

## Item 1 – Cover Page

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**FamilyWealth Asset Management, LLC**  
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**1601 Elm Street, Suite 4310**  
**Dallas, TX 75201**

This **Brochure** provides information about the qualifications and business practices of FamilyWealth Asset Management, LLC ("FWAM"). If you have any questions about the contents of this Brochure, please contact us at (214) 624-1185. You may also contact the Chief Compliance Officer, Keith Kessel, at [kkessel@advisersource.com](mailto:kkessel@advisersource.com) or (720) 399-7928. 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.

FWAM is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Investment Adviser provide you with information that you may use to determine whether to hire or retain FWAM and the respective Investment Adviser Representative.

Additional information about FWAM is also available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The effective date of this Brochure is March 31, 2020.

## Item 2 - Material Changes

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Since its March 2019 filing, there have been no material changes in business, except as noted below:

In addition to the TAMP models based upon Vanguard and DFA products, FWAM provides investment allocation and management services branded as its RetireRight Strategies, which includes portfolio management according to certain strategic investment objectives, including Preservation, Conservative, Balanced and Growth.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year which is December 31st. We will provide other ongoing disclosure information about material changes as necessary. We will also provide you with a new Brochure, as necessary, based on changes or new information.

Additional information about FWAM is also available via the SEC's Website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for FWAM is 147869. The SEC's Website also provides information about any persons affiliated with FWAM who are registered, or are required to be registered, as investment adviser representatives of FWAM.

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## Item 4 - Advisory Business Introduction

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Family Wealth Asset Management, LLC (“FWAM”) is a Registered Investment Adviser (“Investment Adviser” or “Adviser”) which offers investment advice, portfolio management, securities and other financial services to clients and investment advisers. We are registered with and regulated by the United States Securities and Exchange Commission (“SEC”). Again, however, such registration does not imply any level of skill or competence, but merely reflects a clearance to conduct such investment advisory business.

FWAM was founded in 1993 with a vision to provide portfolio management services to individuals, high net worth individuals, trusts, estates, corporate pension and profit-sharing plans, charitable organizations, foundations, endowments, corporations and small businesses through investment advisers associated with our firm. We also developed and offer access to a Turnkey Asset Management Program (“TAMP”) to independent investment advisers (“Advisors” or “IARs”) for use with their clients.

We offer portfolios models that are structured so that a lack of performance in one asset class is offset by over performance in another asset class. We have the ability to invest in a broad cross section of markets to help us achieve global diversification with the objective that no one market or asset has too large an impact. We endeavor to be invested in most asset classes while varying the allocation to those we feel will perform best. We can also select portfolios that work to manage the risk and volatility of the portfolio. We do not focus on just achieving a certain return for any client.

As of 12/31/2019, we provided asset management services for accounts, managing total assets \$110,761,279 (502 accounts), consisting of \$95,772,138 in discretionary assets (433 accounts) and \$14,989, 141 in non-discretionary assets (69 accounts).

This amount is managed on a discretionary basis which means, you have given us the authority to determine the following without your consent:

- Securities to be bought or sold for the account and
- Amount of securities to be bought or sold for the account.

The focus on FWAM is to provide portfolio modeling via its TAMP. FWAM seeks that any clients of FWAM are clients first of another Registered Investment Adviser, and that Investment Adviser has concluded that working with FWAM’s TAMP is in the best interest of their clients.

We obtain information from a wide variety of publicly available sources. We do not have any inside, non-public information about any investments that are recommended. All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations. If your account is management on a “non-discretionary” basis, choosing which advice to follow is your decision. Also, for discretionary management accounts, you can choose which discretion, and how much discretion to provide to your IAR, and can revoke such decisions at any time by written notification.

### 1. Turnkey Asset Management Program

We offer a TAMP using the Family Wealth™ platform (“Platform”). A TAMP helps Advisers and their Investment Adviser Representatives (“IARs”) deliver customized solutions, whether they are adviser-managed or third-party managed, including strategists and separate account managers. A one-stop Platform makes it easy to execute, manage and track client portfolios with:

- Professional, private-labeled Website plus proposals and quarterly performance reports branded with your firm and personalized for your clients;
- Private-labeled proposal generator;
- IAR/Advisor as manager, including model level management;
- Innovative time-savers, including an online proposal generator and pre-populated paperwork; and
- Dynamic, private-labeled performance reporting.

Through this TAMP, we provide the following areas of expertise and the ability for Investment Advisers/IARs to use in delivering high quality services to their clients:

- Client management: CRM technologies, client profiling and asset allocation review;
- Investment management: Research, rebalancing, trade order and portfolio management;
- Performance monitoring: Data aggregation, reconciliation, performance reporting; and
- Operational support: Back-office support, billing, compliance tools, websites and leads to consultants for additional support.

The Platform generally includes:

- Access to multiple institutional assets allocation strategists (“Institutional Strategists”);
- Model portfolios designed to cover a number of standard risk/return assumptions;
- Access to software including tools for onboarding client accounts, client proposals, investment policy statements, client agreements and the ability to view and manage client data;
- Research, timely information and recommendations regarding the qualifications, investment philosophies, policies and performance;
- Preparation of periodic performance measurement reporting regarding IARs’/Investment Advisers’ client assets invested through the TAMP.

FWAM provides certain services to the client accounts that are opened through the TAMP. These services generally include:

- Exercising discretion on whether, how and when to implement transactions in a client’s account based on the model(s) selected by IAR/Investment Adviser and client; and
- Arranging for the execution of trades in clients’ accounts (with the exception of accounts invested in Separately Managed Account Portfolios (SMA’s)).

The Client’s IARs are generally responsible for:

- Ensuring client suitability, best interest determinations and determining client investment objectives and goals, both initially and on an ongoing basis; and

- Selecting and changing the individual securities or model portfolio(s) in clients' account that we make available through the TAMP in accordance with such objectives and goals.

Clients should carefully review the executed investment management agreement with their IAR, as well as the Investment Adviser's own Form ADV Brochure, if applicable. The IAR is responsible for delivering these items to each client.

### **Platform Models**

The TAMP provides access to portfolio management services using the model asset allocations. FWAM manages the models. FWAM evaluates and selects the investments to be used by the models, including target allocation and cash levels as determined by the portfolio's investment guidelines.

These models offer investment opportunities for particular asset allocation strategies. Assets may be invested in a range of market sectors and/or asset classes (e.g., large cap, small/medium cap, international or high yield income) represented by any number of underlying funds (typically at least five at any given time).

It is anticipated that any given time, the underlying funds in which the model invests may fall anywhere on the entire spectrum of asset classes and sectors currently available. At any given time, an underlying equity fund in which the models invest may buy "growth" or "value" stocks, or some combination of both. FWAM reviews and re-balances the underlying funds in which the model invests, as may be necessary, to reflect its current analysis of the approximate mix of assets among and within asset classes and sectors.

FWAM monitors the investment objectives at the model level, and assesses model effectiveness and predictable and reliable investment results. As a means to pursue its investment objective, the models themselves are intended to be used so that invested assets remain fully invested in shares of underlying investment companies at all times, unless or until, of course, they are no longer suitable for the underlying investor. The models may, however, pursue an investment strategy of investing its assets directly in securities in lieu of indirect investment through other investment companies. The model's direct investment will remain consistent with its asset allocation strategy and, in the case of collectively management investments such as mutual funds, will typically be close or identical to those securities held by one or more of the underlying funds in which the models currently invest. In addition, under adverse market or other conditions, the models may adopt a temporary defensive position and invest a portion of its assets in cash or similar investments.

These models may be appropriate for Investment Advisers and clients that do not have the time or the experience to choose from a list of mutual funds and create their own portfolios that offers a single investment option blended with stocks, bonds, and short-term investments. Choosing a managed portfolio can provide an easy solution to clients who want the convenience of professional management, including asset rebalancing and professional oversight.

