

**FORM ADV PART 2A
DISCLOSURE BROCHURE**



ALAETHES
WEALTH

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This brochure provides information about the qualifications and business practices of Alaethes Wealth, LLC. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 858-735-9685. 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 ALAETHES WEALTH, LLC (CRD
#304920) IS AVAILABLE ON THE SEC'S WEBSITE AT
WWW.ADVISERINFO.SEC.GOV**

Item 2: Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

Since the initial filing of this brochure on January 24, 2020, the following has been updated:

- Item 4 has been updated to disclose the most recent calculation for assets under management.
 - The firm changed from state registration to SEC.
-

Full Brochure Available

This Firm Brochure being delivered is the complete brochure for the Firm.

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Item 4: Advisory Business

Firm Description

Alaethes Wealth, LLC ("Alaethes") was founded in 2019. The Holmlund Family Trust is 100% owner. Candise Holmlund is the Chief Compliance Officer.

Types of Advisory Services

ASSET MANAGEMENT

Alaethes offers discretionary asset management services to advisory Clients. Alaethes will offer Clients ongoing asset management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, asset allocation, portfolio monitoring and the overall investment program will be based on the above factors. The Client will authorize Alaethes discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement.

VARIABLE ANNUITY AND LIFE MANAGEMENT

Alaethes offers discretionary direct asset management services to advisory Clients on their variable annuities and variable life products. Alaethes will work with individuals to assemble an appropriate portfolio of investment options as provided through the insurance company that services variable annuity investment. The accounts will be monitored on an annual basis.

FINANCIAL PLANNING AND CONSULTING

If financial planning services are applicable, a thorough review of all applicable topics including but not limited to:

• Retirement planning	• Investment planning
• Succession planning	• Budget planning
• Education planning	• Personal financial planning
• Legacy planning	• Tax planning
• Insurance planning	• Major purchase planning
• Divorce planning	• Business exit planning
• Debt management planning	• Cash flow analysis
• Charitable/philanthropic planning	• Concentrated/Restricted Stock planning

If a conflict of interest exists between the interests of Alaethes and the interests of the Client, the Client is under no obligation to act upon Alaethes' recommendation. If the Client elects to act on any of the recommendations, the Client is under no obligation to effect the transaction through Alaethes. Financial plans will be completed and delivered inside of thirty (30) days contingent upon timely delivery of all required documentation. No affiliated or associated person of Alaethes will receive commissions from the sale of insurance or real estate or other compensation from the sale of securities or other products or services recommend in the financial plan.

SEMINARS AND WORKSHOPS

Alaethes holds seminars and workshops to educate the public on different types of investments and the different services they offer. The seminars are educational in nature and no specific investment or tax advice is given.

ERISA PLAN SERVICES

Alaethes provides service to qualified retirement plans including 401(k) plans, 403(b) plans, pension and profit sharing plans, cash balance plans, and deferred compensation plans. Alaethes may act as both a 3(21) and 3(38) advisor:

Limited Scope ERISA 3(21) Fiduciary. Alaethes may serve as a limited scope ERISA 3(21) fiduciary that can advise, help and assist plan sponsors with their investment decisions on a non-discretionary basis. As an investment advisor Alaethes has a fiduciary duty to act in the best interest of the Client. The plan sponsor is still ultimately responsible for the decisions made in their plan, though using Alaethes can help the plan sponsor delegate liability by following a diligent process.

1. Fiduciary Services are:

- Provide non-discretionary investment advice to the Client about asset classes and investment alternatives available for the Plan in accordance with the Plan's investment policies and objectives. Client will make the final decision regarding the initial selection, retention, removal and addition of investment options. Alaethes acknowledges that it is a fiduciary as defined in ERISA section 3 (21) (A) (ii).
- Assist the Client in the development of an investment policy statement ("IPS"). The IPS establishes the investment policies and objectives for the Plan. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the IPS.
- Provide non-discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(c) (5) and 404(a)-5.
- Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain, remove or replace investment options.
- Meet with Client on a periodic basis to discuss the reports and the investment recommendations.

2. Non-fiduciary Services are:

- Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client understands Alaethes' assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, Alaethes is not providing fiduciary advice as defined by ERISA 3(21)(A)(ii) to the Plan participants. Advisor will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.

