

# HOHIMER

## WEALTH MANAGEMENT

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## Form ADV Part 2A, Appendix 1

### Wrap Fee Program Brochure

March 30, 2020

This Investment Management Wrap Fee Brochure provides information about the qualifications and business practices of Hohimer Wealth Management, LLC. ["HWM"]. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer at [info@hohimerwealthmanagement.com](mailto:info@hohimerwealthmanagement.com).

The information in this Brochure has not been approved or verified by the United States of America Securities and Exchange Commission ("SEC") or by any state securities authority.

HWM 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 Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about HWM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for HWM is 300140.

## **Item 2 – Material Changes**

This Item of the Wrap Brochure discusses only specific material changes that are made to the Brochure and provides clients with a summary of such changes. We have made material changes to this Brochure since the date of our last filing. Below is a summary of those changes.

### **Important Disclosures**

We added important disclosures to various sections of this Brochure:

- Services, Fees and Compensation
  - Fees for trades executed away from the custodian are not included in our wrap program fees.
  - Compensation for your participation in the wrap program
- Additional Information
  - Information related to client referrals to other service providers/professionals.
  - Information related to our brokerage practices, including the selection of broker-dealers, pricing, and products and services available to us from broker-dealers.
  - Charles Schwab & Co., Inc. and Pershing Advisor Solutions were added as approved broker-dealers/custodians for client accounts.

We encourage you to carefully review this Brochure prior to entering into an investment advisory contract with our firm. If you have any questions about the contents of this Brochure, please contact us at [info@hohimerwealthmanagement.com](mailto:info@hohimerwealthmanagement.com).

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## **Item 4 – Services, Fees and Compensation**

HWM offers investment management services through the Comprehensive Wrap Fee Program. This program entails participants receiving portfolio management, custodial, trading, reporting, and clearing services for one all-inclusive fee. When providing investment management services, the firm not only makes recommendations related to investments, but also implements these recommendations and provides ongoing monitoring and reporting. For information regarding other services provided by HWM, please see the firm's Form ADV Part 2A, which this document is an appendix to.

HWM manages investment portfolios for individuals, high net worth individuals, pensions, trusts, businesses and institutions. HWM will work with a client to determine the client's investment objectives and investor risk profile and will design a written investment policy statement.

HWM will utilize the financial information provided by the client to analyze, model and develop strategies and solutions to help the client meet its goal. HWM evaluates the client's existing investments with respect to the client's investment policy statement. HWM works with new clients to develop a plan to transition from the client's existing portfolio to the portfolio recommended by HWM. HWM will then continuously monitor the client's portfolio holdings and the overall asset allocation strategy and will review with the client periodically regarding the account as necessary.

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

HWM provides its clients with a broad range of services, as described in our Form ADV Part 2A, above and in more detail below. HWM advises our clients by delivering tailored family-centric wealth management services and solutions. These tailored services are based on a comprehensive understanding of each of our client's current situation, past experiences, and future goals. With this acquired knowledge we create, analyze, model, strategize, implement goal-oriented investment solutions. These solutions become our client's investment policy. This policy and our matched strategies are designed to be risk appropriate, cost effective and tax minimizing.

HWM's strategies are built around meeting the long-term needs of our clients, HWM is also adaptive, ready, and able to adjust when there are material changes in markets, tax laws, or whenever there are changes in the lives of our clients, their families and their businesses.

For the majority of our client's advisory accounts, HWM provides in-house discretionary portfolio management for all, or portions of their portfolio. HWM strategies are consistent with the clients desired investment strategy. HWM's investment strategies are typically categorized for growth, growth & income, income, or stable value. These strategies are also blended to match acceptable risk tolerances. Our risk models are classified as conservative, moderate, or aggressive.

HWM will continuously and regularly manage advisory accounts on a discretionary basis. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income).

HWM's investment advisory services consist primarily of:

1. assessing client needs and goals;
2. financial planning designed to meet those goals;
3. developing an appropriate portfolio asset allocation to achieve the client's objectives; and

4. implementing the asset allocation by directly managing, recommending, or otherwise assisting in the client's selection of:
  - a. particular investment strategies (i.e., active, passive, alternative strategies); and
  - b. specific investment managers or passive investment vehicles that employ those strategies.

HWM tailors its advisory services to meet the needs of its individual clients and seeks to manage client portfolios in a manner consistent with the client's investment objective and risk tolerance parameter. Depending on a particular client's needs and goals, or the nature of a particular tactical tilt, HWM may or may not recommend a particular tactical change in that client's asset allocation. To implement our recommended strategic and tactical asset allocations at the client portfolio level, HWM typically recommends particular strategies in each of the portfolio's selected asset classes.