We may continue to otherwise have trading discretion on your account (e.g., placing trades in your account without your prior approval) if you are invested in our TAMP; we are not authorized to withdraw any money, securities or other property from your account. We may have to trade in your account to meet initial allocation targets, after substantial cash deposits that require investment allocation, and/or after a request for a withdrawal that requires liquidation of a position. Additionally, your account may be rebalanced or reallocated periodically in order to reestablish the targeted percentages of your investment program allocation. You will be responsible for any and all tax consequences resulting from any rebalancing or reallocation of the account. We are not tax professionals and do not give tax advice;

however, we will work with your tax professionals to assist you with tax planning. You will have the opportunity to meet with us periodically to review the assets in your account.

We are committed to the principle of placing the clients' interests first and adding value to the asset management process and earning the client's trust and respect. We value long-term relationships with our clients whom we regard as strategic partners in our business.

## **2. Asset Management Services**

Asset management is the professional management of securities (stocks, bonds and other securities) and assets (e.g., real estate) in order to meet your specified investment goals. With an FWAM account, you engage us to assist you in developing a personalized asset allocation program and custom-tailored portfolio designed to meet your unique investment objectives. The investments in the portfolio account may include, but not limited to, mutual funds, stocks, bonds, equity options, futures, and Exchange-Traded Funds ("ETF"). In doing so, we will use our Platform, Risk Tolerance Questionnaire, Investor Policy Statement and other processes and tools to assess your objectives, needs, risk tolerance, etc. in order to tailor a complementary portfolio.

## **Item 5 - Fees and Compensation**

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We provide our services for a fee. Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses. You may incur certain charges imposed by custodians, third-party investment companies and other third-parties. These include fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, money market funds and exchange traded funds also charge internal management fees, which are disclosed in the fund's prospectus. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. We do not receive any compensation from these fees. All of these fees are in addition to the management fee you pay us. You should review all fees charged to fully understand the total amount of fees you will pay. Services similar to those offered by us may be available elsewhere for more or less than the amounts we charge.

You could invest in a mutual fund directly, without our services. In that case, you would not receive the services provided by us which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate to your financial condition and objectives.

Our Client Service Agreement ("Agreement") defines what fees are charged and their frequency. We usually bill fees in arrears on a quarterly basis. When the account is opened, the management fee is billed for the remainder of the current billing period and is based upon your initial investment.<sup>1</sup> Thereafter, quarterly fees are based upon the account asset value on the last business day of the previous calendar quarter and are due the following business day. You may authorize the custodian to directly debit fees from your account held at the custodian and to pay us. Management fees are prorated for each contribution and withdrawal made during the applicable calendar quarter (with the exception of small, inconsequential contributions and withdrawals). You will be provided with a quarterly statement reflecting deduction of the advisory fees.

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<sup>1</sup> If you terminate our relationship prior to the end of the initial, partial quarter, contact your IAR to ensure that your fees not yet earned will be returned to you on a pro-rated basis. Nevertheless, at a firm-level, we will take steps to refund such amounts, regardless of whether you initiate such communication with your IAR or us.



Your Agreement with us may be terminated by either party at any time upon written notice pursuant to the provisions of your Agreement. There is no penalty for terminating your account and Agreement.

Upon termination, you will receive a refund for the portion of the prepaid management fee that are not earned. Any fees that are due, but have not been paid, will be billed to you and are due immediately.

### *Turnkey Asset Management Program*

## **1. TAMP Fee**

Ultimately, there are two sets of fees paid as part of our TAMP program: fees specific to the Investment Adviser firms and fees specific to the TAMP IAR's end-client. FWAM is paid a portion of the TAMP Investment Advisers' fees charged to the end-client at a rate of 0.30% annually, which is scaled down based on the value of the assets contained in the account, along with \$100 annually for each client account maintained. There is a \$1,000, per user, software and maintenance fee for each employee if a TAMP Investment Adviser uses our services. For purposes of determining value, securities and other instruments traded on a market for which actual transaction prices are publicly reported are valued at the last reported sale price on the principal market in which they are traded. These fees may be negotiable and are set forth in an agreement between FWAM and the TAMP Investment Adviser. In total, the fee charged to our TAMP end-client does not exceed the fee a client would pay if it worked directly with FWAM. This fee is paid quarterly, in arrears or as designated in the Agreement.

FWAM receives permission in writing from every end-client to deduct our fees directly from the respective Client's account at the respective custodian. Advisory fees will be detailed on the custodian's statement that is sent to the Client. The fee shown to the Client is the total fee charged for all advisory services provided, including for FWAM and the TAMP Investment Adviser.

## **2. Platform Services**

FWAM charges an annual Platform fee for the services provided, which includes a technology charge. These charges are passed on to the end-client. This Platform fee is based on a percentage of the market value of the portfolio. The maximum annual base platform fee is 0.45%, which is scaled down based upon the value of the assets contained in the account. Some Clients may be paying a lower Platform fee depending on certain factors, including what the Platform fee was when their account was opened or when their Investment Adviser began doing business with FWAM. In addition, FWAM will charge an annual Separate Account Manager fee to cover the cost of the services provided by certain Strategists and Separate Account Managers ("SMAs"), if any. Such fees will range from 0.10% to 0.65%, depending upon the Strategist and/or SMA selected. This fee may be negotiable for family relationships with accounts in excess of \$5 million.

FWAM's Platform fees are payable quarterly, in arrears, at the beginning of each calendar quarter. We generally charge the fee based on the market value of the Client's portfolio as of the last day of the prior calendar quarter. The formula used for the Platform and Investment Adviser fee calculation generally is as follows:  $(\text{Annual Rate}) \times (\text{Total Assets Under Management at Quarter-End}) / 365$  (X the number of days in the subsequent quarter). FWAM may aggregate client account balances that have family relationships with each other for purposes of calculating the Platform and Investment Advisor fees applicable to each client.

At the time in which a Client account is first opened and funded, and any time an additional deposit of \$10,000 or more is received, the initial Platform fees shall be calculated based on the value of the deposit, prorated for the number of days remaining in the quarter. This initial fee will be charged at the end of each month.

In the event that a Client account is terminated during a calendar quarter or any time a withdrawal of \$10,000 or more is taken from an account, FWAM will compute the unearned platform fees, prorated for the number of days remaining in the quarter.

Each calendar quarter, and each calendar month for new Client accounts and accounts with deposits of \$10,000 or more, FWAM instructs the custodian to automatically withdraw the platform fee from the Client's account held by the custodian. Typically, the custodian withdraws advisory fees from the Client's account during the first several weeks after the quarterly or monthly billing period based on FWAM's instruction in accordance with the Client's standing instruction. All Clients will receive statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee. It is the Client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated; the custodian accept fee information from FWAM and/or directly from the Client and any deduction is made in accordance with the Client's executed agreement with the respective custodian.

FWAM reserves the right to change its Platform fees at any time. FWAM may negotiate with any Investment Adviser different Platform fees and different fee terms than those described above. For example, FWAM may negotiate lower Platform fees based on the total amount of assets placed under management by the Investment Adviser.

### **Asset Management Fee Schedule**

We generally impose a minimum dollar amount of \$500,000 of assets for institutional accounts, although smaller accounts may be accepted. The fee charged is based upon the amount of money you invest. No increase in the annual fee shall be effective without prior written notification to you. We believe our Investment Advisory fee is reasonable considering the fees charged by other Investment Advisers offering similar services/programs.

Payments are due and will be assessed on the last day of each quarter, based on the ending balance of the account under management for the preceding quarter and are calculated according to the following retail and institutional schedules.