- Assist in the group enrollment meetings designed to increase retirement plan participation among the employees and investment and financial understanding by the employees.

Alaethes may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between Advisor and Client.

3. Alaethes has no responsibility to provide services related to the following types of assets ("Excluded Assets"):

- Employer securities;
- Real estate (except for real estate funds or publicly traded REITs);
- Stock brokerage accounts or mutual fund windows;
- Participant loans;
- Non-publicly traded partnership interests;
- Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
- Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in calculation of Fees paid to Alaethes on the ERISA Agreement. Specific services will be outlined in detail to each plan in the 408(b)2 disclosure.

ERISA 3(38) Investment Manager. Alaethes can also act as an ERISA 3(38) Investment Manager in which it has discretionary management and control of a given retirement plan's assets. Alaethes would then become solely responsible and liable for the selection, monitoring and replacement of the plan's investment options.

1. Fiduciary Services are:

- Alaethes has discretionary authority and will make the final decision regarding the initial selection, retention, removal and addition of investment options in accordance with the Plan's investment policies and objectives.
- Assist the Client with the selection of a broad range of investment options consistent with ERISA Section 404(c) and the regulations thereunder.
- Assist the Client in the development of an investment policy statement ("IPS"). The IPS establishes the investment policies and objectives for the Plan.
- Provide discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(c) (5).

2. Non-fiduciary Services are:

- Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client understands the Alaethes' assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, the Alaethes is not providing

fiduciary advice as defined by ERISA to the Plan participants. Alaethes will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.

- Assist in the group enrollment meetings designed to increase retirement plan participation among the employees and investment and financial understanding by the employees.

Alaethes may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between Alaethes and Client.

3. Alaethes has no responsibility to provide services related to the following types of assets ("Excluded Assets"):

- Employer securities;
- Real estate (except for real estate funds or publicly traded REITs);
- Stock brokerage accounts or mutual fund windows;
- Participant loans;
- Non-publicly traded partnership interests;
- Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
- Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in calculation of Fees paid to the Adviser on the ERISA Agreement. Specific services will be outlined in detail to each plan in the 408(b)2 disclosure.

Client Tailored Services and Client Imposed Restrictions

The goals and objectives for each Client are documented in our Client files. Investment strategies are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without written Client consent.

Wrap Fee Programs

Alaethes does not sponsor any wrap fee programs.

Client Assets under Management

As of July 28, 2019, Alaethes had approximately \$116,940,682 in client assets under management on a discretionary basis and \$1,181,850 on a non-discretionary basis.

Item 5: Fees and Compensation

Method of Compensation and Fee Schedule

ASSET MANAGEMENT

Alaethes offers discretionary direct asset management services for an annual fee of up to 0.75% to advisory clients. Total fees to client will never exceed the safe harbor threshold of 3% of assets under management per year.

The annual fee may be negotiable based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.). Fees are billed quarterly in advance based on the amount of

assets managed as of the close of business on the last business day of the previous quarter. Lower fees for comparable services may be available from other sources. Clients may terminate their account within five (5) business days of signing the Investment Advisory Agreement with no obligation and without penalty. Clients may terminate advisory services with three (3) business days written notice. For accounts opened or closed mid-billing period, fees will be prorated based on the days services are provided during the given period. All unearned fees will be refunded to the Client. Client shall be given thirty (30) days prior written notice of any increase in fees. Any increase in fees will be acknowledged in writing by both parties before any increase in said fees occurs.

VARIABLE ANNUITY AND LIFE MANAGEMENT

Advisory fees for variable annuities and variable life will be paid in the following ways:

- Deduct from a non-qualified Client's account held with Alaethes
- Direct billing to the Client payable within 10 days of invoice presentation
- Deduct from Client's account (*This option is only available for clients over 59 ½ years of age*)

If Alaethes is authorized or permitted to deduct fees directly from the account by the custodian:

- Alaethes will provide the Client with an invoice concurrent to instructing the custodian to deduct the fee stating the amount of the fee, the formula used to calculate the fee, the amount of assets under management the fee is based on and the time period covered by the fee;
- Alaethes will obtain written authorization signed by the Client allowing the fees to be deducted; and
- The Client will receive quarterly statements directly from the custodian which disclose the fees deducted.

