

# Pacific Fortune Management Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Pacific Fortune Management. If you have any questions about the contents of this brochure, please contact us at (+86)13910222587 or by email at: [wallace.xiang@pfmfinance.com](mailto:wallace.xiang@pfmfinance.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Pacific Fortune Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Pacific Fortune Management's CRD number is: 287576.*

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

Version Date: 2/24/2018

## **Item 2: Material Changes**

In this section Pacific Fortune Management is required to discuss any material changes that have been made to the brochure since its initial filing of 2/22/2017. Pacific Fortune Management has the following material changes to disclose:

Item 4(e) Discretionary Assets Under Management (AUM) is updated to 70,000.00.

If you would like a copy of this brochure, please download it from the SEC website listed on page one or calling us at +86 13910222587 or by email at [wallace.xiang@pfmfinance.com](mailto:wallace.xiang@pfmfinance.com)

## Item 3: Table of Contents

Item 1: Cover Page	
Item 2: Material Changes .....	ii
Item 3: Table of Contents .....	iii
Item 4: Advisory Business .....	2
A. Description of the Advisory Firm.....	2
B. Types of Advisory Services.....	2
C. Client Tailored Services and Client Imposed Restrictions .....	3
D. Wrap Fee Programs .....	3
E. Assets Under Management.....	3
Item 5: Fees and Compensation.....	4
A. Fee Schedule.....	4
B. Payment of Fees.....	5
C. Client Responsibility For Third Party Fees.....	6
D. Prepayment of Fees .....	6
E. Outside Compensation For the Sale of Securities to Clients .....	6
Item 6: Performance-Based Fees and Side-By-Side Management.....	6
Item 7: Types of Clients.....	7
Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss .....	7
A. Methods of Analysis and Investment Strategies .....	7
B. Material Risks Involved.....	7
C. Risks of Specific Securities Utilized .....	8
Item 9: Disciplinary Information .....	10
A. Criminal or Civil Actions .....	10
B. Administrative Proceedings .....	10
C. Self-regulatory Organization (SRO) Proceedings .....	10
Item 10: Other Financial Industry Activities and Affiliations .....	11
A. Registration as a Broker/Dealer or Broker/Dealer Representative.....	11
B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.....	11
C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests .....	11
D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections.....	11
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	11
A. Code of Ethics .....	11
B. Recommendations Involving Material Financial Interests .....	12
C. Investing Personal Money in the Same Securities as Clients .....	12

D.    Trading Securities At/ Around the Same Time as Clients' Securities.....	12
Item 12: Brokerage Practices.....	12
A.    Factors Used to Select Custodians and/or Broker/Dealers.....	12
1.    Research and Other Soft-Dollar Benefits .....	13
2.    Brokerage for Client Referrals.....	13
3.    Clients Directing Which Broker/Dealer/Custodian to Use.....	13
B.    Aggregating (Block) Trading for Multiple Client Accounts .....	13
Item 13: Review of Accounts .....	14
A.    Frequency and Nature of Periodic Reviews and Who Makes Those Reviews .....	14
B.    Factors That Will Trigger a Non-Periodic Review of Client Accounts .....	14
C.    Content and Frequency of Regular Reports Provided to Clients .....	14
Item 14: Client Referrals and Other Compensation.....	14
A.    Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes) .....	14
B.    Compensation to Non – Advisory Personnel for Client Referrals .....	15
Item 15: Custody .....	16
Item 16: Investment Discretion .....	16
Item 17: Voting Client Securities (Proxy Voting) .....	16
Item 18: Financial Information .....	16
A.    Balance Sheet .....	16
B.    Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients .....	16
C.    Bankruptcy Petitions in Previous Ten Years.....	17

## **Item 4: Advisory Business**

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

Pacific Fortune Management (hereinafter "PacFM") is a Limited Liability Company organized in the State of California. The firm was formed in November 2016, and the principal owner is Yi Xiang.

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

#### ***Portfolio Management Services***

PacFM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. PacFM creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

PacFM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. PacFM will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

PacFM seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of PacFM's economic, investment or other financial interests. To meet its fiduciary obligations, PacFM attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, PacFM's policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is PacFM's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

PacFM has discretion to choose third-party investment advisers to manage all or a portion of the client's assets. Before selecting other advisers for clients, PacFM will always ensure those other advisers are properly licensed or registered as an investment adviser. PacFM conducts due diligence on any third-party investment adviser, which may involve one or more of the following: phone calls, meetings and review of the third-party adviser's performance and investment strategy. PacFM then makes investments with a third-party

investment adviser by investing with the third-party adviser. These investments may be allocated either through the third-party adviser's fund or through a separately managed account managed by such third party adviser on behalf of PacFM's client. PacFM may also allocate among one or more private equity funds or private equity fund advisers. PacFM will review the ongoing performance of the third-party adviser as a portion of the client's portfolio.

### ***Financial Planning***

Financial plans and financial planning may include, but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning.