## **3. Retail Schedule**

Fees for Retail client accounts (e.g., if introduced by a Solicitor) are as follows for each Investment Program:

### **Growth Fee Schedule**

| Percentage | Portfolio Size (AUM)       |
|------------|----------------------------|
| 1.50%      | Under \$100,000            |
| 1.00%      | \$100,000 - \$500,000      |
| 0.80%      | \$500,000 - \$1,000,000    |
| 0.70%      | \$1,000,000 - \$5,000,000  |
| 0.60%      | \$5,000,000 - \$10,000,000 |
| 0.50%      | Over \$10,000,000          |

### **Balanced Fee Schedule**

| Percentage | Portfolio Size (AUM)        |
|------------|-----------------------------|
| 1.00%      | Under \$500,000             |
| 0.85%      | \$500,000 - \$1,000,000     |
| 0.70%      | \$1,000,000 - \$2,000,000   |
| 0.60%      | \$2,000,000 - \$5,000,000   |
| 0.55%      | \$5,000,000 - \$10,000,000  |
| 0.45%      | \$10,000,000 - \$50,000,000 |
| 0.35%      | Over \$50,000,000           |

#### Conservative Fee Schedule

| Percentage | Portfolio Size (AUM)       |
|------------|----------------------------|
| 0.50%      | under \$1,000,000          |
| 0.40%      | \$1,000,000 - \$2,000,000  |
| 0.30%      | \$2,000,000 - \$10,000,000 |
| 0.25%      | Over \$10,000,000          |

In certain circumstances, advisory fees and account minimums may be negotiable based upon prior relationships as well as related account holdings. In no event shall we charge advisory fees that are both in excess of six hundred dollars and more than six months in advance of advisory services rendered.

Certain strategies offered by us involve investment in mutual funds. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as “12(b) (1) fees”. These 12b-1 fees come from fund assets, and thus indirectly clients’ assets. We do not receive any compensation from these fees. The 12b-1 fee, deferred sales charges and other fee arrangements will be disclosed and are typically described in the applicable fund’s prospectus. Notwithstanding the foregoing, the preferred mutual fund investment share classes on an investment adviser’s platform are Adviser-class shares (in other words, “no loads”). We are encouraged to discuss which share class you are invested in, or that the TAMP would recommend for you, and if the recommendation is not an Adviser-class share, you should ask your IAR to justify/verify that your investment into loaded mutual funds or other collectively managed vehicles (e.g., variable annuities) is in your best interest. In some cases, shares that are structurally considered loaded shares (e.g., “A shares”) may be cheaper than Adviser-class shares for large investments (e.g., mutual fund investments of \$1 million or more), but in those cases, a comparative fee analysis should be conducted prior to the sale/allocation on non-Adviser-class shares.

Your account at the custodian may also be charged for certain additional assets managed for you by us, but not held by the custodian (e.g., variable annuities, mutual funds & 401ks).

The fees we charge can be deducted directly from your account at the custodian. We will instruct the custodian to deduct the fees from your account at the end of the calendar quarter.

If you do not want us to charge your account for the quarterly fee, you may pay the quarterly fee directly to us. We will send you an invoice detailing the fee calculation. Fees are due in full upon receipt of the invoice.

Either party may terminate the Agreement at any time by providing written notice to the other party. There is no penalty for terminating your Agreement and account. Upon termination, you will receive a refund for the portion of the prepaid management fee which is not earned.

#### **4. Institutional Schedule**

Fees for Institutional client accounts are as follows for each Investment Program:

##### **Equity Fee Schedule**

| Percentage | Portfolio Size (AUM)        |
|------------|-----------------------------|
| 0.80%      | \$500,000 - \$1,000,000     |
| 0.70%      | \$1,000,000 - \$2,000,000   |
| 0.65%      | \$2,000,000 - \$5,000,000   |
| 0.60%      | \$5,000,000 - \$10,000,000  |
| 0.50%      | \$10,000,000 - \$50,000,000 |
| 0.40%      | Over \$50,000,000           |

##### **Balanced Fee Schedule**

| Percentage | Portfolio Size (AUM)        |
|------------|-----------------------------|
| 0.85%      | \$500,000 - \$1,000,000     |
| 0.70%      | \$1,000,000 - \$2,000,000   |
| 0.60%      | \$2,000,000 - \$5,000,000   |
| 0.55%      | \$5,000,000 - \$10,000,000  |
| 0.45%      | \$10,000,000 - \$50,000,000 |
| 0.35%      | Over \$50,000,000           |

##### **Fixed Income Fee Schedule**

| Percentage | Portfolio Size (AUM)        |
|------------|-----------------------------|
| 0.50%      | \$500,000 - \$1,000,000     |
| 0.40%      | \$1,000,000 - \$2,000,000   |
| 0.30%      | \$2,000,000 - \$10,000,000  |
| 0.25%      | \$10,000,000 - \$50,000,000 |
| 0.20%      | Over \$50,000,000           |

## **5. Solicitor Fees**

If and when FWAM uses Solicitors, FWAM and the Solicitors would comply with applicable disclosure and conduct requirements of the Investment Advisers Act and, if applicable State registration requirements. If accounts are introduced by a Solicitor, the total fees are not impacted (in other words, the client would not pay more for the totality of the services).

## **Item 6 - Performance Based Fee and Side by Side Management**

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We do not charge any performance-based fees, which are fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 - Types of Client(s)**

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We provide portfolio management services to other Investment Advisers in the form of model development and a TAMP as described above. We may also retain, on a selective basis, Clients who are individuals, high net worth individuals, trusts, estates, corporate pension and profit-sharing plans, charitable organizations, foundations, endowments, corporations, small business owners and churches. The services are generally made available through FWAM for each Client's IAR/Investment Adviser and in some circumstances directly to the Client themselves. We require an initial minimum account size opening balance of \$100,000.

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

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We recognize that the outlook for fundamentals and the risk/return opportunity is always evolving, and our portfolio management options must also evolve and adjust dynamically. We believe that a flexible and opportunistic investment approach is vital for investors seeking a balanced risk and return. We believe that multi-asset investors should focus on short-term risk, and when the portfolio has any drawdown, we strive to limit the impact. The more we can make any disruptions short and shallow, the easier it is to recover financially and to help improve the growth rate over the long-term. We believe multi-asset managers need to deliver expertise and systems that can manage risk on an intraday basis, with deep, high quality research across every asset class. By taking a forward-looking view of the attractiveness of individual asset classes and balancing risks and rewards across an entire diversified portfolio, multi-asset investing complements our objective to enable innovative asset allocation strategies.

To achieve this goal, we blend passive, active, and alternative strategies. We use passive strategies in markets where there is potentially less alpha opportunity. Then we spend both "risk and fee budget" in parts of the market where there is opportunity, such as emerging markets, small cap, and alternative investments.

In order to achieve these goals, we use a mixture of multiple investment methods, including Modern Portfolio Theory, as well as fundamental, cyclical, technical and targeted analyses.

We also provide Investment Advisers with a variety of portfolio construction methods to help them create models appropriate for their Clients. In assisting the Adviser with asset allocation and portfolio construction, FWAM uses demographic and financial information provided by the Adviser and his/her Client to determine the risk profile and investment objectives. Otherwise, for SMA's, we may use a variety of analyses and strategies including Fundamental, Charting and Technical and Cyclical analyses to manage your portfolios and provide investment advice to you. We may also blend traditional and non-traditional asset classes as part of our overall risk management strategies.

## **1. Fundamental**

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of an entity/issuer as opposed to only its price movements.

Fundamental analysis serves to answer questions, such as:

- Is the company's revenue growing?
- Is it actually making a profit?
- Is it in a strong-enough position to beat out its competitors in the future?
- Is it able to repay its debts?
- Is management focused on increasing shareholder value?

One of the primary assumptions of fundamental analysis is that the price on the stock market does not fully reflect a stock's "real" value. We use a combination of qualitative and quantitative factors to try and find stocks that are undervalued. We look at both macroeconomic factors such as the overall economy, industry conditions and company-specific factors such as financial condition and management. When we are examining a stock, we might look at the stock's annual dividend payout, earnings per share ("EPS"), price-to-earnings ratio ("PE ratio") and many other quantitative factors. However, no analysis is complete without taking into account brand recognition and other qualitative factors.

The goal of performing fundamental analysis is to produce a value that we can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy; overpriced = sell or short). Once we discover undervalued funds or funds that are investing in undervalued stocks, we assess the company offering/managing these funds to determine stability and volatility of the funds.

## **2. Modern Portfolio Theory**

We may also use Modern Portfolio Theory to help select the securities in our investment programs and portfolios.

Modern Portfolio Theory tries to understand the market as a whole, rather than merely evaluating what makes each investment opportunity unique. Investments are described statistically, in terms of their expected long-term return rate and their expected short-term volatility. The volatility is one

measure of risk, measuring, e.g., how much worse than average an investment's bad years are likely to be. The goal is to identify your acceptable level of risk tolerance, and then to find a portfolio with the maximum expected return for that level of risk.