FINANCIAL PLANNING AND CONSULTING

Alaethes charges a fixed fee of \$2,500 to \$10,000 for financial planning.

Services are completed and delivered inside of thirty (30) days contingent upon timely delivery of all required documentation.

Prior to the planning process the Client will be provided an estimated plan fee. Fees are billed 50% in advance with the balance due upon plan delivery.

Client may cancel within five (5) business days of signing Agreement with no obligation and without penalty. If the Client cancels after five (5) business days, any unearned fees will be refunded to the Client, or any unpaid earned fees will be due to Alaethes. Alaethes reserves the right to waive the fee should the Client implement the plan through Alaethes.

SEMINARS AND WORKSHOPS

Alaethes offers these seminars for a fee of \$125 for the cost of books and materials presented.

ERISA PLAN SERVICES

The annual fees are based on the market value of the Included Assets and will not exceed 0.75%. The annual fee is negotiable and may be charged as a percentage of the Included Assets. Fees may be charged quarterly or monthly in arrears or in advance based on the assets as calculated by the custodian or record keeper of the Included Assets (without adjustments for anticipated withdrawals by Plan participants or other anticipated or scheduled transfers or distribution of assets). If the services to be provided start any time other than the first day of a quarter or month, the fee will be prorated based on the number of days remaining in the quarter or month. If this Agreement is terminated prior to the end of the billing cycle, Alaethes shall be entitled to a prorated fee based on the number of days during the fee period services were provided or Client will be due a prorated refund of fees for days services were not provided in the billing cycle.

The fee schedule, which includes compensation of Alaethes for the services is described in detail in Schedule A of the ERISA Plan Agreement. The Plan is obligated to pay the fees, however the Plan Sponsor may elect to pay the fees. Client may elect to be billed directly or have fees deducted from Plan Assets. Alaethes does not reasonably expect to receive any additional compensation, directly or indirectly, for its services under this Agreement. If additional compensation is received, Alaethes will disclose this compensation, the services rendered, and the payer of compensation. Alaethes will offset the compensation against the fees agreed upon under the Agreement.

Client Payment of Fees

Investment management fees are billed quarterly in advance, meaning that we invoice you before the billing period. Fees are usually deducted from a designated Client account to facilitate billing. The Client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed 50% in advance with the balance due upon plan delivery.

Alaethes, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.).

Additional Client Fees Charged

Custodians may charge transaction fees on purchases or sales of certain mutual funds, equities, and exchange-traded funds. These charges may include mutual fund transaction fees, postage and handling and miscellaneous fees.

For more details on the brokerage practices, see Item 12 of this brochure.

Prepayment of Client Fees

Alaethes does not require any prepayment of fees of more than \$500 per Client and six months or more in advance.

Fees for financial plans are billed 50% in advance with the balance due upon plan delivery

Investment management fees are billed quarterly in advance.

Fees for ERISA 3(21) and/or 3(38) services may be billed in advance.

If the Client cancels after five (5) business days, any unearned fees will be refunded to the Client, or any unpaid earned fees will be due to Alaethes.

External Compensation for the Sale of Securities to Clients

Alaethes does not receive any external compensation for the sale of securities to Clients, nor do any of the investment advisor representatives of Alaethes.

Item 6: Performance-Based Fees and Side-by-Side Management

Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

Alaethes does not use a performance-based fee structure because of the conflict of interest. Performance based compensation may create an incentive for Alaethes to recommend an investment that may carry a higher degree of risk to the Client.

Item 7: Types of Clients

Description

Alaethes generally provides investment advice to individuals, high net worth individuals, or business entities.

Client relationships vary in scope and length of service.

Account Minimums

Alaethes requires a minimum of \$1,000,000 to open an account. In certain instances, the minimum account size may be lowered or waived.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Security analysis methods may include fundamental analysis, technical analysis, charting, cyclical analysis, and quantitative. Investing in securities involves risk of loss that Clients should be prepared to bear. Past performance is not a guarantee of future returns.

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.

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.

Charting analysis strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are twofold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

Quantitative analysis seeks to understand market behavior by using mathematical and statistical modeling, measurement, and research. The risks involved in using this method are: 1) data doesn't always tell the whole story; and 2) if too many investors begin to employ this strategy, patterns that work will become less effective.

