilities
- Portfolio management capabilities
- Fee structure
- Any other factor deemed appropriate

JFA may use various databases of information in order to facilitate the discovery and research process of each mutual fund or ETF utilized by JFA.

### **INVESTMENT STRATEGIES**

JFA internally manages thirteen separate portfolio models. The models are established for the full range of risk (from 1, the highest volatility and lowest income, to 5 lowest volatility and maximum income). Each model is matched to industry accepted index comparisons. The models are weighted and allocated across domestic stock, international stock, and a broad range of fixed income investments. By considering both macro-economic trends and technical analysis, the JFA Chief Investment Officer slightly over-weights or under-weights the various investment classes to reflect JFA's economic projections. Then specific investments are chosen to best represent each class or category of investment. Currently, the models are comprised of exchange traded funds (ETFs) for equity positions and actively managed low-cost or no-load mutual funds for fixed income positions.

### **RISK OF LOSS**

JFA firmly believes that no one can time the market or predict the future. Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in any type of security (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients need to be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, JFA cannot represent, guarantee, or even imply that its services and methods of analysis:

1. Can or will predict future results;
2. Successfully identify market tops or bottoms; or
3. Insulate clients from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through an investment management program.

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

JFA is required to disclose all material facts regarding any legal or disciplinary event that would be material to a client's evaluation of the firm, or the integrity of its management. No principal or person associated with JFA has any information to disclose which is applicable to this Item.

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

As disclosed in Section 5, above, certain representatives of JFA are also licensed as Registered Representatives with PKS. PKS is a registered broker-dealer, member of FINRA, and SIPC (CRD No. 35747). In their separate capacity as registered representatives, JFA advisors will typically receive commissions for the implementation of recommendations for commissionable transactions. Clients are not obligated to implement any recommendation provided by JFA advisors.

JFA advisors are also licensed insurance agents and may receive usual and customary commissions associated with the sale of insurance products.

PKS and JFA are not affiliated. Under no circumstances will a client of JFA be deemed to be a client of PKS, nor will PKS assume any liability for JFA advisors' actions unless client has an executed PKS client Agreement which has been accepted by PKS and client's claim is the result of those services agreed to in writing by and between PKS and client. Further, JFA acknowledges that it is solely responsible for the securities transactions and advisory activities, and any liability arising out of such activities, of any of its owners, officers, partners, directors, employees, agents, and IARs, or persons holding similar status or performing similar functions that do not have appropriate and active securities registrations through PKS, and/or are not covered by PKS-approved errors and omissions insurance coverage.

When acting as registered representatives of PKS, JFA advisors' investment recommendations will be limited to investment products offered through PKS. Other suitable investment products may be available through other broker/dealers or investment advisers at lower costs. A conflict of interest exists because of the duty to provide unbiased advice to clients and the potential receipt of commissions on transactions effected through PKS.

Certain Investment Adviser Representatives of JFA are also licensed as insurance agents in one or more states, either through a licensed general insurance agency or as direct agent representative of a specific insurance company. The conflicts of interest associated with the above arrangements and how these conflicts are addressed are described in Section 5E, above.

#### **Item 11 – Code of Ethics, Participation or Interest in Client Transaction & Personal Trading**

A JFA has a Code of Ethics which all employees are required to follow. The Code of Ethics outlines JFA's high standard of business conduct, and fiduciary duty to 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, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

A copy of the code of ethics is available to any client or prospective client upon request by contacting Grant Johnstone at (503) 699-2929 or [Grant.Johnstone@JohnstoneFinancial.com](mailto:Grant.Johnstone@JohnstoneFinancial.com).

B,C,D JFA does not own or manage any companies or investments that it advises its clients to buy.

JFA or individuals associated with the firm may buy and sell some of the same securities for their own account that JFA buys and sells for its clients. When appropriate JFA will purchase or sell securities for clients before purchasing the same for its own accounts or allowing representatives to purchase or sell the same for their own accounts. In some cases JFA or representatives may buy or sell securities for their own account for reasons not related to the strategies adopted for JFA clients. JFA employees are required to follow the Code of Ethics when making trades for their own accounts in securities which are recommended to and/or purchased for clients. The Code of Ethics is designed to assure that the personal securities transactions will not interfere with decisions made in the best interest of advisory clients while at the same time, allowing employees to invest their own accounts.

JFA will disclose to advisory clients any material conflict of interest relating to the company, its advisors, its representatives, or any of its employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

As any advisory situation could present a conflict of interest, JFA has established the following restrictions to ensure its fiduciary responsibilities:

1. A director, officer, associated person, or employee of JFA shall not buy or sell securities for his personal portfolio where his decision is substantially derived, in whole or in part, by reason of his employment unless the information is also available to the investing public on reasonable inquiry. No person of JFA shall prefer his or her own interest to that of the advisory client.
2. JFA maintains a list of all securities holdings for itself and for anyone associated with its advisory practice that has access to advisory recommendations. An appropriate officer of JFA reviews these holdings on a regular basis.
3. Any individual not in observance of the above may be subject to termination.