### **3. Cyclical Analysis**

While we do not attempt to time the market, we may use cyclical analysis in conjunction with other strategies to help determine if shifts are required in your investment strategies depending upon long and short-term trends in financial markets and the performance of the overall national and global economy.

### **4. Technical Analysis**

Technical analysis is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. As with all aspects of the investment industry, past performance is not a guarantee or indicator of future return.

### **5. Targeted Asset Allocation**

We combine analyses to determine asset allocation strategies in our resulting investment programs. Five targeted asset allocation model portfolios covering everything from Conservative to Aggressive Growth-oriented approaches have been compiled by us. We will advise you and you will choose which program or combination of programs most appropriately suits your goals and time horizon, while addressing the level of risk that you are comfortable assuming. The strategic model portfolio allocation in our programs remains constant; your specific portfolio model may change infrequently if your risk tolerance and goals remain the same, unless market, economic or company/issuer-specific factors warrant substituting other securities in place of the previous securities in the model portfolio. We screen and select funds and securities to be added to or removed from the model portfolio, which can be done on a regular basis. Rebalancing can occur after shifts in the market, changes in your financial circumstances, according to your specific requests and after significant deposits or withdrawals to and from your Accounts. The timing and nature of rebalancing are dictated by your specific investment objectives and financial situation in consultation with us.

In order to perform this analysis, we use many resources, such as:

- Morningstar;
- Financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.);
- Annual reports, prospectuses, and filings with the Securities and Exchange Commission;
- Research materials prepared by others;
- Company press releases;
- Corporate rating services;
- Company Websites; and
- Inspections of corporate activities.

## 6. Investment Strategies

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Long-term purchases-securities held at least a year;
- Short-term purchases - securities sold within a year; and
- Trading -securities sold within 30 days.

That being said, our focus is more on long-term strategies and positions.

## 7. Risks

We cannot guarantee our analytical methods will yield a return. In fact, a partial or complete loss of principal is always a risk. Investing in securities involves a risk of loss that you should be prepared to handle. You need to understand that investment decisions made for your account by us are subject to various market, currency, economic, political and business risks. The investment decisions we make for you will not always be profitable and we cannot guarantee any level of performance. Some additional ways of thinking about risk are contained below:

### *Market Risks*

**Market Volatility:** Future price movements are inevitable. While we seek to effectively project the long-term value of investments, we not be able to do so, and prices may change in both a material and negative way.

**Investment Activities:** The performance of any investment is subject to incorrect and unforeseen, negative changes in value. Several factors may impact value such as economic, political, competitive, technological and other conditions (including acts of terrorism and war). The impacts may be more limited to a particular investment or may have a broader impact. The securities markets may be volatile, which may adversely affect our ability to achieve positive returns.

**Accuracy of Public Information:** We conduct research and collect information from various public sources, and there is a risk that those public sources may be wrong. We cannot assess the completeness or accuracy of such information.

**Valuation of Investments:** While we endeavor to assess the proper values of investment, our assumptions and conclusions may be significantly different than the market valuation at any point in



time.

**Market or Interest Rate Risk:** The price of most fixed income securities tends to move in the opposite direction of the change in interest rates. If we sell a fixed income security before the maturity date, because of the inverse correlation between interest rates and price, an increase in interest rates would probably result in a loss of principal.

**Fixed Income Call Option Risk:** Many fixed income securities can be “called” or retired by the issuer. That creates a risk of negatively impacting the projected cash flow, reduced capital appreciation potential and reinvestment risk due to the lower interest rates then being experienced.

**Inflation Risk:** Inflation risk results from the variation in the value of cash flows from a security due to inflation, which reduces the purchasing power of the cash flow.

### *Security Specific Risks*

**Company Valuation:** Valuation may be impacted by numerous factors such as lawsuits, allegations of mismanagement, allegations of wrongdoing/corruption, etc. Such issues can have a profound, negative impact on valuation, and they are oftentimes unforeseeable.

**Liquidity:** Investments may not be able to be readily converted into cash. This risk is much more pronounced with Alternative Investment such as Privately Placed Securities.

**Private Placement Securities Risk:** Such products are generally speculative investments, which means they have a very high risk, and should therefore not be the product used by investors who have a more moderate risk tolerance in the same account. However, it is conceivable, if the customer consents and agrees with a different investment objective for certain investments than the investment objective generally agreed upon in the Investor Policy Statement, then investments that represent a very small percentage of the overall portfolio could be used in a limited fashion, provided they are only used on a non-discretionary basis, and such riskier investments are assigned to a separate account that reflects that investment objective.

Investing in alternative investments are not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices;
- Lack of liquidity in that there may be no secondary market for the securities and none is expected to develop;
- Volatility of returns;
- Restrictions on selling/transferring the securities (*no market permitted unless or until registered*);
- Absence of information regarding valuations and pricing;
- Delays in tax reporting; and
- Less regulation and higher fees than mutual funds.

## Mutual Funds Risk

Mutual funds can offer the advantages of diversification and professional management. However, as with other investment choices, investing in mutual funds involves risk and fees and taxes that will diminish a fund's returns. Mutual funds also have features that some clients might view as disadvantageous, such as:

- **Costs despite Negative Returns** — Clients must pay sales charges, annual fees, and other expenses) regardless of how the fund performs. And, depending on the timing of their investment, clients may also have to pay taxes on any capital gains distribution they receive — even if the fund proceeded to perform poorly after they bought shares. Such distribution can occur even if the distribution remains in the accounts, and is not actually physically distributed to the client.
- **Lack of Control** — Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.
- **Price Uncertainty** — with an individual stock, you can obtain real-time (or close to real-time) pricing information with relative ease by checking financial Websites or by calling your IAR. You can also monitor how a stock's price changes from hour to hour. But with a mutual fund, the price you purchase or redeem shares for will typically depend on the fund's net asset value ("NAV"), which is generally an end-of-day price, which the fund might not calculate until many hours after you've placed your order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

The following is a list of some general risks associated with investing in mutual funds:

- **Country Risk** - The possibility that political events (e.g., war, national elections, etc.), financial problems (rising inflation; government default), or natural disasters (an earthquake; a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- **Currency Risk** -The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies (also called exchange-rate risk).
- **Income Risk** - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- **Industry Risk** - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk** - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- **Manager Risk** - The possibility that an actively managed mutual fund's Investment Adviser will fail to execute the fund's investment strategy effectively, resulting in the failure of stated objectives.
- **Market Risk** - The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** - The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

## Bond Fund Risk

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields than the risks associated with bond funds. Risks include:

**Call Risk** - The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.

**Credit Risk** - The possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk, however, is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those funds that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

**Interest Rate Risk** - The risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.

**Prepayment Risk** - The chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

## Stock Fund Risk

Although a stock fund's value can rise and fall quickly over the short-term, historically stocks have performed better over the long-term than other types of investments — including corporate bonds, government bonds and treasury securities.

Overall, "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad variety of reasons, such as the overall strength of the economy or demand for particular products or services.

Not all stock funds are the same. For example:

- Growth funds focus on stocks that may not pay a regular dividend, but have the potential for large capital gains.
- Income funds invest in stocks that pay regular dividends.
- Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all — or perhaps a representative sample — of the companies included in an index.
- Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks.

## Insurance Product Risk

The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read

the prospectus. Some of the major risks include:

**Liquidity and Early Withdrawal Risk** – There may be a surrender charges for withdrawals within a specified period, which can be as long as six to eight years (and up to 15 years for Equity Indexes Annuities). Any withdrawals before a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.

**Sales and Surrender Charges** – Asset-based sales charges or surrender charges exist, but normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero. That is one reason why variable insurance products are generally not suitable for short-term time horizons.

**Fees and Expenses** – There are a variety of fees and expenses that can reach 2% and more such as:

- Mortality and expense risk charges;
- Administrative fees;
- Underlying fund expenses; and
- Charges for any special features or riders.

**Bonus Credits** – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment. Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.