In developing a financial plan for a Client, Alaethes' analysis may include cash flow analysis, investment planning, risk management, tax planning and estate planning. Based on the information gathered, a detailed strategy is tailored to the Client's specific situation.

The main sources of investment information include financial newspapers and magazines, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

Investment Strategy

The investment strategy for a specific Client is based upon the objectives stated by the Client during consultations. The Client may change these objectives at any time by providing written notice to Alaethes. Each Client executes a Client profile form or similar form that documents their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, trading, and option writing (including covered options, uncovered options or spreading strategies).

Security Specific Material Risks

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with Alaethes:

- *Market Risk:* The prices of securities held by mutual funds in which Clients invest may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by a fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations. Investors should have a long-term perspective and be able to tolerate potentially sharp declines in market value.
- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Inflation Risk:* When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Management Risk:* The advisor's investment approach may fail to produce the intended results. If the advisor's assumptions regarding the performance of a specific asset class or fund are not realized in the expected time frame, the overall performance of the Client's portfolio may suffer.
- *Equity Risk:* Equity securities tend to be more volatile than other investment choices. The value of an individual mutual fund or ETF can be more volatile than the market as a whole. This volatility affects the value of the Client's overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.
- *Fixed Income Risk:* The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities held by a fund is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.
- *Investment Companies Risk:* When a Client invests in open end mutual funds or ETFs, the Client indirectly bears their proportionate share of any fees and expenses payable directly by those funds. Therefore, the Client will incur higher expenses, which may be duplicative. In addition, the Client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value or (ii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. Adviser has no control over the risks taken by the underlying funds in which Client invests.
- *Foreign Securities Risk:* Funds in which Clients invest may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the

effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

- *Long-term purchases:* Long-term investments are those vehicles purchased with the intention of being held for more than one year. Typically the expectation of the investment is to increase in value so that it can eventually be sold for a profit. In addition, there may be an expectation for the investment to provide income. One of the biggest risks associated with long-term investments is volatility, the fluctuations in the financial markets that can cause investments to lose value.
- *Short-term purchases:* Short-term investments are typically held for one year or less. Generally there is not a high expectation for a return or an increase in value. Typically, short-term investments are purchased for the relatively greater degree of principal protection they are designed to provide. Short-term investment vehicles may be subject to purchasing power risk — the risk that your investment's return will not keep up with inflation.
- *Trading risk:* Investing involves risk, including possible loss of principal. There is no assurance that the investment objective of any fund or investment will be achieved.
- *Options Trading:* The risks involved with trading options are that they are very time sensitive investments. An options contract is generally a few months. The buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur in the relevant time period (i.e., before the option expires). Additionally, options are less tangible than some other investments. An option is a "book-entry" only investment without a paper certificate of ownership.
- *Leveraged Risk:* The risks involved with using leverage may include compounding of returns (this works both ways – positive and negative), possible reset periods, volatility, use of derivatives, active trading and high expenses. Alaethes does not employ leverage as part of its investment strategy. Margin is generally only utilized for client liquidity needs and preferences.
- *Structured Notes Risk:* The risks involved with using structured notes are credit risk of the issuing investment bank, illiquidity, and there is a risk to the pricing accuracy as most structured notes do not trade after issuance.

Item 9: Disciplinary Information

Criminal or Civil Actions

Alaethes and its management have not been involved in any criminal or civil action.

Administrative Enforcement Proceedings

Alaethes and its management have not been involved in administrative enforcement proceedings.

Self- Regulatory Organization Enforcement Proceedings

Alaethes and its management have not been involved in legal or disciplinary events that are material to a Client's or prospective Client's evaluation of Alaethes or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

Broker-Dealer or Representative Registration

Alaethes is not registered as a broker- dealer and no affiliated representatives of Alaethes are registered representatives of a broker-dealer.

Futures or Commodity Registration

Neither Alaethes nor its affiliated representatives are registered or have an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

Material Relationships Maintained by this Advisory Business and Conflicts of Interest

Neither Alaethes nor its affiliated representatives have any business conflicts of interest to disclose.

Recommendations or Selections of Other Investment Advisors and Conflicts of Interest

Alaethes does not select or recommend other investment advisors.