To execute these strategies, HWM offers in house discretionary portfolio management. HWM will also from time to time recommend unaffiliated, third-party investment managers, funds, and other investments that employ that strategy. Examples of the kinds of investments HWM recommends within a given strategy include, without limitation: individual equities, bonds, mutual funds, exchange traded funds, options, limited partnerships such as hedge funds or private equity, or managed accounts.

To evaluate the securities, funds, and managers HWM recommends to our clients, HWM employs both quantitative and qualitative techniques. These tools help us to identify securities, funds, managers, and other investments that are well-suited to our client's investment and financial objectives.

To the extent an HWM client decides to invest with an outside manager or in a particular fund, those managers and funds will have their own investment practices. Those investment practices are described in each manager or fund's Form ADV, or in its offering or other disclosure documents. In addition, selected money managers or funds typically have discretion to determine the type and amount of securities to be purchased or sold for the client for that portion of the client's assets managed by the money manager or fund.

## **Fees and Compensation**

Annual wrap program fees range up to 1.5% and are negotiated based on the complexity of the engagement prior to the start of the engagement. The standard fee schedule is as follows and is based on household assets under management:

<b>Assets Under Management</b>	<b>Fee</b>
First \$2,000,000	1.50%
\$2,000,000.01-\$5,000,000	1.00%
\$5,000,000.01-\$10,000,000	0.75%
\$10,000,000.01-\$25,000,000	0.60%
\$25,000,000.01-\$50,000,000	0.50%
\$50,000,000.01-\$100,000,000	0.40%
Over \$100,000,000	0.35%

The specific manner in which fees are charged by HWM is established in a client's written agreement with HWM. HWM will generally bill its fees on a quarterly basis. Clients will be billed in advance

each calendar quarter. Clients may also elect to be billed directly for fees or to authorize HWM to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **Costs of Our Program**

Fees for our investment management services may be higher or lower than fees charged by other advisers who sponsor similar programs, or if you paid separately for investment advice and other services. HWM offers this wrap fee program based on the economic advantages it offers to clients. Fees for the wrap program include clearing and custodial costs, transaction fees and our portfolio management fee. You may be charged different fees than similarly situated clients for the same services. Your specific wrap fee is described in your investment management agreement. You should carefully review this brochure to understand the fees and other sources of compensation we receive prior to entering into an investment advisory contract with our firm.

## **Other Types of Fees You May Incur**

Wrap program fees include investment management, custodial and brokerage charges, but are separate from charges that may be imposed by third parties, such as expenses or other charges imposed directly by mutual funds or exchange traded funds, margin costs, deferred sales charges, odd-lot differentials, fees for trades executed away from the custodian, transfer taxes, wire transfer and electronic fund transfer fees, and other fees and taxes on brokerage accounts and securities transactions.

## **Our Compensation for Your Participation in the Program**

HWM acts as both the sponsor and portfolio manager of the wrap program. As a result, we receive compensation in the form of advisory fees as a result of your participation in the program. The fact that we recommend this program may be viewed as a conflict of interest as we have an incentive to recommend the program over other programs or services. Your overall fees may be higher or lower if you paid separately for investment advice, brokerage, and other services. Trade-PMR, Inc. and Charles Schwab & Co., Inc. have waived transaction costs for trade execution and clearing. This presents a conflict of interest in that HWM is incentivized to recommend these broker-dealers and custodians over other broker-dealers and custodians that may offer better execution services. HWM does not only consider the cost of trading when making our investment recommendations. It is our policy to always act in the best interests of our clients. Clients are encouraged to compare the costs they may incur in a wrap program versus an unbundled portfolio management program.

## **Item 5- Account Requirements and Types of Clients**

HWM provides portfolio management services to individuals, high net worth individuals, pension and profit-sharing plans, trusts, estates, family entities, charitable institutions, foundations, corporations, and other business entities.

HWM generally requires a minimum account of \$1,000,000 to open a portfolio. The firm, in its sole discretion, may accept client with smaller portfolios based upon each client's particular circumstances as it deems appropriate. However, HWM only accepts clients with less than the minimum portfolio size if, in the sole opinion of the Firm, the smaller portfolio size will not result in a substantial increase of investment risk beyond the client's identified risk tolerance. HWM may aggregate the portfolios of family/household members to meet the minimum portfolio size.

## **Item 6 – Portfolio Manager Selection and Evaluation**

HWM is the Wrap Program sponsor as well as the portfolio manager for the program. No outside portfolio managers are utilized.

In an effort to mitigate any potential conflicts of interest, HWM has the ability to effect unlimited trades within the wrap platform. Therefore, HWM has no incentive to make recommendations that cost us less, or to recommend fewer trades. The cost of trading is therefore not material to influence our investment recommendations. It is our policy to always act in the best interests of our clients.