**Guarantees** - Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that offers them.

**Market Risk** - The possibility exists that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.

**Principal Risk** -The possibility that an investment will go down in value, or "lose money," from the original or invested amount. This risk may entail a partial or complete loss of principal.

#### Overall Fund Risk

Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.

Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.

While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't

afford the risk of investing in a fund with a volatile history because you will not have enough time to “ride out” any declines in the stock market.

### *Analytical Technique Risks*

#### Fundamental Analysis Risk

Fundamental analysis, when used in isolation, has a number of risks:

There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.

When using this method with mutual funds, the funds are comprised of many companies and not all of them will be undervalued.

- The data used may be at least six months out of date.
- It is difficult to give appropriate weightings to the factors.
- A fundamental analyst assumes that other fundamental analysts will form the same view about the company and buy the stock, thus restoring its value and returning the trader or investor a capital gain. In practice, an undervalued company's stock price can stay at approximately the same level (or decline) for years.
- It ignores the influence of random events such as oil spills, product defects being exposed, and “Acts of God”, etc.
- It assumes that there is no monopolistic power in the market.
- Even when fundamental analysis reveals an undervalued company, or a stock with high growth prospects, it does not tell us anything about the timing of the purchase of the stock. In other words, we may have discovered a grossly undervalued stock whose price has been falling for some time, and may well continue falling.

#### Technical Analysis Risk

- Technical analysis is derived from the study of market participant behavior and its efficacy is a matter of controversy.
- Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.
- Models and rules can incur sufficiently high transaction costs.

### *Investments in Non-U.S. Investments*

From time to time, we may invest and trade a portion of its assets into non-U.S. securities and other assets, which will give rise to risks relating to political, social, legal, currency, regulatory and economic developments abroad. Different laws, regulation, and market practices may also increase the risk.

#### Risk of Default or Bankruptcy of Third Parties

We may engage in transactions with counterparties, and counterparties may default and thereby create partial (if, e.g., a deposit fund provides some coverage) or full loss of principal of the investment.

### *Market Circuit Breakers*

From time to time, the market, due to excessive volatility or otherwise, may result in the temporary closure of the securities markets. Such closure may result in significant price changes upon re-opening or make timely liquidation impossible.

### *Miscellaneous Risks*

There are too many risks to enumerate specifically. Thus, the foregoing risks do not purport to be a complete compendium of the risks of any particular investment; they are general risks that should guide your initial evaluation of any prospective investment. You are encouraged to read the prospectus and offering documents, as applicable, for any prospective and current investment, and discuss them with your IAR vis-à-vis your investment objectives, risk tolerance, liquidity needs, investment time horizon, risk/reward preferences, etc.

## **Item 9 - Disciplinary Information**

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Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information to disclose here about the firm or any of our investment advisers.

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

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### **1. Ownership**

FWAM is owned by Austin Capital Venture Fund, LLLP ("Venture Fund").

### **2. Technology Tools**

Generally

FWAM is affiliated with FinTech Automation LLC ("FTA"), which offers access to the Platform used by FWAM. This provides us with technology that helps not only with portfolio management, but with risk management as well. They partner with FWAM to help tackle challenges with innovation and flexibility.

Back-Office Services

FTA provides access to back-office services, including billing, account reconciliation and trade processing support for FWAM. By outsourcing these functions to FTA, FWAM can provide more services, more efficiently and cost-effectively to their Clients as compared with if FWAM developed such technical services by spreading those costs only across its customer-base.

### 3. Financial Industry Affiliations

*Registered Investment Adviser*

As disclosed in the ADV of FWA and FWAM, FWAM is affiliated with another Investment Adviser, FWA.

### 4. Advisor Directed UMAs

FWAM offers access to the Platform for Investment Advisers to create their own investment models for their Clients. FWAM only provides administrative services for these accounts and is not responsible for investment selections made by other Investment Advisers and their IARs.

### 5. Reporting Services

FWAM also provides reporting services to allow Investment Advisers and their IARs the ability to monitor Client accounts. Performance reporting is calculated according to industry standards, although it is important to be mindful that the official statement of your account is provided by the respective custodian(s); any such performance reports generated by us serves as a courtesy report, but not the official record of your account value.

## Item 11 - Code of Ethics

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### 1. General Information

We have adopted a Code of Ethics for all supervised persons of FWAM describing its high standards of business conduct, and fiduciary duty to you, our Client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of creating and spreading rumors, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All of our supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

We strive to adhere to regulatory guidance regarding Investment Adviser Standards of Conduct, which includes the duty of care and the duty of loyalty, which like the impartial conduct standards, requires adherence to a “best interest” standard. We strive to do what is in the best interests of all the accounts we advise. We also strive to ensure reasonable compensation and avoid providing any information that could be construed as a misrepresentation.

We may recommend securities to you that we have purchased for our own accounts. We may trade securities in our account that we have recommended to you as long as we place our orders after your orders. This policy is meant to prevent us from benefiting as a result of transactions placed on behalf of advisory accounts.

We have established the following insider trading restrictions in order to ensure our fiduciary responsibilities to you are met:

- We shall not buy or sell securities for our personal portfolio(s) where this decision is substantially derived, in whole or in part, from our role as an Investment Adviser, unless the information is also

available to the investing public on reasonable inquiry. In no case shall we put our own interests ahead of yours.

- We emphasize your unrestricted right to decline to implement any advice rendered.

Certain affiliated accounts may trade in the same securities with your accounts on an aggregated basis when consistent with our obligation of best execution. When trades are aggregated, all parties will share the costs in proportion to their investment. We will retain records of the trade order (specifying each participating account) and its allocation. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a *pro rata* basis. Any exceptions will be explained on the trade order records.

You may request a copy of the firm's Code of Ethics by contacting Keith Kessel, Chief Compliance Officer at (720) 399-7928 or email him at [kkessel@advisersource.com](mailto:kkessel@advisersource.com).

## **2. Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information in accordance with the industry's privacy legislation, including Regulation SP. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we deal with to restrict the use of your information. Our Privacy Policy is available upon request.

## **3. Prohibited Acts**

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud;
- Making any untrue statement of a material fact;
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading;
- Engaging in any fraudulent or deceitful act, practice or course of business; and
- Engaging in any manipulative practices.

## **4. Conflicts of Interest**

- a. FWAM's IARs may employ the same or different strategy for their personal investment accounts as they do for their Clients. However, IARs may not place their orders in a way to benefit from the purchase or sale of a Client security. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the Accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each Account. We strive to do what is equitable and in the best interests of all the Accounts we advise.
- b. We have a conflict of interest in the sense that our recommendation to use ACTC, which is custodian where a Control Person of FWAM has a financial interest in ACTC, but said FWAM Control Person neither makes client-specific recommendations, nor controls client accounts. These companies also share a Chief Compliance Officer. Nevertheless, FWAM is hereby informing Client that the choice to use ACTC is a conflict of interest, and we encourage you, the Client, to discuss (i) any recommendation to use ACTC and verify that such use of such custodian is competitive in terms of fees and expenses, (ii) no FWAM IARs have any ability to access, convert



or transfer customer funds, but such funds may only be sent for the benefit of the customer to the address-of-record, (iii) such custodial arrangement is otherwise in the best interest of the client and (iv) such entities are operationally independent.

## **Item 12 – Brokerage Practices**

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### **1. Trading**

We may aggregate, by custodial broker/dealer, transactions for Platform clients in the same securities for the purpose of obtaining best execution, negotiating more favorable commission rates, or allocating equitably among clients the differences in prices, commissions or other transaction costs that might not have been obtained had such orders been placed independently. When using third party managers, their trade and order handling procedures, such as order aggregation and allocation rules, may apply.

No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodial broker/dealer) for all transactions in that security on a given business day.

We do not aggregate trades of our personnel with those of client accounts unless our personnel have personal accounts that are managed by us through the Platform.

We do not trade in any retirement accounts where the Plan is the client.

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

We do not receive any compensation or incentive for referring you to certain broker-dealers for brokerage trades.