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

Code of Ethics Description

The affiliated persons (affiliated persons include employees and/or independent contractors) of Alaethes have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of Alaethes affiliated persons and addresses conflicts that may arise. The Code defines acceptable behavior for affiliated persons of Alaethes. The Code reflects Alaethes and its supervised persons' responsibility to act in the best interest of their Client.

One area which the Code addresses is when affiliated persons buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our Clients. We do not allow any affiliated persons to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our Clients.

Alaethes' policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other affiliated person, officer or director of Alaethes may recommend any transaction in a security or its derivative to advisory Clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

Alaethes' Code is based on the guiding principle that the interests of the Client are our top priority. Alaethes' officers, directors, advisors, and other affiliated persons have a fiduciary duty to our Clients and must diligently perform that duty to maintain the complete trust

and confidence of our Clients. When a conflict arises, it is our obligation to put the Client's interests over the interests of either affiliated persons or the company.

The Code applies to "access" persons. "Access" persons are affiliated persons who have access to non-public information regarding any Clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to Clients, or who have access to such recommendations that are non-public.

Alaethes will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

Investment Recommendations Involving a Material Financial Interest and Conflict of Interest

Alaethes and its affiliated persons do not recommend to Clients securities in which we have a material financial interest.

Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest

Alaethes and its affiliated persons may buy or sell securities that are also held by Clients. In order to mitigate conflicts of interest such as trading ahead of Client transactions, affiliated persons are required to disclose all reportable securities transactions as well as provide Alaethes with copies of their brokerage statements.

The Chief Compliance Officer of Alaethes is Candise Holmlund. She reviews all trades of the affiliated persons each quarter. The personal trading reviews ensure that the personal trading of affiliated persons does not affect the markets and that Clients of the firm receive preferential treatment over associated persons' transactions.

Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest

Alaethes does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist. However, affiliated persons may buy or sell securities at the same time they buy or sell securities for Clients. In order to mitigate conflicts of interest such as front running, affiliated persons are required to disclose all reportable securities transactions as well as provide Alaethes with copies of their brokerage statements.

The Chief Compliance Officer of Alaethes is Candise Holmlund. She reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of affiliated persons does not affect the markets and that Clients of the firm receive preferential treatment over associated persons' transactions.

Item 12: Brokerage Practices

Factors Used to Select Broker-Dealers for Client Transactions

Alaethes requires that Clients establish brokerage accounts with either Schwab Advisor Services division of Charles Schwab & Co., Inc.¹ ("Schwab"), a FINRA² registered broker-

¹ For information regarding Schwab, please refer to their website: <https://www.schwab.com/>.

dealer and SIPC³ member or Fidelity Brokerage Services LLC (“Fidelity”), to maintain custody of Clients’ assets and to effect trades for their accounts.

Alaethes is independently owned and operated and not affiliated with Schwab or Fidelity. Alaethes has evaluated Schwab and Fidelity and believes that they will provide our Clients with a blend of execution services, commission costs and professionalism that will assist our firm in meeting our fiduciary obligations to Clients.

Schwab provides Alaethes with access to its institutional trading and custody services, which are typically not available to Schwab 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 Schwab. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab’s brokerage services include the execution of securities transactions, custody, research, 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 our Client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to Alaethes other products and services that benefit Alaethes but may not directly benefit our Clients’ accounts. Many of these products and services may be used to service all or some substantial number of our Client accounts, including accounts not maintained at Schwab.

Schwab’s products and services that assist Alaethes in managing and administering our Clients’ accounts include software and other technology that:

- provide access to Client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple Client accounts;
- provide research, pricing and other market data;
- facilitate payment of our fees from Clients’ accounts; and
- assist with back-office functions, recordkeeping and Client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- compliance, legal and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

² FINRA is the largest independent regulator for all securities firms doing business in the United States. For more information, please refer to FINRA’s website: <http://www.finra.org/>.

³ For information regarding SIPC, please refer to their website: <http://www.sipc.org/>.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Alaethes. Schwab 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 our firm. Schwab may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that Clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Alaethes reserves the right to decline acceptance of any Client account for which the Client directs the use of a broker other than Schwab if we believe that this choice would hinder our fiduciary duty to the Client and/or our ability to service the account. In directing the use of Schwab (or any other broker), it should be understood that Alaethes will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the Client and those charged to other Clients (who may direct the use of another broker other than Schwab). Clients should note that, while Alaethes has a reasonable belief that Schwab is able to obtain best execution and competitive prices, our firm will not independently seek best execution price capability through other brokers.

