

## **ADV Part 2A**

### **IPEX, Inc.**

Neha Patel, Vice President  
IPEX, Inc.  
156 West Liberty Street  
Plymouth, MI 48170

734-451-0777 ph  
888-IPEX-USA  
734-451-6830 fax  
[www.ipexusa.com](http://www.ipexusa.com)

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*1B This brochure provides information about the qualifications and business practices of IPEX, Inc. If you have any questions about the contents of this brochure, please contact us at 734-451-0777 and/or [Neha@ipexusa.com](mailto:Neha@ipexusa.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*1C Although IPEX, Inc. is a “registered investment adviser,” registration with the Securities and Exchange Commission does not imply a certain level of skill or training.*

*Additional information about IPEX, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Material Changes.**

### **Since last annual filing in March 2019**

There are no material changes since the last annual filing in March 2019.

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## ADVISORY BUSINESS

### Item 4A

*Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).*

IPEX is an independent firm. We are not affiliated with any other entity. We were founded in 1995. IPEX is a sub-chapter S corporation and is 100% owned by Shale P. Lapping, President of the firm. IPEX works primarily with small to mid-sized institutional clients.

IPEX is an investment consulting firm, not a money manager. Our focus is not on managing money or researching individual securities, nor do we engage in any custody or brokerage activities. IPEX does not offer products, but customized services. IPEX typically works with clients on an ongoing basis, according to a retainer arrangement. We help our clients structure their overall investment program.

Specifically, IPEX assists clients in setting their investment objectives and then in selecting a strategic or long-term asset allocation that is suited to those objectives. As our clients can have very different investment objectives, they also can have very different asset allocations.

Regardless of the asset allocation selected, IPEX works with the client to select particular investment products, such as money managers, mutual funds and exchange traded funds, to implement the allocation. Our client portfolios are usually well diversified and will use a number of different investment products. Many accounts use a mix of both active and passive strategies.

IPEX has no contractual or proprietary relationship with any of the investment products that we present to our clients. We receive all of our revenue from the payment of consulting fees in hard dollars. All of our compensation comes from our clients, rather than from money managers, mutual funds or third parties. Our firm does not maintain any soft dollar arrangements.

IPEX works on either a discretionary or a non-discretionary basis depending upon the client's preference.

### Item 4B

*Describe the types of advisory services you offer.*

All of the services that IPEX offers fall under the general heading of investment consulting and can be grouped under these five major categories:

- Investment Policy
- Asset Allocation
- Investment Products
- Monitoring
- Miscellaneous

These five categories of services are described in more detail below. Some clients want IPEX to work with them to restructure all aspects of their investment program and in so doing use all of our services. Other clients are content with their current investment program and are primarily interested in our Monitoring services. IPEX offers all of these services to every client on an as needed basis. All of these services are included as part of our Services Agreement with our full-service retainer clients. All of the services that IPEX provides as a consultant are customized to best suit the needs of individual clients.

### **Investment Policy**

IPEX helps clients establish their investment policy. Investment policy includes investment objectives, targeted rates of return, risk tolerance as well as appropriate parameters and restrictions for the investment program. Establishing the investment policy is the first step in the restructuring process. IPEX tries to learn as much as we can about the client and its investment program when discussing investment policy. These discussions may include the client completing an IPEX questionnaire, as well as IPEX reviewing any current client documentation and investment policy statements. The goal of the investment policy discussions is for the client to establish sufficiently clear objectives so that we can address asset allocation issues.

The investment policy discussions will usually result in IPEX preparing a comprehensive investment policy statement for the client's review. The investment policy statement will address a broad range of investment and administrative issues regarding the investment program, including objectives, structure, restrictions and standards for evaluation. If the client selects individual money managers among its investment products, who will be handling separate accounts for the client, IPEX will also prepare individual investment policy statements for each of the money managers. Over the course of the client relationship, IPEX will assist the client in periodically reviewing the investment policy statement, and will prepare amendments as necessary.

### **Asset Allocation**

IPEX helps clients establish a target asset allocation for their investment program. The targeted asset allocation is based on the account's investment policy. While the asset allocation is reviewed regularly and adjusted periodically, our focus is on strategic or long-term allocation, not on tactical or short-term allocation. The process of helping clients establish a target asset allocation will usually include an asset allocation study. The study is based upon input from the client as to their objectives, time frame, risk tolerance, etc. The study is also based upon historical information regarding the various asset classes represented in the study.

The asset allocation study typically will analyze multiple target allocations. IPEX reviews the asset allocation study with the client, focusing on both the expected return and potential risks associated with the various target allocations. IPEX helps the client to select a particular target allocation for their investment program.

