



*a Registered Investment Adviser*

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

## Item 2. Material Changes

This Firm Brochure, dated March 30, 2020, provides you with a summary of Advisory Partners (or the “Firm”) advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. Advisory Partners has updated its brochure as part of the annual amendment process. The following material changes were made to this brochure since our last annual amendment on March 27, 2019:

- Item 4 to describe Advisory Partners’ use of options (covered calls and cash secured puts) in certain Client accounts, where so authorized by a Client.
- Item 8 to provide information about Advisory Partners use of an options overlay strategy (using covered calls and cash secured puts) and related risks, for certain Client accounts, where so authorized by a Client.
- Item 11 to clarify that employees may trade along side clients in blocked orders in compliance with the Firm’s compliance policies and procedures.

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## Item 4. Advisory Business

Founded in 2016 and headquartered in Chicago, Advisory Partners, LLC (“the Firm”) is a private investment office and registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Advisory Partners is organized as a Delaware limited liability company and operates as a multi-family office for high net worth families and individuals, as well as trusts, foundations, endowments, charitable organizations and other business or family-related entities, herein referred to as “Clients”. Advisory Partners is wholly owned by Joel Kendall.

Advisory Partners provides **Investment Management Services** in which it advises upon and manages broadly diversified portfolios on behalf of its Clients. Advisory Partners’ services are enhanced through its focus on customized financial and asset allocation analysis, financial planning, overall portfolio risk management and consolidated investment reporting. The Firm also coordinates **Family Office Services** that are intended to accomplish Clients’ goals with respect to estate planning, tax planning, insurance planning and other areas. In many instances, the Firm will recommend and/or collaborate with Clients’ existing advisors and professionals to develop and execute the plans and solutions that are suitable for its Clients.

At the outset of every engagement, and on an on-going basis, Advisory Partners encourages an active dialogue to gain an understanding of the Client’s investment goals, objectives, and constraints. This dialogue typically leads to a detailed study of objectives, assets, liabilities, cash flow requirements, liquidity, risk tolerance and tax-status. Advisory Partners works with the client and their advisors to develop appropriate risk and return objectives, determine an appropriate investment objective and strategic asset allocation, investment time horizon, distribution requirements, philanthropic and/or wealth transfer objectives and other factors that may impact the portfolio. Advisory Partners customizes its advisory services to the specific investment and management needs of each Client.

### Investment Management Services

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Advisory Partners typically manages Client investment portfolios on a discretionary basis. Advisory Partners primarily invests Client assets in various exchange-traded funds (“ETFs”), and individual debt and equity securities (principally amongst investment-grade debt and blue-chip stocks), in accordance with their stated investment objectives. In limited circumstances, and only with the Client’s express written consent, Advisory Partners advises Clients on investing in options as an investment strategy in Client accounts. Please see Item 8 for a description of Advisory Partners’ investment strategies and related risks. If requested, the Firm may also provide customized investment advice, including advice about any type of legacy position or other investment held in Client portfolios.

Advisory Partners generally assumes responsibility for day-to-day management of the Client’s portfolio of

investments. Clients are advised to promptly notify Advisory Partners if there are changes in their financial situation or investment objectives. Advisory Partners does not provide tax or legal advice. Clients may impose reasonable restrictions or mandates on the management of their accounts if Advisory Partners determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## Family Office Services

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Clients can engage Advisory Partners to provide Family Office Services, which may include all of the services described above, without the Investment Management Services component.

In performing Family Office Services, Advisory Partners is not required to verify any information received from the Client or from the Client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Advisory Partners at times recommends Clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Clients engage Advisory Partners or its affiliates to provide additional services for compensation.

Advisory Partners' mandates typically encompass a Client's entire investment and financial portfolio. In order to provide comprehensive analyses, the Firm's customized mandates can also include analyses of concentrated public or private business interests and analyses of actual or contingent liabilities if requested by a Client. These concentrated, illiquid assets and/or liabilities are considered in the overall investment strategy and planning.

