

## **HEAT ADVISORS, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Heat Advisors, LLC (hereinafter “Heat Advisors” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, Heat Advisors is required to discuss any material changes that have been made to the brochure since the last annual amendment. There are no such material changes to disclose.

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## Item 4. Advisory Business

Heat Advisors offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to Heat Advisors rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Heat Advisors setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

Heat Advisors filed for registration as an investment adviser in June 2018 and is principally owned by Interim Holdings, LLC. As of the date of this filing, Heat Advisors does not have any assets under management; however, the Firm reasonably expects to be eligible for registration with the SEC within 120 days of approval as an investment adviser.

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

### Financial Planning and Consulting Services

Heat Advisors offers clients a broad range of financial planning and consulting services, which include any or all of the following functions:

- |                             |                        |
|-----------------------------|------------------------|
| • Business Planning         | • Retirement Planning  |
| • Cash Flow Planning        | • Liability Management |
| • Trust and Estate Planning | • Charitable Planning  |
| • Banking Services          | • Family Gifting       |
| • Educational Planning      | • Tax Planning         |
| • Insurance Planning        | • Financial Reporting  |

While each of these services is available on a stand-alone basis, certain of them can also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, Heat Advisors is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Heat Advisors recommends certain clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Heat Advisors

or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Heat Advisors under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Heat Advisors's recommendations and/or services.

### **Investment and Wealth Management Services**

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Heat Advisors provides certain clients with wealth management services which include a broad range of financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

Heat Advisors primarily allocates client assets among various exchange-traded funds ("ETFs"), individual debt and equity securities, and independent investment managers ("Independent Managers") in accordance with their stated investment objectives. In addition, Heat Advisors also recommends that certain eligible clients invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds).

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios. Clients can engage Heat Advisors to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Heat Advisors directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

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

### **Use of Independent Managers**

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As mentioned above, Heat Advisors selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

Heat Advisors evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. Heat Advisors also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

Heat Advisors continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. Heat Advisors seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

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

Heat Advisors offers services on a fee basis, which includes fixed hourly fees, as well as fees based upon assets under management. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, offers securities brokerage services and/or insurance products under a separate commission-based arrangement.

### **Financial Planning and Consulting Fees**

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Heat Advisors charges a fixed fee for providing financial planning and consulting services to certain clients under a stand-alone engagement. These fees are negotiable, but range from \$1,000 to \$5,000 depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, Heat Advisors may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

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

### **Wealth Management Fees**

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Heat Advisors offers wealth management services for an annual fee based on the amount of assets under the Firm's management. This management fee varies between 40 and 150 basis points (0.40% – 1.50%), depending upon the size and composition of a client's portfolio and the type of services rendered.

The Firm may charge certain clients a fee that is higher than the stated fee schedule where that client is being provided with services that are more substantial than the fee they would be through the asset-based fee. That fee will be negotiated and agreed to with the client and will be in the best interest of that client.

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Heat Advisors on the last day of the previous quarter. If assets in excess of \$50,000 are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

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

### **Fee Discretion**

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Heat Advisors may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to Heat Advisors, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions

(collectively “Financial Institutions”). These additional charges include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

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Clients provide Heat Advisors and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Heat Advisors.

### **Use of Margin**

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Heat Advisors can recommend that certain clients utilize margin in the client’s investment portfolio or other borrowing such as non-purpose loans. Heat Advisors only recommends such borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm’s fees are determined based upon the value of the assets being managed gross of any margin or borrowing.

### **Account Additions and Withdrawals**

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



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

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

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

conflict of interest exists to the extent that a Supervised Person of Heat Advisors recommends the purchase or sale of securities through a brokerage relationship where that Supervised Persons receives commissions or other additional compensation as a result of that recommendation (the "Brokerage Relationship"). The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons to engage in the Brokerage Relationship are in the best interest of that client. Because the Supervised Persons may receive compensation in connection with the sale of mutual funds in the Brokerage Relationship, a conflict of interest exists as such Supervised Persons, may have an incentive to recommend more expensive mutual fund share classes to clients where such Supervised Persons earn more compensation with respect to the sale of such mutual fund share classes. Clients should understand that the investments made in the Brokerage Relationship are not receiving advisory services from the Firm. Therefore, the Firm does not have a fiduciary duty over the Brokerage Relationship recommendations. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that Heat Advisors, in its sole discretion, deems appropriate, Heat Advisors provide its investment advisory services to certain clients on a fee-offset basis. In this scenario, Heat Advisors offsets its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of PKS.