Alaethes' additional broker is Fidelity Brokerage Services LLC. Fidelity is one of the brokers for Alaethes accounts, a portion of the brokerage services for these accounts is performed by Fidelity. Fidelity is only used for brokerage services when Alaethes believes that the use of Fidelity meets the best execution standard. Alaethes regularly reviews the primary broker's commissions to assure they are competitive and meet the best execution standards.

- *Directed Brokerage*
Alaethes does not allow directed brokerage accounts.
- *Best Execution*
Investment advisors who manage or supervise Client portfolios have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to affect the transaction where a large block is involved, the operational facilities of the broker-dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.
- *Soft Dollar Arrangements*
Alaethes does not receive soft dollar benefits.
- *Brokerage for Client Referrals*
Alaethes does not receive client referrals from any custodian or third party in exchange for using that broker-dealer or third party.

Aggregating Securities Transactions for Client Accounts

Alaethes is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of Alaethes. All Clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis.

Item 13: Review of Accounts

Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

Account reviews are performed quarterly by the Chief Compliance Officer of Alaethes. Account reviews are performed more frequently when market conditions dictate. Reviews of Client accounts include, but are not limited to, a review of Client documented risk tolerance, adherence to account objectives, investment time horizon, and suitability criteria, reviewing target bands of each asset class to identify if there is an opportunity for rebalancing, and reviewing accounts for tax loss harvesting opportunities.

Financial plans generated are updated as requested by the Client and pursuant to a new or amended agreement, Alaethes suggests updating at least annually.

Review of Client Accounts on Non-Periodic Basis

Other conditions that may trigger a review of Clients' accounts are changes in the tax laws, new investment information, and changes in a Client's own situation.

Content of Client Provided Reports and Frequency

Clients receive written account statements no less than quarterly for managed accounts. Account statements are issued by Alaethes' custodian in addition to quarterly statements provided by Alaethes. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs.

Item 14: Client Referrals and Other Compensation

Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

As disclosed under Item 12 above, Alaethes receives an economic benefit from Schwab and Fidelity in the form of the support products and services it makes available to Alaethes and other independent investment advisors that have their Clients maintain accounts at Schwab or Fidelity. These products and services, how they benefit Alaethes, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to Alaethes of Schwab's products and services is not based on Alaethes giving particular investment advice, such as buying particular securities for our Clients.

Advisory Firm Payments for Client Referrals

Alaethes does not compensate for Client referrals.

Item 15: Custody

Account Statements

All assets are held at qualified custodians, which means the custodians provide account statements directly to Clients at their address of record at least quarterly. Clients are urged

to compare the account statements received directly from their custodians to any documentation or reports prepared by Alaethes.

Alaethes is deemed to have limited custody because advisory fees are directly deducted from Client's account by the custodian on behalf of Alaethes.

Alaethes is also deemed to have limited custody due to its Third-Party Standing Letters of Authorization ("SLOA").

Alaethes and its qualified custodian meet the following seven (7) conditions in order to avoid maintaining full custody and be subject to the surprise exam requirement:

1. The Client provides an instruction to the qualified custodian, in writing, that includes the Client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The Client authorizes Alaethes, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The Client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the Client's authorization and provides a transfer of funds notice to the Client promptly after each transfer.
4. The Client has the ability to terminate or change the instruction to the Client's qualified custodian.
5. Alaethes has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the Client's instruction.
6. Alaethes maintains records showing that the third party is not a related party nor located at the same address as Alaethes.
7. The Client's qualified custodian sends the Client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Item 16: Investment Discretion

Discretionary Authority for Trading

Alaethes requires discretionary authority to manage securities accounts on behalf of Clients. Alaethes has the authority to determine, without obtaining specific Client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

Alaethes allows Client's to place certain restrictions, as outlined in the Client's Investment Policy Statement or similar document. Such restrictions could include only allowing purchases of socially conscious investments. These restrictions must be provided to Alaethes in writing.

The Client approves the custodian to be used and the commission rates paid to the custodian. Alaethes does not receive any portion of the transaction fees or commissions paid by the Client to the custodian.