Prior to Advisory Partners rendering any of the foregoing advisory services, Clients are required to enter into one or more written agreements with Advisory Partners setting forth the relevant terms and conditions of the advisory relationship, including the fees charged by Advisory Partners (the "Advisory Agreement").

## Use of Independent Managers

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Advisory Partners at times selects or recommends that certain clients select certain Independent Managers to actively manage a portion of its Clients' assets. This generally includes recommending fixed income managers, but may include Independent Managers in other strategies, where the Firm believes it would be more effective for the client. The specific terms and conditions under which a Client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager but may alternatively be set forth in a sub-advisory agreement between Advisory Partners and the Independent Manager provided that the Client's Investment Management Agreement with Advisory Partners permits such an appointment. In addition to this brochure, Clients will typically receive the written disclosure documents of the respective Independent Managers engaged to manage their assets from Advisory Partners but may also receive them directly from the Independent Manager.

Advisory Partners evaluates a variety of information about Independent Managers, which may include the Independent Managers' public disclosure documents and materials supplied by the Independent Managers themselves. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its Clients' individual portfolio allocations and risk exposure. Advisory Partners also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. Advisory Partners seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its Clients' investment objectives and overall best interests.

## **Use of Independent Managers – Alternative Investments**

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In addition to the use of Independent Managers described above, Advisory Partners offers financial guidance to Clients on certain alternative investments when consistent with a Client's net worth, investible assets, current portfolio composition, investment objective, liquidity needs, and risk considerations. Clients should understand that alternative investment strategies are subject to a number of risks and are not suitable for all investors. Advisory Partners offers financial guidance on alternative investments that include, but are not necessarily limited to, hedge funds, private funds investing in private equity and real estate investments. Investing in alternative investments is only intended for experienced and sophisticated investors who are willing to bear the high economic risk associated with such an investment. By themselves, alternative investments do not constitute a balanced investment program.

Advisory Partners is not affiliated with any alternative investment provider, including those that it may recommend to certain Clients.

When advising Clients on alternative investments that are not publicly traded, Advisory Partners does not exercise discretionary authority. This is different from the Firm's other Investment Management Services where Clients typically provide Advisory Partners with discretion to make decisions about securities bought and sold on their behalf. When making investments in non-public alternative products or strategies, Clients are doing so based on their own independent assessment of the investment opportunity.

Clients should carefully review and consider potential risks before investing, and should carefully review all disclosure documents, private offering memoranda, prospectuses or other offering materials provided by Advisory Partner and any Independent Manager of an alternative investment.

## **Amount of Managed Assets**

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As of February 12, 2020, Advisory Partners had \$207,958,889 of discretionary regulatory assets under

management, and \$0 managed on a non-discretionary basis.

## Item 5. Fees and Compensation

Advisory Partners offers services on a fee basis, which may include fixed fees, as well as fees based upon assets under management. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, offer insurance products under a separate commission-based arrangement.

### Investment Management Fees

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Advisory Partners offers Investment Management Services (which include consulting services, family office services, global review of financial situation, and chief investment officer service) for an annual Investment Management Fee based on the amount of assets under the Firm's management. This management fee generally varies between 20 and 100 basis points (0.20% – 1.00%), per annum, depending upon the size and composition of a Client's portfolio and the type of services rendered.

The annual Investment Management Fee is typically charged quarterly, in advance, based upon the market value of the assets being managed by Advisory Partners on the last day of the previous billing period. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the Client, as appropriate. The terms and conditions of the Investment Management Services and Fees are set forth in each Client's Advisory Agreement.

### Family Office Fees

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Advisory Partners typically charges a fixed fee for Family Office Services ("Family Office Fee"), which can be in addition to the asset-based Investment Management Fee or for services provided without Investment Management Services under a stand-alone engagement. Family Office Fees are negotiable, depending upon the scope and complexity of the services provided. The terms and conditions of the Family Office Services and Fees are set forth in the Advisory Agreement, and Advisory Partners will typically charge these fees quarterly in advance.