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

PacFM generally limits its investment advice to mutual funds, fixed income securities, real estate funds (including REITs), insurance products including annuities, equities, hedge funds, private equity funds, ETFs (including ETFs in the gold and precious metal sectors) and private placements. PacFM may use other securities as well to help diversify a portfolio when applicable.

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

PacFM offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels). Clients may not impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

## **D. Wrap Fee Programs**

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

## **E. Assets Under Management**

PacFM has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$70000	\$0	December 2017

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Blended Fees*

NAV Range	Percentage
\$0 - \$100,000	2.00%
\$100,001 - \$250,000	1.50%
\$250,001 - \$500,000	1.20%
\$500,001 – onward	1.00%

The advisory fee is calculated using Net Asset Value (NAV), the value is based on the annualized Net Asset Value (NAV) range multiplied by the percentage charge rate. It is calculated on NAV on the last business day of the prior billing period.

These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Clients may terminate the agreement without penalty for a full refund of PacFM's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with 30 days' written notice.

#### *Performance-Based Fees for Portfolio Management*

Qualified clients will pay an annual fee of 2.00% of assets under management along with a 20.00% performance fee based on capital appreciation. If the client's portfolio rises in value, the client will pay 20.00% on that increase in value, but if the portfolio drops in value, the client will not incur a new performance fee until the portfolio reaches the last highest value, adjusted for withdrawals and deposits, which is generally known as a "high water mark."

The high water mark will be the highest value of the client's account on the last day of any previous year, after accounting for the client's deposits or withdrawals for each billing period.

These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. This service may be canceled with 30 days' notice. Clients must pay the prorated performance-based fees for the billing period in which they terminate the Investment Advisory Contract up to and including the day of termination.

### ***Selection of Other Advisers Fees***

PacFM will be compensated via a fee share from the advisers to which it directs those clients. This relationship will be memorialized in each contract between PacFM and each third-party adviser. The fees shared will not exceed any limit imposed by any regulatory agency.

### ***Financial Planning Fees***

#### **Fixed Fees**

The negotiated fixed rate for creating client financial plans is between \$200 and \$3,000.

#### **Hourly Fees**

The negotiated hourly fee for these services is \$200.

Clients may terminate the agreement without penalty, for full refund of PacFM's fees, within five business days of signing the Financial Planning Agreement. Thereafter, clients may terminate the Financial Planning Agreement generally upon written notice.

## **B. Payment of Fees**

### ***Payment of Portfolio Management Fees***

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis, or may be invoiced and billed directly to the client on a quarterly basis. Clients may select the method in which they are billed. Fees are paid in advance.

### ***Payment of Performance-Based Portfolio Management Fees***

Performance-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis. Fees are paid in arrears.

### ***Payment of Selection of Other Advisers Fees***

The timing, frequency, and method of paying fees for selection of third-party managers will depend on the specific third-party adviser selected.

### ***Payment of Financial Planning Fees***

Financial planning fees are paid via check.

Fixed financial planning fees are paid 50% in advance, but never more than six months in advance, with the remainder due upon presentation of the plan.



Hourly financial planning fees are paid 50% in advance, but never more than six months in advance, with the remainder due upon presentation of the plan.

### **C. Client responsible for third party fees**

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

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

PacFM collects certain fees in advance and certain fees in arrears, as indicated above. Refunds for fees paid in advance will be returned within fourteen days to the client via check, or return deposit back into the client's account.

For all asset-based fees paid in advance, the fee refunded will be equal to the balance of the fees collected in advance minus the daily rate\* times the number of days elapsed in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee rate by 365.)

Fixed fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination.

For hourly fees that are collected in advance, the fee refunded will be the balance of the fees collected in advance minus the hourly rate times the number of hours of work that has been completed up to and including the day of termination.

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

Neither PacFM nor its supervised persons accept any compensation for the sale of investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

PacFM manages accounts that are billed on performance-based fees (a share of capital gains on or capital appreciation of the assets of a client) and may as well manage accounts that are not billed on performance-based fees. Managing both kinds of accounts at the same time presents a conflict of interest because PacFM and/or its supervised persons have an incentive to favor accounts for which PacFM receives a performance-based fee. PacFM addresses the conflicts by ensuring that clients are not systematically advantaged or disadvantaged due to the presence or absence of performance-based fees. PacFM seeks best execution and upholds its fiduciary duty for all clients. Clients paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

## Item 7: Types of Clients

PacFM generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

There is no account minimum for any of PacFM's services.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

PacFM's methods of analysis include Fundamental analysis, Modern portfolio theory and Technical analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

#### *Investment Strategies*

PacFM uses long term trading and short term trading.

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

### B. Material Risks Involved

#### *Methods of Analysis*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Modern portfolio theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

### ***Investment Strategies***

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Selection of Other Advisers:** Although PacFM will seek to select only money managers who will invest clients' assets with the highest level of integrity, PacFM's selection process cannot ensure that money managers will perform as desired and PacFM will have no control over the day-to-day operations of any of its selected money managers. PacFM would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment "style drift" or even regulatory breaches or fraud.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

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

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

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Annuities** are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**Hedge funds** often engage in leveraging and other speculative investment practices that may increase the risk of loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; May involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. In addition, hedge funds may invest in risky securities and engage in risky strategies.