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

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

## Item 7. Types of Clients

Heat Advisors offers services to individuals, trusts, estates, corporations and business entities.

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

### Methods of Analysis and Investment Strategies

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Heat Advisors employs a goal-oriented family financial wealth plan which serves as the blueprint for the investment portfolio recommendations made to clients. Heat Advisors firmly believes that all successful investing is goal-focused and planning-driven, while all unsuccessful investing is market-focused and timing-driven. Heat Advisors is focused on responsibly managing a family's wealth in low-cost asset allocation strategies with a significant emphasis on ongoing tax minimization and risk management. Heat Advisors utilizes behavioral finance and macroeconomic trends to create appropriate asset allocation strategies in an effort to earn competitive risk-adjusted returns and minimize common and costly behavioral investing mistakes.

Heat Advisors manage several discretionary portfolios for clients that seek to achieve the objectives of their family's financial plan. These include multiple versions of core asset allocation models using passive low-cost index funds. Additionally, Heat Advisors may use separately managed accounts for a portion of the asset allocation both in equity or tax-exempt fixed income where the Firm believes they are appropriate.

Heat Advisors's investment philosophy is based on the following principles:

- To the extent it is possible, make an ongoing conscious effort to minimize the portfolio drag from fees and taxes;
- Develop highly diversified low-cost index fund (using exchange traded fund or ETFs) portfolios to access a broad range of asset classes and market sectors;
- Use asset-class based investments rather than manager-based security-selection investments;
- Strategically reallocate investments as market conditions warrant;
- Hold asset classes for extended periods of time and avoid chasing short-term trends; and
- Periodically rebalance as needed to maintain proper asset allocation targets.

### Risk of Loss

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The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

#### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Heat Advisors's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that Heat Advisors will be able to predict these price movements accurately or capitalize on any such assumptions.

#### *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

#### *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

#### *Equity-Related Securities and Instruments*

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

*Fixed Income Securities*

Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.

*Mutual Funds and ETFs*

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

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

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

*Use of Independent Managers*

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

*Use of Private Collective Investment Vehicles*

Heat Advisors recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in

selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

#### *Management through Similarly Managed "Model" Accounts*

Heat Advisors manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

#### **Interest Rate Risks**

Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by clients.

### **Item 9. Disciplinary Information**

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

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

This item requires investment advisers to disclose certain financial industry activities and affiliations.

**Registered Representatives of a Broker-Dealer**

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

**Licensed Insurance Agents**

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

**Licensed Insurance Agency**

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Heat Advisors is a duly licensed insurance agency. Additionally, a number of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that Heat Advisors recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

**Relationship with Dynasty Financial Partners, LLC**

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Heat Advisors maintains a business relationship with Dynasty Financial Partners, LLC ("Dynasty"), which provides the Firm with operational and back office support including access to a network of service providers. Through the Dynasty network of service providers, Heat Advisors has access to trading technology, transition support, reporting, custody, brokerage, investments, compliance and other related services. The Firm may also engage and/or recommend Dynasty's subsidiary, Dynasty Wealth Management LLC, a registered investment adviser, to clients for certain outsourced investment services, such as separate account management, asset allocation strategies and externally managed investment programs. While Heat Advisors believes this open architecture structure for both operational and investment services best serves the interests of its advisory clients, this relationship presents certain conflicts of interest due to the fact that Dynasty retains a portion of the platform or other third party fees paid by the Firm or clients for the services referenced above. In light of the foregoing, Heat Advisors seeks at all times to ensure that any material conflicts are addressed on a fully-disclosed basis and handled in a manner that is aligned with its clients' best interests. Heat Advisors does not receive any portion of the

fees paid directly to Dynasty, its affiliates or the service providers made available through Dynasty's platform. In addition, the Firm reviews all such relationships, including the service providers engaged through Dynasty, on an ongoing basis in an effort to ensure clients are receiving competitive rates in relation to the quality and scope of the services provided.