### Maintenance Fees

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On a limited basis and at the request of a Client, the Firm may agree to review, maintain on its systems and/or report on certain Client assets or securities on an unmanaged basis. The Firm may charge ongoing maintenance fees for such services ("Maintenance Fees") upon the mutual agreement between the Firm and

the requesting Client. Any such fees would be stated in the Client's Advisory Agreement.

## Fee Discretion

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

## Additional Fees and Expenses

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In addition to the fees paid to Advisory Partners, Clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, margin costs, embedded fees and expense ratio charges imposed directly by a mutual fund or ETF in a Client's account, as disclosed in the fund's prospectus (*e.g.*, fund management fees and other fund expenses), transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

Fees charged by Independent Managers to manage portions of Client's assets are separate from and in addition to Advisory Partners' fees described above. Independent Manager fees are set out in each Independent Manager's investment advisory agreement with each Client.

## Direct Fee Debit

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Clients generally provide Advisory Partners and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for Client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to Clients not less than quarterly detailing all account transactions, including any amounts paid to Advisory Partners. Advisory Partners encourages Clients to review these statements and contact us with any questions.

## Account Additions and Withdrawals

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Clients may make additions to and withdrawals from their account at any time, subject to Advisory Partners' right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a Client's account. Clients may withdraw account assets on notice to Advisory Partners, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term



investments and the withdrawal of assets may impair the achievement of a Client's investment objectives. Advisory Partners may consult with its Clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

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

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

## **Item 7. Types of Clients**

Advisory Partners provides its services to Clients that primarily include high net worth families and individuals, trusts, foundations, endowments, charitable organizations and other business or family-related entities.

### **Minimum Account Value**

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Advisory Partners generally offers its services to Clients with investable assets exceeding \$3 million. However, under certain circumstances, this minimum asset level may be waived or lowered. Advisory Partners may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, related accounts and pre-existing Clients.

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

### **Methods of Analysis and Investment Strategies**

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As described above, Advisory Partners offers independent, objective, and comprehensive advice to wealthy families and individuals, trusts, foundations, endowments, charitable organizations and other business or family-related entities. The Firm focuses on low cost, tax efficient, transparent and liquid investment strategies. Advisory Partners believes ongoing estate planning, tax planning and financial planning are essential for every family.

Advisory Partners' Clients are not herded into one-size-fits-all investment strategies. Every Client has different objectives, risk tolerances, balance sheets and tax situations. Advisory Partners builds customized solutions specific to each family's needs. The Firm also endeavors to provide transparency around risks,

and the rationale for its recommendations and processes. Advisory Partners strives to provide full transparency on fees and transaction costs across the portfolio.

## *Our Process*

Advisory Partners understands, organizes and strives to simplify each Client's financial life. The Firm coordinates and collaborates with Clients' existing tax planning, estate planning and insurance planning professionals and the Firm introduces new specialists where appropriate. Advisory Partners endeavors to set realistic goals and objectives. The Firm creates and implements each Client's financial plan and investment strategy.

Advisory Partners primarily invests Client assets in various exchange-traded funds ("ETFs"), and individual debt and equity securities (principally amongst investment-grade debt and blue-chip stocks), in accordance with Clients' stated investment objectives, but may also provide guidance to Clients on certain alternative investments (principally private equity and real estate investments). If requested, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios.

In limited circumstances, and only with the Client's express written consent, Advisory Partners advises Clients on investing in options as an investment strategy in Client accounts. This strategy seeks capital appreciation and current income by investing in large capitalization equities and strategically selling cash-secured puts and covered call options.

Advisory Partners helps Clients stay on track by monitoring the plan and goals. The Firm regularly measures performance, comparing results to each Client's benchmark(s).

Finally, if requested, Advisory Partners will also help clients with non-standard investment related projects including, but not limited to: philanthropic activities; evaluating client sourced investment opportunities; reducing single-security concentration; assisting with buying or selling a business; managing stock option exposure.

## **Risk of Loss**

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*Market Risks.* Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of Advisory Partners' recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that Advisory Partners will be able to predict those price movements accurately or capitalize on any such assumptions.