**Private equity** funds carry certain risks. Capital calls will be made on short notice, and the failure to meet capital calls can result in significant adverse consequences, including but not limited to a total loss of investment.

**Private placements** carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and the liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

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

## **Item 9: Disciplinary Information**

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

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

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

There are no self-regulatory organization proceedings to report.

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

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

Neither PacFM nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

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

Neither PacFM nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

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

Neither PacFM nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

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

PacFM has discretion to choose third-party investment advisers to manage all or a portion of the client's assets. PacFM will be compensated via a fee share from the advisers to which it directs those clients. This relationship will be memorialized in each contract between PacFM and each third-party advisor. The fees shared will not exceed any limit imposed by any regulatory agency. This creates a conflict of interest in that PacFM has an incentive to direct clients to the third-party investment advisers that provide PacFM with a larger fee split. PacFM will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. PacFM will ensure that all recommended advisers are licensed or notice filed in the states in which PacFM is recommending them to clients.

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

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

PacFM has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions,

Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. PacFM's Code of Ethics is available free upon request to any client or prospective client.

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

Client approval will be sought for client investment in such recommendations and, if granted, such approval will be binding. If a principal transaction arises, PacFM will only execute such transaction with the consent of the applicable client. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of a related person, buys from or sells any security to any advisory client.

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

From time to time, representatives of PacFM may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of PacFM to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. PacFM will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

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

From time to time, representatives of PacFM may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of PacFM to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, PacFM will never engage in trading that operates to the client's disadvantage if representatives of PacFM buy or sell securities at or around the same time as clients.

# **Item 12: Brokerage Practices**

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

Custodians/broker-dealers will be recommended based on PacFM's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not



necessarily pay the lowest commission or commission equivalent, and PacFM may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in PacFM's research efforts. PacFM will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

PacFM will require clients to use Interactive Brokers, as its custodian

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

While PacFM has no formal soft dollars program in which soft dollars are used to pay for third party services, PacFM may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). PacFM may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and PacFM does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. PacFM benefits by not having to produce or pay for the research, products or services, and PacFM will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that PacFM's acceptance of soft dollar benefits may result in higher commissions charged to the client.

### ***2. Brokerage for Client Referrals***

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

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

PacFM will require clients to use a specific broker-dealer/ custodian to execute transactions. Not all advisers require clients to use a particular broker-dealer.

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

If PacFM buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices, lower brokerage commissions, or more efficient execution. In such case, PacFM would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. PacFM would determine the

appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction (if any).

## **Item 13: Review of Accounts**

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

All client accounts for PacFM's advisory services provided on an ongoing basis are reviewed at least Quarterly by Yi Xiang, President, with regard to clients' respective investment policies and risk tolerance levels. All accounts at PacFM are assigned to this reviewer.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Yi Xiang, President. Financial planning clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

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

With respect to financial plans, PacFM's services will generally conclude upon delivery of the financial plan.

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

Each client of PacFM's advisory services provided on an ongoing basis will receive a quarterly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian.

Each financial planning client will receive the financial plan upon completion.

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

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

PacFM may receive compensation from the selected third party advisers via a fee split, but otherwise does not receive any economic benefit from any other third party for advice rendered to PacFM's clients.

With respect to Interactive Brokers, PacFM receives access to Interactive Brokers's trading and custody services, which are typically not available to Interactive Brokers retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Interactive Brokers Advisor Services. Interactive Brokers's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For PacFM client accounts maintained in its custody, Interactive Brokers generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Interactive Brokers or that settle into Interactive Brokers accounts.

Interactive Brokers also makes available to PacFM other products and services that benefit PacFM but may not benefit its clients' accounts. These benefits may include national, regional or PacFM specific educational events organized and/or sponsored by Interactive Brokers Advisor Services. Other potential benefits may include occasional business entertainment of personnel of PacFM by Interactive Brokers Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist PacFM in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of PacFM's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of PacFM's accounts. Interactive Brokers Advisor Services also makes available to PacFM other services intended to help PacFM manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Interactive Brokers may make available, arrange and/or pay vendors for these types of services rendered to PacFM by independent third parties. Interactive Brokers Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to PacFM. PacFM is independently owned and operated and not affiliated with Interactive Brokers.

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

PacFM does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### **Item 15: Custody**

When advisory fees are deducted directly from client accounts at client's custodian, PacFM will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

### **Item 16: Investment Discretion**

PacFM provides discretionary and non-discretionary investment advisory services to clients. The advisory contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, PacFM generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share.

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

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

### **Item 18: Financial Information**

#### **A. Balance Sheet**

PacFM neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

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

Neither PacFM nor its management has any financial condition that is likely to reasonably impair PacFM's ability to meet contractual commitments to clients.

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

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