## Item 11. Code of Ethics

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

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

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

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

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

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

## Item 12. Brokerage Practices

### Recommendation of Broker-Dealers for Client Transactions

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Heat Advisors recommends that clients utilize the custody, brokerage and clearing services of National Financial Services LLC and Fidelity Brokerage Services LLC (together with affiliates, “Fidelity”) for investment management accounts. The final decision to custody assets with Fidelity is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Heat Advisors is independently owned and operated and not affiliated with Fidelity. Fidelity provides Heat Advisors with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which Heat Advisors considers in recommending Fidelity or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Fidelity enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. Fidelity has also agreed to reimburse clients for exit fees associated with moving accounts to Fidelity. The reimbursement is only available up to a certain amount for all of the Firm’s clients over a twelve month period. Fees are reimbursed on a first-come-first-served basis so that no clients are favored. The commissions and/or transaction fees charged by Fidelity may be higher or lower than those charged by other Financial Institutions.

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

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



Heat Advisors periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

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

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Heat Advisors receives without cost from Fidelity administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow Heat Advisors to better monitor client accounts maintained at Fidelity and otherwise conduct its business. Heat Advisors receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Fidelity. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits Heat Advisors, but not its clients directly. Clients should be aware that Heat Advisors's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services. In fulfilling its duties to its clients, Heat Advisors endeavors at all times to put the interests of its clients first and has determined that the recommendation of Fidelity is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, Heat Advisors receives the following benefits from Fidelity: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

Fidelity also makes available to the Firm, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Heat Advisors (within specified parameters). These research and brokerage services are used by the Firm to manage accounts for which it has investment discretion. Without this arrangement, the Firm might be compelled to purchase the same or similar services at its own expense.

### **Brokerage for Client Referrals**

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

### **Directed Brokerage**

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The client may direct Heat Advisors in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account

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

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

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As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of PKS. These Supervised Persons are subject to FINRA Rule 3280 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless the registered representatives give prior notice of such transactions to PKS and, in most circumstances, PKS provides written consent. Therefore, clients are advised that certain Supervised Persons are restricted to conducting securities transactions through PKS if they have not secured written consent from PKS to execute securities transactions through a different broker-dealer. Absent such written consent or separation from PKS, these Supervised Persons are generally prohibited from executing securities transactions through any broker-dealer other than PKS under its internal supervisory policies. The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Trade Aggregation**

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Transactions for each client will be effected independently, unless Heat Advisors decides to purchase or sell the same securities for several clients at approximately the same time. Heat Advisors may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among Heat Advisors’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Heat Advisors’s Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Heat Advisors does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only

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

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

### **Account Reviews**

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Heat Advisors monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one or more of the Firm's Principals and/or investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Heat Advisors and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and Reports**

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

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

The Firm does not currently provide compensation to any third-party solicitors for client referrals.

**Item 15. Custody**

Heat Advisors is deemed to have custody of client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.

In addition, as discussed in Item 13, Heat Advisors will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Heat Advisors.

**Item 16. Investment Discretion**

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

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

## Item 17. Voting Client Securities

Heat Advisors accepts the authority to vote a client's securities (i.e., proxies) on their behalf. When Heat Advisors accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully-described in the Firm's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Heat Advisors's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Heat Advisors to request information about how the Firm voted proxies for that client's securities or to get a copy of Heat Advisors's Proxy Voting Policies and Procedures. A brief summary of Heat Advisors's Proxy Voting Policies and Procedures is as follows:

- Heat Advisors has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will vote proxies according to Heat Advisors's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, the Firm devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Heat Advisors's vote on a particular solicitation but can revoke the Firm's authority to vote proxies.

In situations where there is a conflict of interest in the voting of proxies due to business or personal relationships that Heat Advisors maintains with persons having an interest in the outcome of certain votes, the Firm takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict. Should the Firm decide to utilize the services of a third-party provider to vote client proxies, the Firm will ensure that the third-party has adequate proxy voting policies and procedures in place and that the voting is being done in the best interest of the Firm's clients.

**Item 18. Financial Information**

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

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