### **3. Best Execution**

We will arrange for the execution of securities brokerage transactions for your account through broker/dealers that we reasonably believe will provide “best execution.” These transactions will typically take place through one of our approved broker/dealers and custodians. In seeking best execution, the determinative factor is not the lowest possible commission cost, although that is clearly an important factor, but the holistic analysis of best execution entails evaluating whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker/dealer’s services, including the value of research provided, execution capability, commission rates and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

### **4. Directed Brokerage**

FWAM generally uses its custodians to seek execution through their broker/dealer network. The custodians that have such a platform and the route orders are Fidelity, Schwab and TD Ameritrade. If routed independently of those custodians, FWAM seeks best execution, but if the orders are “directed brokerage” orders (in other words, routed per any specific client request), then you may pay higher fees or transaction costs than those obtainable by other broker-dealers. In most cases, we believe you are paying a discounted and reasonable rate within the broker/dealer landscape used by FWAM’s custodians. Generally, we will not negotiate lower rates below the rates established by the executing broker-dealer for this type of directed brokerage account, unless we believe that such rate is unfair or unreasonable for

the size and type of transaction. We believe that these commissions are generally reasonable and customary.

Not all advisory firms require you to route your orders to a specific broker/dealer. You may direct us to execute your transactions and custody your assets at a specific firm. By directing us to a specific custodian or broker/dealer, we may not be able to obtain the most favorable costs or execution. You may pay higher fees or transaction costs. You may also lose any benefits that we have been able to obtain for our other clients such as volume discounts, order aggregation or block trades. You will have the sole responsibility for negotiating the commission rate and other transaction costs with directed broker/dealer(s) and/or custodian(s). If you direct us to use a particular broker/dealer, you agree that we will not be required to effect any transactions through that directed broker/dealer if we reasonably deem doing so would clearly result in a breach of our duties as a fiduciary. By directing brokerage, a disparity may exist between the commissions borne by your account and the commissions borne by our other clients that do not direct brokerage.

## **5. Soft Dollars**

We do not receive any soft dollars from broker/dealers, custodians or third-party money managers.

## **6. Research**

As part of our agreement with the custodians we typically use, we may receive additional research and access to systems and processes that assist us in our investment research and analysis. Such research, systems and processes are not a function of order routing decisions or commissions being paid for transactions, but are platform benefits provided by custodians to their institutional customers such as us. These benefits may not be allocated equally among all of our clients or their accounts. We may also receive services, which can include investment profiles, sales literature, advertising and other materials.

## **Item 13 - Review of Accounts**

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### **Reviews Process**

Reviews will be conducted at least annually or as agreed to by us. Reviews will be conducted at a couple different levels. First, the IARs, as the 1st Line of Defense, who are responsible for the Account, are required to regularly review the Accounts under their responsibility. Second, Branch Office Managers, when and if applicable, will conduct Account reviews on a monthly basis. Third, as the 2nd Line of Defense, the Chief Compliance Officer will conduct account reviews annually on a spot check basis. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, the triggers for our reviews include significant changes and shifts in the economy, significant changes to the management and structure of an equity or company in which client assets are invested, and significant market shifts and corrections. The timing & nature of reviews for accounts are dictated by a variety of factors, including, but are not limited to the following:

- Type of account relationship;
- Contribution of withdrawals of cash from an account;
- A determination to change the cash level of an account;
- The allocation of a block of a particular security purchasing for or sold from an account;
- A particular objective;
- Your request for tax-loss selling;

- Restrictions imposed by you to refrain from purchasing a particular security, or class of securities, for your accounts;
- Your request for information regarding the performances or structure of an account;
- The performance of an account; and
- Option maturity dates.

You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, in addition to the IAR, any personnel performing functions akin to an Investment Committee or a Branch Office Manager, if applicable, shall perform periodic reviews of the accounts. In those cases, we will monitor for changes and shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections. You should notify us promptly of any changes to your financial goals, objectives or financial situation as such changes may require us to review your portfolio and make recommendations for changes.

Advisers are required to review accounts with Clients on an annual basis.

## **Reports**

You will be provided with quarterly account statements from the respective custodian(s), which reflect the transactions occurring in your Account at least quarterly. You may also receive reports from us as a courtesy, which may provide additional information than that information provided in the official reports from the custodian(s). These statements may be written or electronic depending upon the options you chose when you opened the Account. The statements from the custodian include the following:

- A valuation report showing cash, securities owned, total data, and other data; and
- A schedule of realized gains & losses, interest & dividends, and a performance report on the status of the account.

You will be provided with confirmations for each securities transaction executed in the account. You must notify us of any discrepancies in the account or any concerns you have about the account.

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

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We do not receive any economic benefit from someone who is not a client for providing investment advice or other advisory services to our clients.

Although FWAM does not presently have any such individuals actively performing this service ("Solicitors"), we have a program under which account executives & other professionals (e.g., Certified Public Accountants ("CPAs"), attorneys, et al.) that refer clients to us are eligible to receive a percentage of the management fees earned by us for managing those qualifying accounts, provided they have a contract between us and the Solicitor that contains the terms required by the Investment Advisers Act of 1940, as amended, including the requirement for the Solicitor to disclose such matters as contemplated by the Investment Advisers Act. These Clients generally will not incur any additional charge because of these referral fees. Advisory Clients will pay the normal fees as outlined in this Brochure and the Agreement.

Despite the lack of an active business model in this respect, we, nevertheless, may pay other people compensation if they refer clients to us. Personnel providing such referrals are known as Solicitors, and while we do not actively seek Solicitors, we have a couple Solicitors (*as both IARs and an individual without that status*) that have introduced accounts to us, but are not presently seeking new accounts to be solicited. In either case, if and when we were to use Solicitor, they would be required to provide additional disclosure information regarding the nature of the investment services and the solicitation arrangement. FWAM retains the option to utilize Solicitors who are not IARs in cases when they are not required by governing State law to register as an IAR.

In any case, for a Solicitor to be eligible to receive such a referral fee, the Solicitor needs to disclose the following information in writing to the client:

- a. The name of the solicitor;
- b. The name of the registered investment adviser;
- c. The nature of the relationship, including any affiliation, between the solicitor and the investment adviser;
- d. A statement that the solicitor will be compensated for his solicitation services by the investment adviser;
- e. The terms of such compensation arrangement, including a description of the compensation paid or to be paid to the solicitor; and
- f. The amount, if any, for the cost of obtaining his account that the client will be charged in addition to the advisory fee, and the differential, if any, among clients with respect to the amount or level of advisory fees charged by the investment adviser if such differential is attributable to the existence of any arrangement pursuant to which the investment adviser has agreed to compensate the solicitor for soliciting clients for, or referring clients to, the Adviser.

The absence of the Solicitor providing the above information to the client is grounds for withholding any investment advisory fees otherwise payable to the Solicitor.

Its IAR who are not statutory employees of FWAM, and who have clients attributable to them, will be treated as Solicitors and sign a contract to that effect, incorporating into it the compliance disclosure obligations referenced above.

This Solicitor fee can be relevant in the context of if and when other Investment Advisers who use our TAMP refer clients to the TAMP. The Platform fee is split between both Investment Advisers, and may not increase the total compensation, but the IAR must ensure that appropriate disclosure are made in each particular client case. From our perspective, we are paid a portion of the total asset management fee charged to the Adviser's Clients. Such fee payments and the associated incentives that such fees pose a conflict of interest since we will receive compensation that stems from such referrals. The Investment Adviser will seek to mitigate this conflict of interest keeping in mind that fiduciary duty owed to clients, to put the client first, and doing what is in each client's best interests. FWAM will consider the associated, total fees for services, as compared with other available alternatives, in making any client recommendations or in the management of their account. Periodic account reviews will be performed as referenced in Item 13 above.

## Item 15 - Custody

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We do not have physical custody of any Accounts. However, we do have constructive custody since we have the ability to debit the Client fees directly from their advisory account, but such instructions are provided by contract between the Client and the respective custodian.