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

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

*Equity Securities.* The value of the equity securities held may increase or decrease due to earnings of the company, general market and economic conditions, perceptions regarding the industries in which the issuers of securities held participate or factors relating to specific companies in which Advisory Partners invests. The value of a company's share price may decline as a result of poor decisions made by management, lower demand for the company's services or products or if the company's revenues fall short of expectations.

*Large-Capitalization Company Securities.* Larger, more established companies may be unable to attain the high growth rates of successful, smaller companies during periods of economic expansion.

*Fixed Income Securities.* The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to changes in an issuer's credit rating or market perceptions about the creditworthiness of an issuer. Generally fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, and a bond with a longer maturity will entail greater interest rate risk but have a higher yield. Conversely, a bond with a shorter maturity will entail less interest rate risk but have a lower yield. A bond's value may also be affected by changes in its credit quality rating or the issuer's financial condition.

*Options.* An option is a contract which gives the buyer (the owner or holder of the option) the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price prior to or on a specified date, depending on the form of the option. The seller (the writer of the option) has the corresponding obligation to fulfill the transaction – to sell or buy – if the buyer (owner) "exercises" the option. An option that conveys to the owner the right to buy at a specific price is referred to as a call; an option that conveys the right of the owner to sell at a specific price is referred to as a put.

The following factors, among others, can affect account performance with respect to investing and trading in options: market, sector, and stock-specific volatility, length of time invested, diversification, management and other account fees and charges, taxes, liquidity in options and equity markets, inflation and deflation, and various other economic and political factors. Early assignment of option contracts can also occur, and this may detract from dividends paid by the companies whose stocks are held in the account. The more money disbursed from the account over time, the less will be available for possible reinvestment and growth, which may affect performance, especially in a declining market. Clients with secured puts written in their accounts give up upside potential of the stock above the option price for the option period and bear the risk

that the value of the stock declines below the break-even point (strike price minus the premium received), and the loss could be substantial if the decline is significant. Such clients also bear the risk of a decline in the value of the underlying cash collateral (if the cash is invested in a short-term debt instrument such as a treasury bill or note). For this assumption of risk, clients holding secured puts earn cash premiums from selling the secured put and potential interest from a treasury bill or money market fund during the option period. Because the client does not yet own the stock, he/she is not entitled to any dividends paid on the stock during the option period. There are other risks of covered calls and secured puts that are more fully explained in the OCC Risk Booklet “Characteristics and Risks of Standardized Options”, which can be obtained from any exchange on which options are traded, by calling 1-888-OPTIONS, or by contacting Advisory Partners. Such risks include, but are not limited to, tax implications of covered writing, option market liquidity, and market volatility. Clients should be sure to read and ask any questions raised after reading the OCC Risk Booklet, the Supplement and any management agreements they receive to understand the possible costs and risks as well as potential opportunities for an investment in this approach.

*Allocation Risks.* Investment performance will depend largely on the Adviser’s decisions as to strategic asset allocation and tactical adjustments made to the asset allocation. At times, the Adviser’s judgments as to the asset classes in which Clients should invest may prove to be wrong, as some asset classes may perform worse than others or the equity markets generally from time to time or for extended periods of time.

*Alternative Investments.* Alternative investments that are not publicly traded, including hedge funds, private equity funds, and real estate investments (referred to herein as “private funds”), generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in each private fund’s offering documents, which will be provided to you for review and consideration. Investing in private funds is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. You should carefully review and consider potential risks before investing in private funds.

Private fund investments: (1) involve a high degree of risk, (2) often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, (3) can be highly illiquid with extended lock up periods where assets may not be sold and investors may not be able to redeem their investment per the private fund’s offering document disclosures, (4) may lack a secondary market to purchase shares that investors care to redeem, (5) are not required to provide periodic pricing or valuation information to investors, (6) may involve complex tax structures and delays in distributing important tax information, (7) are not subject to the same regulatory requirements as publicly traded securities, (8) often charge high fees which may offset any trading profits, and (9) in many cases execute investments which are not transparent and are known only to the investment manager.