Item 17: Voting Client Securities

Proxy Votes

Alaethes will vote proxies on behalf of a Client if, in its investment agreement with Alaethes, the Client has delegated to Alaethes the authority to vote proxies on its behalf. Alaethes has adopted and implemented these policies and procedures ("Proxy Voting Procedures") to ensure that, where it has voting authority, proxy matters are handled in the best interest of the Clients, in accordance with Alaethes's fiduciary duties.

The following policies will apply when voting proxies on behalf of accounts for which Alaethes has voting authority.

1. *Client's Best Interest.* Alaethes' Proxy Voting Procedures are designed and implemented in a way that is reasonably expected to ensure that proxy matters are conducted in the best interest of Clients. When considering the best interest of Clients, Alaethes has determined that this means the best investment interest of its Clients as shareholders of the issuer. Alaethes has established its Procedures to assist it in making its proxy voting decisions with a view to enhancing the value of its Clients' interests in an issuer over the period during which it expects its Clients to hold their investments. Alaethes will vote against proposals that it believes could adversely impact the current or potential market value of the issuer's securities during the expected holding period.
2. *Client Proxy Voting Policies.* Rather than delegating proxy voting authority to Alaethes, a Client may (1) retain the authority to vote proxies on securities in its account, (2) delegate voting authority to another party or (3) instruct Alaethes to vote proxies according to a policy that differs from that of Alaethes. Alaethes will honor any of these instructions if the Client includes the instruction in writing in its IAA or in a written instruction from a person authorized under the IAA to give such instructions. If Alaethes incurs additional costs or expenses in following any such instruction, Alaethes may request payment of such additional costs or expenses from the Client.
3. *Stated Policies.* These policies identify issues where Alaethes will (1) generally vote in favor of a proposal – FOR; (2) generally vote against a proposal – AGAINST; (3) specifically consider its vote for or against a proposal – Case By Case (CBC). However, these policies are guidelines and each vote may be cast differently than the stated policy, taking into consideration all relevant facts and circumstances at the time of the vote.
4. *Abstain from Voting.* Our policy is to vote on issues and not to abstain from voting on issues presented unless the Client's best interest requires abstention. This may occur from time to time, for example, where the impact of the expected costs involved in voting exceeds the expected benefits of the vote such as where foreign corporations follow share-blocking practices or where proxy material is not available in English.
5. *Oversight.* All issues presented for shareholder vote will be considered under the oversight of Alaethes' Proxy Voting Designee. All non-routine issues will be directly considered by the Proxy Voting Designee and, when necessary, the equity analyst following the company and/or the portfolio manager of an account holding the security, and will be voted in the best investment interests of the Client. All routine

for and against issues will be voted according to Alaethes' policy approved by Alaethes' Proxy Voting Designee unless special factors require that they be considered by Alaethes' President and, when necessary, the equity analyst following the company and/or the portfolio manager of an account holding the security. Alaethes' Proxy Voting Designee has established these routine policies in what it believes are the Client's best interests.

6. *Availability of Procedures.* Upon request, Alaethes provides Clients with a copy of its Proxy Voting Guidelines, as updated from time to time.
7. *Disclosure of Vote.* Upon request, a Client can obtain information from Alaethes on how its proxies were voted. Any Client interested in obtaining this information can request a copy from their Alaethes representative or contact Alaethes' Proxy Voting Designee:

Mailing address: P.O. Box 10, Glenbrook, NV 89413

Email: Candise@alaethes.com

Phone: 858-735-9685

Alaethes has established several policies to ensure that proxy votes are voted in its Clients' best interest and are not affected by any conflicts of interest. All conflicts are mitigated by the fact that Alaethes has a fiduciary responsibility to act in the best interest of its Clients. Clients are not required to authorize Alaethes to vote proxies on their behalf.

Item 18: Financial Information

Balance Sheet

A balance sheet is not required to be provided because Alaethes does not serve as a custodian for Client funds or securities and Alaethes does not require prepayment of fees of more than \$1,200 per Client and six months or more in advance.

Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients

Alaethes has no condition that is reasonably likely to impair our ability to meet contractual commitments to our Clients.

Bankruptcy Petitions during the Past Ten Years

Alaethes has not had any bankruptcy petitions in the last ten years.