We will use one of our approved custodians for all your Accounts. You should receive quarterly statements from the custodian that holds and maintains your investment assets. A “statement” from the custodian means it is an official record of your Account, and it necessarily is provided from the custodians that retains your assets. The custodians we use are Fidelity, Schwab, TD Ameritrade and ACTC. When Investment Advisers use the term “statements” in reference to information that they provide, it is fundamentally referring to supplemental Account information, but not the official record of your Account; such records provided by Investment Advisers are typically issued to provide information that (i) is branded in the name of the Investment Adviser and (ii) may provide performance information and other information not necessarily contained on the custodian’s statements. We urge you to carefully review such statements and compare this official custodial record with the account records/performance reports that we may provide to you. Our records may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities. If you notice any discrepancies, please contact our Chief Compliance Officer.

If the Client decides to implement our recommendations, we will help the Client open a custodial account(s). The funds in client Accounts will be held at the respective custodian, not with us. Presently, as referenced above, we mainly use the following custodians: Fidelity, Schwab, TD Ameritrade and ACTC.

## Item 16 - Investment Discretion

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We usually receive discretionary authority from you at the beginning of an advisory relationship to select the identity and amount of securities to be bought or sold. That discretion may commence with (i) the initial investment choices and allocation or (ii) thereafter. We may seek your approval for your initial investment choices/allocation in your portfolio, as well as the discretion to rebalance or make future purchase or sales decisions. The nature of the discretion should be described in the investment management contract you sign with us. Investment guidelines and restrictions must be provided to us in writing.

When selecting securities, and determining amounts, we observe the investment policies, limitations and restrictions you have set. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Prior to assuming discretionary authority, Clients must execute the investment advisory/management contract. Execution of the investment advisory/management contract grants us the authority to determine, without obtaining specific Client consent, both the amount and the type of securities to be bought and sold.

## **Item 17 - Voting Client Securities**

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We shall not render any advice with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held in your advisory account. Furthermore, we shall not render any advice or take any action on behalf of you with respect to securities or any other investments held in your advisory account or the issuers of such securities or investments that become the subject of any legal proceedings, including bankruptcies or class-action suits relating to the securities held in the account. You retain the right and obligation to take any action with respect to any legal proceedings, including bankruptcies and class-action suits relating to securities held in the account.

## **Item 18 - Financial Information**

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We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment or situation that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceeding.

In no event shall we charge advisory fees that are both in excess of twelve hundred dollars and more than six months in advance of advisory services rendered.

## Glossary of Key Terms

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**Adviser** – FamilyWealth Asset Management, LLC.

**Asset Allocation** – The process of dividing investments among different kinds of assets, such as stocks, bonds, real estate and cash, to optimize the risk/reward tradeoff based on an individual's or institutions specific situation and goals. Asset allocation is a key concept in financial planning and money management.

**Asset-class investment portfolios** – An asset class is a grouping of similar investments whose prices tend to move together. Asset classes can be defined on a very general level, such as stocks or on a more specific level, such as American silver producing companies. The concept of asset classes is important because one of the goals when building an investment portfolio is to use different asset classes which are not correlated with each other.

**Diversification** – A portfolio strategy designed to reduce exposure to risk by combining a variety of investments, such as stocks, bonds, and real estate, which are unlikely to all move in the same direction. The goal of diversification is to reduce the risk in a portfolio. Volatility is limited by the fact that not all asset classes or industries or individual companies move up and down in value at the same time or at the same rate. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

**Exchange-Traded Funds** – A type of an investment company (either an open-end company or UIT) whose objective is to achieve the same return as a particular market index. ETFs differ from traditional open-end companies and UITs, because, pursuant to SEC exemptive orders, shares issued by ETFs trade on a secondary market and are only redeemable from the fund itself in very large blocks (blocks of 50,000 shares for example).

**Expense Ratio** – The fund's total annual operating expenses (*including management fees, distribution (12b-1) fees, and other expenses*) expressed as a percentage of average net assets.

**Fees** – A list of fees associated with different products we offer are listed below:

1. **12b-1 Fees** – Fees paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes to cover the costs of providing shareholder services. "Distribution fees" include fees to compensate brokers and others who sell fund shares and to pay for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. "Shareholder Service Fees" are fees paid to persons to respond to investor inquiries and provide investors with information about their investments.
2. **Account Fee** – A fee that some funds separately impose on investors for the maintenance of their accounts. For example, accounts below a specified dollar amount may have to pay an account fee.
3. **Distribution Fees** – Fees paid out of fund assets to cover expenses for marketing and selling fund shares, including advertising costs, compensation for brokers and others who sell fund shares, and payments for printing and mailing prospectuses to new investors and sales literature prospective investors. Distribution fees for mutual funds are sometimes referred to as "12b-1" fees.
4. **Investment Adviser Representatives ("IARs")** – these are the individuals associated with an Investment Adviser, and Registered Investment Advisers, who provide investment advisory

services to clients, generally are considered the relationship/account manager for the respective clients.

5. **Management Fee** — The fee paid out of fund assets to the fund's Investment Adviser or its affiliates for managing the fund's portfolio, any other management fee payable to the fund's Investment Adviser or its affiliates, and any administrative fee payable to the Investment Adviser that are not included in the "Other Expenses" category. A fund's management fee appears as a category under "Annual Fund Operating Expenses" in the Fee Table.
6. **Operating Expenses** — The costs a fund incurs in connection with running the fund, including management fees, distribution (12b-1) fees and other expenses.
7. **Purchase Fee** — A shareholder fee that some funds charge when investors purchase mutual fund shares (not the same as {and may be in addition to} a front-end load).
8. **Redemption Fee** — A shareholder fee that some funds charge when investors redeem (or sell) mutual fund shares. Redemption fees (which must be paid to the fund) are not the same as (and may be in addition to) a back-end load (which is typically paid to a broker). Redemption fees are generally 2% or less.
9. **Sales Charge (or "Load")** — The amount that investors pay when they purchase (front-end load) or redeem (back-end load) shares in a mutual fund, similar to a commission. The SEC's rules do not limit the size of sales load a fund may charge, but FINRA rules state that mutual fund sales loads cannot exceed 8.5% and must be even lower depending on other fees and charges assessed. That rule was adopted many years ago, and by current standards, such a fee would generally be considered excessive and the industry has substantially shifted away from loaded funds in cases where Adviser-class shares are available (*this depends upon all the facts and circumstances that are considered when making a "best interest" determination for each respective client*).
10. **Shareholder Service Fees** — The fees paid to persons to respond to investor inquiries and provide investors with information about their investments. *See also* "12b-1 fees."

**Index Fund** — Describes a type of mutual fund or Unit Investment Trust (UIT) whose investment objective typically is to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index or the Russell 2000 Index.

**Investment Adviser** — Generally, a person or entity who receives compensation for giving individually tailored advice to a specific person on investing in stocks, bonds, mutual funds or other securities. Some Investment Advisers also manage portfolios of securities, including mutual funds.

**Investment Company** — A company (e.g., a corporation, business trust, partnership or limited liability company) that issues securities and is primarily engaged in the business of investing in securities. The three basic types of investment companies are mutual funds, closed-end funds, and unit investment trusts.

**Investment Goals** — Objective or target, usually driven by specific future financial needs. Some common goals for an individual are saving for a comfortable retirement, saving to send children to college, managing finances to enable a home purchase, minimizing taxes, and maximizing return on investments given a certain risk tolerance, and estate or trust planning.

**Investment Objectives** — The financial goal or goals of an investor. An investor may wish to maximize current income, maximize capital gains, or set a middle course of current income with some appreciation of capital. Defining investment objectives helps to determine the investments an individual should select.



**Margin**—Borrowing money (usually using securities you already own as collateral) that is used to purchase securities.

**Mutual Fund** — The common name for an open-end investment company. Like other types of investment companies, mutual funds pool money from many investors and invest the money in stocks, bonds, short-term money-market instruments or other securities. Mutual funds issue redeemable shares that investors purchase directly from the fund (or through a broker for the fund) instead of purchasing from investors on a secondary market.

**NAV (Net Asset Value)** — The value of the fund's assets minus its liabilities. Funds must calculate the NAV at least once daily. To calculate the NAV per share, simply subtract the fund's liabilities from its assets and then divide the result by the number of shares outstanding.

**No-load Fund** — A fund that does not charge any type of sales load, but not every type of shareholder fee is a "sales load," and a no-load fund may charge fees that are not sales loads. No-load funds also charge operating expenses.