### **Investing in securities involves risk of loss that clients should be prepared to bear.**

All investments present the risk of loss of principal – the risk that the value of securities (e.g., stocks, mutual funds, ETFs, bonds, etc.), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

HWM may recommend a variety of types of funds to our clients (including, but not limited to, U.S. or offshore unit investment trusts, open-end and closed-end mutual funds and hedge funds, private equity funds, venture capital funds, advisory accounts, real estate investment trusts, ETFs, or other private alternative or other investment funds) (collectively, "Other Funds and Managers"). An investment in such Other Funds and Managers may present risks peculiar to the particular investment vehicle, such as: long-term illiquidity, redemption notice periods or other restrictions on redemptions, capital calls, or periodic taxable income distribution.

Although all investments involve risk, HWM's investment advice seeks to limit risk through broad diversification among asset classes and, as appropriate for particular clients, the investment directly in fixed income securities to represent the fixed income class. HWM's investment philosophy is designed for investors who desire a buy and hold strategy.

Depending upon the client's financial needs, strategies implemented might include long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions, option writing, including covered options, uncovered options or spreading strategies, structured products, and other securities or derivatives transactions.

Certain mutual funds utilized by HWM may contain international securities. Investing outside the United States of America involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

**Equity Securities Risk:** Equity securities (common, convertible preferred stocks and other securities whose values are tied to the price of stocks, such as rights, warrants and convertible debt securities)

could decline in value if the issuer's financial condition declines or in response to overall market and economic conditions. A fund's principal market segment(s), such as large cap, mid cap or small cap stocks, or growth or value stocks, may underperform other market segments or the equity markets as a whole. Investments in smaller companies and mid-size companies may involve greater risk and price volatility than investments in larger, more mature companies.

***Fixed-Income Securities Risk:*** Fixed-income securities are subject to interest rate risk and credit quality risk. The market value of fixed-income securities generally declines when interest rates rise, and an issuer of fixed-income securities could default on its payment obligations.

***Foreign Securities Risk:*** The risks of foreign securities include loss of value as a result of: political or economic instability; nationalization, expropriation or confiscatory taxation; changes in foreign exchange rates and foreign exchange restrictions; settlement delays; and limited government regulation (including less stringent reporting, accounting, and disclosure standards than are required of U.S. companies). Certain of these risks are greater for investments in emerging markets.

## **Item 7 – Client Information Provided to Portfolio Managers**

As the Wrap Program's sole portfolio manager, HWM does not communicate client information to outside portfolio managers.

## **Item 8 – Client Contact with Portfolio Managers**

HWM does not use outside portfolio managers within the Wrap program, and consequently has no restrictions related to client contact with outside managers.

## **Item 9 – Additional information**

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the firm or the integrity of its management. HWM is currently not subject to, nor has ever been subject to, any legal or disciplinary events of a material nature.

### **Client Referrals and Other Compensation**

There are no other financial industry activities or affiliations to disclose. However, as a courtesy to clients, HWM may introduce clients to other investment and non-investment related service providers/professionals, such as accountants, attorneys, insurance providers, other luxury service providers, etc. HWM does not receive any financial or economic benefit in exchange for these referrals, however these professional service providers may recommend HWM to their clients. The client is under no obligation to engage the services of any such introduced professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any introduction or recommendation from HWM. Although HWM may have experience with these



service providers, HWM has not performed due diligence on these service providers and is not responsible for the services provided by these services providers and/or professionals. HWM is not responsible for any losses caused by the actions of any third party recommended by HWM, including, without limitation, any accounting or legal professional services.

### **Code of Ethics, Participation in Client Transactions and Personal Trading**

As a fiduciary, HWM must always place the interests of clients first – before that of the Firm or employees. HWM strives to identify, eliminate and/or mitigate conflicts and potential conflicts of interest and has adopted policies, procedures and oversight mechanisms to address such conflicts and potential conflicts of interest. HWM has specifically adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940. The Code of Ethics emphasizes HWM's fiduciary obligation to put client interests first and is designed to ensure personal securities transactions, activities, and interests of employees will not interfere with the responsibilities to make decisions in the best interest of clients.

HWM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at HWM must acknowledge the terms of the Code of Ethics annually, or as amended.

HWM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which HWM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which HWM, its affiliates and/or clients, directly or indirectly, have a position of interest. HWM's employees and persons associated with HWM are required to follow HWM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of HWM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for HWM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of HWM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of HWM's clients. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between HWM and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with HWM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. HWM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. 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 Order.

HWM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting our Chief Compliance Officer.

It is HWM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. HWM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Brokerage Practices**

### **Selection and Recommendation of Broker-Dealers**

Though HWM recommends brokers with which we've negotiated pricing on behalf of our clients, we do not have discretionary authority to select brokers. We endeavor to select broker-dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services that will help HWM provide investment management services to clients. HWM may recommend brokers who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance.