#### **Item 12 – Brokerage Custodian Practices**

A JFA clients' assets are held by independent third-party custodians. Except to the extent that the client directs otherwise, JFA may use its discretion in selecting or recommending the broker-dealer to act as the custodian of client accounts. The client is not obligated to effect transactions through any broker-dealer recommended by JFA. In recommending broker-dealers, JFA will comply with its fiduciary duty to seek best execution with the Securities Exchange Act of 1934 and will take into account such relevant factors as:

1. Price;
2. The custodian's facilities, reliability and financial responsibility;
3. The ability of the custodian to effect transactions, particularly with regard to such aspects as timing, order size and execution of order; and
4. Any other factors that JFA considers to be relevant.

Generally speaking, and so long as it continues to meet the above criteria, JFA will recommend that clients establish custodial brokerage accounts with Raymond James & Associates, Inc., a division of Raymond James Financial Services, Inc. ("Raymond James"), member FINRA/SIPC, an independent and unaffiliated registered broker-dealer. In connection with JFA's use of Raymond James, JFA participates in Raymond James' institutional services advisor program ("the program"), which offers to independent investment Advisors, such as us, services which include custody of securities, trade execution, clearance and settlement of transactions. JFA works with broker dealer Raymond James primarily for administrative convenience and because they offer a good value to JFA clients for the transaction and other costs incurred.

B JFA is authorized to aggregate purchases and sales and other transactions made for client accounts with purchases and sales and other transactions in the same or similar securities or instruments for other JFA clients. When JFA aggregates transactions, the actual prices applicable to the aggregated transactions will be averaged, and the account will be deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price obtained. Stock exchange regulations may in certain instances prevent the executing broker-dealer from delivering to the account a confirmation slip with respect to its participation in the aggregated transaction and, in such event, JFA will advise clients in writing of any purchase or disposition of instruments for the account with respect to any such aggregated transaction. It is expected that this trade aggregation and allocation policy will be applied consistently. However, if the application of this policy results in unfair or inequitable treatment to some or all of JFA's clients, JFA may deviate from this policy.

#### **Item 13 – Review of Accounts**

A Accounts are reviewed by Grant Johnstone who is responsible for overseeing all regulatory compliance for the firm. See Mr. Johnstone's Form ADV Part 2B, Item 2 for more information about him. The frequency of reviews is determined based on the client's investment objectives. Accounts are generally reviewed quarterly, but in any event, no less than annually.

Financial planning clients receive their financial plans and recommendations at the time the service is completed. Depending on the type of financial planning service requested, JFA may meet on a regular basis with clients to discuss any potential changes to clients' financial plan.

B More frequent reviews may be triggered by a change in clients' investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or, changes in the economic climate.

C Investment management clients receive standard account statements from the custodian of their accounts on a quarterly basis. JFA also provides clients with a verbal report summarizing the account activity generally quarterly, but in any event, no less than annually. JFA encourages clients to compare reports for accuracy.

Financial planning clients do not normally receive investment reports.

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

JFA does not compensate, nor receive compensation from, any third parties in connection with the referral of clients.

**Transition Assistance.** In order to assist with the transition to a fully independent investment advisor firm, Raymond James provided JFA a forgivable loan of \$100,000 to cover 50% of lost revenues due to JFA's transition to full independence. In addition, JFA received a

\$160,000 loan at market rates to offset capital improvements and 50% of lost revenue due to the transition. All transition assistance was used to maintain operations during the transition and to upgrade the hardware, software, and communication systems that directly support the client service experience. JFA's receipt of the loans created a conflict of interest that could influence JFA's choice to utilize Raymond James as a custodian. This conflict is mitigated by our fiduciary duty to put our client's interests first.

#### **Item 15 – Custody**

With the exception of JFA's ability to debit fees, JFA does not otherwise have custody of the assets in the account.

JFA shall have no liability to the client for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation ("SIPC") or any other insurance which may be carried by the custodian. The client understands that SIPC provides only limited protection for the loss of property held by a custodian.

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

JFA provides investment management services on both a discretionary and non-discretionary basis. Discretionary authority allows us to execute investment recommendations for clients in accordance with JFA's Statement of Investment Policy (or similar document used to establish each client's objectives and suitability), without the client's prior approval of each specific transaction. Under this discretionary authority, client allows JFA to purchase and sell securities and instruments in their account(s), arrange for delivery and payment in connection with the foregoing, and act on behalf of the client in matters necessary or incidental to the handling of the account, including monitoring certain assets. Non-Discretionary authority requires us to obtain a client's approval prior to the purchase and sale of securities and instruments in their account(s).

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

A Without exception, JFA does not vote proxies on behalf of clients.

B JFA does not have authority to vote client securities. Clients will receive proxies and other solicitations directly from the custodian or transfer agent. If any proxy materials are received on behalf of a client, they will be sent directly to the client or a designated representative of the client, who is responsible to vote the proxy.

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

A JFA does not require advisory fees to be paid in advance and under no circumstances will JFA collect more than \$1,200.00, more than six months in advance of services from any client.

B JFA has discretionary authority over client funds and securities, but JFA has no financial commitments that would impair its ability to meet contractual and fiduciary commitments to clients.

C Neither JFA, nor any of the principals, have been the subject of a bankruptcy petition at any time in the past.