The performance of alternative investments, including hedge funds and other alternative funds, can be volatile. An investor could lose all or a substantial amount of his or her investment. Often, hedge fund or other alternative investments have total trading authority over their funds or accounts. There is often no

secondary market for an investor's interest in alternative investments and none is expected to develop. Even when there is a secondary market, it is often a small group of investors willing to purchase the investment, typically resulting in a discount on the sale of the asset, versus the actual value of the underlying assets. There may be restrictions on transferring interests in any alternative investment. Clients should understand that past performance is not indicative of future results, that income from alternative investments may fluctuate, and that the investment's price or value may rise or fall. Accordingly, clients may realize less than the amount than they invested.

You will be required to complete a subscription agreement with the private fund itself, pursuant to which you will establish that you are qualified for investment in the fund and acknowledge and accept the various risk factors that are associated with such an investment.

*Potential Risks Associated with Investing in Private Equity and Private Real Estate Funds* There are particular risks associated with investing in private equity and private real estate funds that generally do not hold publicly traded securities.

- *They are Long-term Investments* Unlike mutual funds, which generally invest in publicly traded securities that are relatively liquid, private equity funds generally invest in large amounts of illiquid securities from private companies. Depending on the strategy used, private real estate funds will have illiquid underlying investments that may not be easily sold, and investors may have to wait for improvements or development before any redemption. Given the illiquid nature of the underlying purchases made by private equity and private real estate managers, private equity and private real estate funds are considered long-term investments. Private equity funds are generally set up as 10- to 15-year investments with little or no provision for investor redemptions. Private real estate funds are generally seven- to ten-year investments and also have limited provisions for redemptions. With long-term investments, you should consider your financial ability to bear large fluctuations in value and hold these investments over a number of years.
- *They are Difficult to Value* The portfolio holdings in private equity and private real estate funds may be difficult to value, because they are not usually quoted or traded on any financial market or exchange. As such, no easily available market prices for most of a fund's holdings are available. Additionally, it may be hard to quantify the impact a manager has had on underlying investments until those investments are sold.
- *They are Illiquid Investments* Private equity and private real estate funds are not "liquid" (they cannot be sold or exchanged for cash quickly or easily), and the interests are typically nontransferable without the consent of a fund's general partner. As a result, private equity and private real estate funds are generally only suitable for sophisticated investors who have carefully considered their financial capability to hold these investments for the long term.
- *Default on Capital Calls has Consequences* Answering capital calls to provide managers with the pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a timely manner could elicit significant adverse consequences, including, without limitation, the forfeiture of the defaulting investor's interest in the fund.

- *They Often Employ Leverage* Private equity and private real estate funds may use leverage (i.e., debt) in connection with certain investments or participate in investments with highly leveraged capital structures. Although the use of leverage may enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the assets underlying such investments. Leverage can also amplify losses.

*Use of Independent Managers.* As stated above, Advisory Partners may select or recommend certain Independent Managers, primarily in fixed income and alternative strategies, to manage a portion of its clients' assets. In these situations, Advisory Partners continues to conduct ongoing due diligence of such managers, but such selections or recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Advisory Partners generally may not have the ability to supervise the Independent Managers on a day-to-day basis. As a result, there can be no assurance that every investment manager will invest on the basis expected by the Firm. Furthermore, because Advisory Partners will have no control over any investment manager's day-to-day operations, clients may experience losses due to the fraud, poor risk management, or recklessness of the investment managers.

*Real Estate Investments.* Real estate investments are subject to risks similar to those associated with the direct ownership of real estate, such as fluctuations in rental income, declines in real estate values and other risks related to local or general economic conditions, increases in operating costs and property taxes, potential environmental liabilities, changes in zoning laws, and regulatory limitations on rent. Changes in interest rates may also affect the value of real estate securities.