**Open-End Company** — The legal name for a mutual fund. An open-end company is a type of Investment Company.

**Option Contracts**—The right, but not the obligation, to buy (for a call option) or sell (for a put option) a specific amount of a given stock, commodity, currency, index, or debt, at a specified price (the strike price) during a specified period of time. Typically, options, especially listed options, are designed for stock/equities more than other types of underlying securities. For stock options, the amount is usually 100 shares. Each option contract has a buyer, called the holder, and a seller, known as the writer. If the option contract is exercised, the writer is responsible for fulfilling the terms of the contract by delivering the shares to the appropriate party. In the case of a security that cannot be delivered such as an index, the contract is settled in cash. For the holder, the potential loss is limited to the price paid to acquire the option. When an option is not exercised, it expires. No shares change hands and the money spent to purchase the option is lost. For the buyer, the upside is unlimited. Option contracts, like stocks, are therefore said to have an asymmetrical payoff pattern. For the writer, the potential loss is unlimited unless the contract is covered, meaning that the writer already owns the security underlying the option. Option contracts are most frequently as either leverage or protection. As leverage, options allow the holder to control equity in a limited capacity for a fraction of what the shares would cost. The difference can be invested elsewhere until the option is exercised. As protection, options can guard against price fluctuations in the near term because they provide the right to acquire the underlying stock at a fixed price for a limited time. Risk is limited to the option premium (except when writing options for a security that is not already owned). However, the costs of trading options (including both commissions and the bid/ask spread) is higher on a percentage basis than trading the underlying stock. In addition, options are very complex and require a great deal of observation and maintenance.

**Portfolio** — An individual's or entity's combined holdings of stocks, bonds, or other securities and assets.

**Profile** — Summarizes key information about a mutual fund's costs, investment objectives, risks and performance. Although every mutual fund has a prospectus, not every mutual fund has a profile.

**Prospectus** — Describes the mutual fund to prospective investors. Every mutual fund has a prospectus. The prospectus contains information about the mutual fund's costs, investment objectives, risks and performance. You can get a prospectus from the mutual fund company (through its Website or by phone or mail). Your financial professional or broker can also provide you with a copy.

**Risks** – A list of all risks associated with the strategies, products and methodology we offer are listed below.

## 1. Fundamental Analysis Risk

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.
- When using this method with mutual funds, the funds are comprised of many companies and not all of them may be undervalued.
- The data used may be at least six months out of date.
- It is difficult to give appropriate weightings to the factors.
- It assumes that the analyst is competent.
- A fundamental analyst assumes that other fundamental analysts will form the same view about the company and buy the stock, thus restoring its value and returning the trader or investor a capital gain. In practice, an undervalued company's stock price can stay at approximately the same level (or decline) for years.
- It ignores the influence of random events such as oil spills, product defects being exposed, and “Acts of God” and so on.
- It assumes that there is no monopolistic power over markets.
- Even when fundamental analysis reveals an undervalued company, or a stock with high growth prospects, it does not tell us anything about the timing of the purchase of the stock. In other words, we may have discovered a grossly undervalued stock whose price has been falling for some time, and may well continue falling.

## 2. Mutual Funds Risk

Mutual funds can offer the advantages of diversification and professional management, but, as with other investment choices, investing in mutual funds involves risk and fees and taxes will diminish a fund's returns.

Mutual funds also have features that some clients might view as disadvantages, such as:

- **Costs despite Negative Returns** — Clients must pay sales charges, annual fees and other expenses, regardless of how the fund performs, and depending on the timing of their investment, clients may also have to pay taxes on any capital gains distribution they receive — even if the fund went on to perform poorly after they bought shares. Such distributions can occur even if the distribution remains in the accounts, and is not actually physically distributed to the client.
- **Lack of Control** — Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.
- **Price Uncertainty** — With an individual stock, you can obtain real-time (or close to real-time) pricing information with relative ease by checking financial Websites or by calling your IAR. You can also monitor how a stock's price changes from hour to hour, but with a mutual fund, the price you purchase or redeem shares for will typically depend on the fund's net asset value (“NAV”), which is generally an end-of-day price, which the fund might not calculate until many hours after you've placed your order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

The following is a list of some general risks associated with investing in mutual funds.

- **Country Risk** - The possibility that political events (e.g., war, national elections, etc.), financial problems (e.g., rising inflation; government default), or natural disasters (an earthquake; a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- **Currency Risk** - The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies (also called exchange-rate risk).
- **Income Risk** - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- **Industry Risk** - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk** - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- **Manager Risk** - The possibility that an actively managed mutual fund's Investment Adviser will fail to execute the fund's investment strategy effectively, resulting in the failure to achieve the stated objectives.
- **Market Risk** - The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk** - The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### 3. Bond Fund Risk

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields of the risks associated with bond funds include:

- **Call Risk** - The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.
- **Credit Risk** - The possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk, however, is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.
- **Interest Rate Risk** - The risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- **Prepayment Risk (or Reinvestment Risk)** - The chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

#### 4. Stock Fund Risk

Although a stock fund's value can rise and fall quickly over the short-term, historically stocks have performed better over the long-term than other types of investments, including corporate bonds, government bonds and treasury securities.

Overall, "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad variety of reasons, such as the overall strength of the economy or demand for particular products or services.

Not all stock funds are the same. For example:

- Growth funds focus on stocks that may not pay a regular dividend, but have the potential for large capital gains.
- Income funds invest in stocks that pay regular dividends.
- Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all — or perhaps a representative sample — of the companies included in an index.
- Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks.

#### 5. Alternative Investment Risk

Investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices;
- Lack of liquidity in that there may be no secondary market for the fund and none expected to develop;
- Volatility of returns;
- Restrictions on transferring interests in the fund;
- Absence of information regarding valuations and pricing;
- Delays in tax reporting; and
- Less regulation and higher fees than mutual funds.

#### 6. Insurance Product Risk

The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read the prospectus. Some of the major risks include:

- Liquidity and Early Withdrawal Risk – There may be surrender charges for withdrawals within a specified period, which can be as long as six to eight years. Any withdrawals before a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.

- Sales and Surrender Charges – Asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero.
- Fees and Expenses – There are a variety of fees and expenses that can reach 2% and more such as:
  - Mortality and expense risk charges;
  - Administrative fees;
  - Underlying fund expenses; and
  - Charges for any special features or riders.
- Bonus Credits – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment. Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.
- Guarantees - Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them.
- Market Risk - The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- Principal Risk - The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

## 7. Overall Fund Risk

- Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.
- Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.
- While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to "ride out" any declines in the stock market.

## 8. Technical Analysis risk

- Technical analysis is derived from the study of market participant behavior and its efficacy is a matter of controversy.
- Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.
- Models and rules can incur sufficiently high transaction costs.

**Risk Tolerance** — The extent to which an investor is willing to accept more risk in exchange for the possibility of a higher return. An investor with a high risk tolerance is likely to invest in securities, such as stocks in startup companies, and is willing to accept the possibility that the value of his/her portfolio will decline or result even in a total loss of principal in exchange for the possibility to achieve a relatively higher return. An investor with a low risk tolerance, on the other hand, tends to invest predominantly in stable stocks and/or highly-graded bonds. One's risk tolerance is subjective and may vary according to age, needs, goals, and even personal dispositions.

**Third Party Money Manager** — The professional management of various securities (stock, bonds and other securities) and assets (e.g., real estate) to meet specified investment goals for the benefit of the investors. The managers are not the actual Investment Advisers working with the investor. Investors may be institutions (insurance companies, pension funds, corporations, individuals etc.).

**Total Annual Fund Operating Expense** — The total of a fund's annual fund operating expenses, expressed as a percentage of the fund's average net assets. You'll find the total in the fund's fee table in the prospectus.

**Unit Investment Trust (UIT)** — A type of investment company that typically makes a one-time "public offering" of only a specific, fixed number of units. A UIT will terminate and dissolve on a date established when the UIT is created (although some may terminate more than fifty years after they are created). UITs do not actively trade their investment portfolios.

**You** — the client.