HWM utilizes Trade-PMR, Inc. ("Trade-PMR"), Charles Schwab & Co., Inc. ("Schwab") and Pershing Advisor Solutions for brokerage and trade execution services. Trade-PMR clears trades and custodies assets with First Clearing Corp. ("FCC"). First Clearing is a trade name used by Wells Fargo Clearing Services, LLC., a non-bank affiliate of Wells Fargo & Company. Trade-PMR acts as an introducing broker dealer on a fully disclosed basis and is not affiliated with FCC. Trade-PMR, FCC and Schwab are FINRA/SIPC member broker-dealers. The brokerage commissions and/or transaction fees charged by these broker-dealers are exclusive of and in addition to HWM's fee. HWM regularly reviews the reasonableness of the compensation received by the broker-dealers used for executing client transactions in an effort to ensure that our clients receive favorable execution consistent with our fiduciary duty. Factors which HWM considers in recommending broker-dealers to clients include, but is not limited to, their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by these brokers may be higher or lower than those charged by other broker-dealers.

Effective October 7, 2019, Schwab has eliminated commissions for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). Effective January 2020, Trade PMR also eliminated commissions for online trades. We encourage you to review the broker-dealer's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap arrangement. You will still incur commissions and fees at Schwab for certain types of transactions in a non-wrap fee arrangement. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [www.schwab.com/aspricingguide](http://www.schwab.com/aspricingguide).

The commissions paid by HWM's clients are intended to be consistent with HWM's duty to obtain "best execution." However, a client may pay a commission that is higher than what another qualified broker-dealer might charge to affect the same transaction when HWM determines, in good faith, that the commission is 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 broker-dealers' services, including among others, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while HWM will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

Independent Managers selected by clients to manage clients' assets may request the discretion to select brokers and negotiate commissions on behalf of a client. HWM will not have control over trading execution by such managers. Clients should review the Form ADV disclosure documents of such managers for additional information regarding their trading practices.

### **Products & Services Available to Us From Broker-Dealers**

The broker-dealers we recommend to clients provide HWM with access to its institutional trading and custody services, which are typically not available to retail investors. These brokerage services include the execution of securities transactions, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Other benefits we may receive include receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its participants; access to block trading which provides the ability to aggregate securities transactions and then allocates the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. Schwab's support services are generally available on an unsolicited basis and at no charge to us as long as we maintain a total of at least \$10 million of our clients' assets in accounts at Schwab.

HWM also receives other services from broker-dealers (or third-party vendors with which they do business) to help us manage and further develop our business enterprise. These services include educational conferences and events; technology, compliance, legal and business consulting; publications and conferences on practice management and business succession; and access to employee benefits providers, human capital consultants and insurance providers. Fees for these services may be waived, discounted or compensated by the broker-dealer. Trade-PMR also provided HWM with nominal funding to assist with startup expenses establishing the business entity. Irrespective of these direct and indirect benefits to our clients, we strive to enhance our clients' experience and always put the needs of our clients first.

### **Research and Other Soft Dollar Benefits**

HWM does not participate in soft-dollar relationships.

## **Brokerage for Client Referrals**

When selecting broker-dealers for the execution of client securities transactions, HWM does not consider whether we will receive any client referrals from the broker-dealer or any other third-party.

## **Directed Brokerage**

As HWM will not request the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct HWM as to the broker-dealer to be used. The commissions and transaction fees charged by these broker-dealers could be higher or lower than those charged by other custodians and broker-dealers. In directing the use of a particular broker-dealer, it should be understood that HWM will not have authority to negotiate commissions among various broker-dealers or obtain volume discounts. As such, best execution may not be achieved. Not all investment advisers require clients to direct the use of specific broker-dealers

## **Aggregation of Orders**

Transactions for each client will generally be affected independently. For certain trades, HWM will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included the block. Block trading allows HWM to execute equity or fixed income trades in a timely, equitable manner and to reduce overall commission charges to clients. Clients who do not provide HWM with discretion will not participate in block trades, and their trades in similar securities will be placed with brokers after trades for discretionary accounts. Accounts owned by supervised persons of our firm may participate in block trading with your accounts; however, these individuals will not be given preferential treatment of any kind.

## **Review of Accounts**

For those clients to whom HWM provides investment management services, HWM performs periodic account reviews which may be in conjunction with the preparation of client's quarterly reports. This informal review may include assessing client goals and objectives, monitoring the portfolios and addressing the need to rebalance. Individual securities held in client accounts will be periodically monitored by HWM, while the firm will monitor any selected third-party managers on a quarterly basis. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, market conditions, or the political or economic environment.

## **Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about HWM's financial condition. HWM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.