*Cybersecurity Risks.* Advisory Partners' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltrations by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Firm has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm may have to make a significant investment to fix or replace them. The failure of these systems and/or business continuity disaster recovery plans for any reason could cause significant interruptions in Advisory Partners' operations and result in a failure to maintain the security, confidentiality or privacy or sensitive data, including personal information relating to clients. Such a failure could harm Advisory Partners' reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of the Firm's information, technology or security systems could have an adverse impact on its ability to provide the services referred to herein.

## Item 9. Disciplinary Information

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. Advisory Partners does not have any legal, regulatory or disciplinary events to report.

## Item 10. Other Financial Industry Activities and Affiliations

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

### Licensed Insurance Agents

Neither the Firm, nor any of its Supervised Persons recommend specific insurance products to Clients for a commission. Instead, the Firm recommends an outside risk and insurance consultant that provides insurance recommendations to Clients as part of tax planning, estate planning, and risk planning services provided to the Client. If a Client purchases insurance products through the consultant, the consultant receives a commission. Certain of Firm's Supervised Persons are licensed insurance agents and the consultant may share a portion of his or her commissions with such Supervised Persons. Because of this relationship, a conflict of interest exists to the extent that the Firm or its Supervised Persons recommend the consultant to Clients. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its Clients' best interest regardless of any such affiliations.

## Item 11. Code of Ethics

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

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

When the Firm is engaging in or considering a transaction in any security on behalf of a Client, no

Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

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

Notwithstanding the above, Supervised Persons may effect transactions for themselves at the same time as clients as part of a block trade, in accordance with the Firm's compliance policies and procedures.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Personal securities transactions are reported to the Chief Compliance Officer in accordance with the reporting requirements outlined in the Code of Ethics and personal trading is periodically monitored in order to reasonably prevent conflicts of interest between Advisory Partners and its Clients. Clients and prospective clients may contact Advisory Partners at (312) 586-1400 to request a copy of its Code of Ethics.

## Item 12. Brokerage Practices

### Recommendation of Broker/Dealers for Client Transactions

Advisory Partners generally recommends that clients utilize the custody, brokerage and clearing services of Schwab Advisor Services™ ("Schwab") or TD Ameritrade ("TDA") for investment management accounts. Factors which Advisory Partners considers in recommending Schwab, TDA or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab or TDA may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab or TDA may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Advisory Partners' clients to Schwab and TDA comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Advisory Partners determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction



represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Advisory Partners seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

However, consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist Advisory Partners in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Advisory Partners does not have to produce or pay for the products or services. Advisory Partners does not presently have any third-party soft dollar arrangements.

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

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

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Charles Schwab & Co. ("Schwab"). Advisory Partners may receive without cost from Schwab computer software and related systems support, which allow Advisory Partners to better monitor client accounts maintained at Schwab. Advisory Partners may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The software and support are not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit Advisory Partners, but not its clients directly. In fulfilling its duties to its clients, Advisory Partners endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Advisory Partners' receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, Advisory Partners receives the following benefits from Schwab:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

TD Ameritrade Institutional ("TDA"). Through TDA's institutional program (the "Program"), Advisory

Partners and its Clients receive services, which include custody of securities, trade execution, clearance, and settlement of transactions. Advisory Partners also receives benefits from TDA through its participation in the Program. There is no direct link between Advisory Partners' participation in the Program and the investment advice it gives to its Clients, although Advisory Partners receives economic benefits through its participation in the Program that are typically not available to TDA retail investors. These benefits include the following products and services (provided without cost or at a discount):

- Receipt of duplicate Client statements and confirmations; research-related products and tools; consulting services;
- Access to a trading desk serving Advisory Partners and other Program participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts);
- The ability to have advisory fees deducted directly from Client accounts;
- Access to an electronic communications network for Client order entry and account information;
- Access to mutual funds with no transaction fees and to certain institutional money managers; and
- Compliance, marketing, research, technology, and practice management products or services provided to Advisory Partners by TDA and/or third-party vendors without cost or at a discount.

Some of the products and services made available by TDA through the program may benefit Advisory Partners but may not benefit its Clients accounts. These products or services may assist Advisory Partners in managing and administering Client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help Advisory Partners manage and further develop its business enterprise. The benefits received by Advisory Partners or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TDA. As part of its fiduciary duties to Clients, Advisory Partners endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by Advisory Partners or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Advisory Partners' choice of TDA for custody and brokerage services.

## Brokerage for Client Referrals

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Advisory Partners does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

## Trade Aggregation

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Transactions for each client generally will be effected independently unless Advisory Partners decides to purchase or sell the same securities for multiple Clients at approximately the same time. Advisory Partners may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Clients differences in prices and commissions

or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Clients pro rata to the purchase and sale orders placed for each Client on any given day. To the extent that the Firm determines to aggregate Client orders for the purchase or sale of securities, including securities in which Advisory Partners' Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Advisory Partners does not receive any additional compensation or remuneration as a result of the aggregation.

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

We extend our best efforts to provide aggregated execution so that our Clients receive the same price for the same security trading on the same day. However, many Client circumstances differ, and/or the trade approval and execution process may not always allow for that to occur. Under certain circumstances, you may receive different pricing for the same security on the same day compared to pricing received by another Client in order to accommodate your needs or another Client's specific needs or instructions to us. Additionally, Clients under a non-discretionary advisory agreement, could receive a different price for the same security on the same day as Clients under a discretionary agreement or that have Directed Brokerage as described below.

## **Directed Brokerage**

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Clients may direct Advisory Partners in writing to use a particular Financial Institution to execute some or all transactions for the Client. In that case, the Client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" Client transactions for execution through other Financial Institutions with orders for other accounts managed by Advisory Partners (as described above). As a result, the Client may pay higher commissions or other transaction costs, greater spreads or may receive less

favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Advisory Partners may decline a Client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

## Item 13. Review of Accounts

### Account Reviews

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

### Account Statements and Reports

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

## Item 14. Client Referrals and Other Compensation

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

## Item 15. Custody

Advisory Partners does not maintain physical possession of Client cash and/or securities. However, the Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize Advisory Partners and/or an Independent Manager to debit client accounts for payment of the Firm's fees and to directly remit those funds to the Firm and/or an Independent Manager in accordance with applicable custody rules. In such cases, Advisory Partners is deemed to have custody of these Client funds and complies with the applicable custody rules. The Financial Institutions that act as the qualified custodian for

Client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to Clients not less than quarterly detailing all account transactions, including any amounts that are paid to Advisory Partners from such Client accounts.

In addition, as discussed in Item 13, Advisory Partners may also send periodic supplemental reports to clients on request. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Advisory Partners.

Advisory Partners is also deemed to have custody of client funds because certain Clients have executed standing letters of authorization (“SLOA”) for distributions. Advisory Partners has implemented procedures to meet the specific conditions as stated in the SEC’s SLOA no action letter under which the obligation to obtain a surprise examination is waived.

## **Item 16. Investment Discretion**

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

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

On a limited basis, Advisory Partners may provide Investment Management Services on a non-discretionary basis. Such arrangements are memorialized in the Client’s Investment Management Agreement. Clients who engage Advisory Partners on a non-discretionary investment advisory basis must be willing to accept that Advisory Partners cannot effect account transactions without first obtaining verbal consent to any such transaction(s) from the Client. Thus, in the event that Advisory Partners would like to make a transaction for a Client’s account, and the Client is unavailable, Advisory Partners will be unable to effect the account transaction (as it would for its discretionary Clients) without first obtaining the Client’s verbal consent.

## Item 17. Voting Client Securities

Advisory Partners generally does not accept the authority to vote a Client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

Advisory Partners will neither advise nor act on behalf of the Client in legal proceedings involving companies whose securities are held in the Client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, Clients may direct Advisory Partners to transmit copies of class action notices to the Client or a third party. Upon such direction, the Firm will make commercially reasonable efforts to forward such notices in a timely manner.

## Item 18. Financial Information

Advisory Partners is not required to disclose any financial information due to the following:

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