IPEX also addresses asset allocation issues by helping clients develop and implement a re-balancing policy, as well as deciding how best to handle contributions and distributions without disrupting their investment program. Working to address issues related to asset allocation is a key aspect of the services that we provide to our clients.

## **Investment Products**

IPEX assists clients in selecting investment products to implement their asset allocation. Investment products include traditional money managers, mutual funds and exchange traded funds, and may also include alternative vehicles such as hedge fund of funds and private equity funds. IPEX recommends both active and passive (indexed) investment products. IPEX will often recommend that a client use a number of different investment products to address the full range of their account's asset allocation.

The investment products that IPEX recommends may include the client's current investment products, new investment products suggested by the client and new investment products suggested by IPEX. IPEX has no contractual or proprietary relationship with any of the investment products that we recommend. For a particular portion of a portfolio IPEX may recommend a specific investment product or provide the client with multiple investment products from which to choose.

When recommending investment products to the client, IPEX provides the client with a written analysis of the product. The written analysis addresses a range of issues, including return, risk and expenses, and contains comparisons to appropriate indices and peer groups. Over the course of the investment program, IPEX may prepare a detailed analysis of a current investment product to help the client determine whether or not that product should be replaced. Where appropriate, IPEX will arrange for a representative of an investment product to meet with the client, either in person or through a conference call.

## **Monitoring**

Once an investment program has been restructured, IPEX monitors the program and provides the client with comprehensive quarterly reports. The reports cover a broad range of issues regarding performance, risk, style and cash flow, and include a detailed executive summary in narrative format. The reports also address a number of the factors specified in the investment policy statement and contain comparisons to appropriate indices and peer groups.

IPEX meets with clients according to a mutually agreed upon schedule to review the reports and discuss their investment program. Meetings may be in person, but may also include conference calls. As part of the monitoring process, IPEX raises issues regarding the investment program, makes recommendations for change and answers client inquiries. IPEX pro-actively contacts clients between meetings to raise or address any issues that warrant attention. In fulfilling the monitoring function, IPEX serves as an overall investment resource to our clients, with the precise nature of the relationship tailored to each client's specific needs.

## **Miscellaneous**

IPEX assists clients in analyzing various administrative or non-investment aspects of their investment programs, often in response to specific client inquiries. These services address a broad range of issues. We have specified some of these issues by way of example. IPEX analyzes the services and fee structures of current trustees, custodians and brokers, as well as potential replacements for these existing firms. We often prepare a comprehensive analysis of an investment program's fee structure. IPEX also helps clients to address

numerous issues related to cash flow, including spending policies, reserve funds and income targets. Many of these issues are addressed at the inception of a client relationship when IPEX is working with the client to restructure an investment program, while others are addressed periodically throughout the course of the investment program. Clients may elect to use IPEX as their “back office” to address a range of administrative issues related to their investment programs that they do have the time or expertise to handle.

#### **Item 4C**

*Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.*

Yes, IPEX tailors its advisory services to the individual needs of our clients. As an investment consultant, our firm is based on providing clients customized services, not standardized products.

IPEX, in comparison to many larger organizations that cater to all types of clients, has made a conscious decision to focus our attention and our resources on not for profit organizations, which represent the vast majority of our entire client base. We service primarily endowments and foundations. This focus helps us to better understand our clients’ needs and to tailor our services to them.

While IPEX offers a full range of investment consulting services, some clients are only interested in certain of those services. For example, some clients are comfortable with their current investment program, and engage IPEX primarily to monitor their program and provide reporting. Other clients work with IPEX to restructure their entire investment program.

Whether IPEX is working with a client to establish investment objectives and write an Investment Policy Statement, conducting an asset allocation study or preparing a manager search, we engage in an interactive process with the client. IPEX believes that it is essential to obtain both input and feedback from the client to ensure that the work product we produce is tailored to each client’s individual needs.

Our clients may impose restrictions on investing in certain securities or types of securities. When we are working with a client to develop an Investment Policy Statement, we specifically ask them whether there are any restrictions that they would like to impose on portfolio holdings. IPEX incorporates any such restrictions in the Investment Policy Statement and then helps the client to select investment products that are consistent with those restrictions, to the extent that it is practical to do so.

#### **Item 4D**

*If you participate in wrap fee programs (1) describe the differences and (2) explain that you receive a portion of the wrap fee for your services.*

IPEX does not participate in any wrap fee programs.

#### **Item 4E**

*If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.*

IPEX handles both discretionary and non-discretionary investment consulting clients. In order for IPEX to accept discretionary authority, the IPEX Services Agreement must provide for discretionary authority. In addition, the client must provide the custodian with an executed Limited Power of Attorney. IPEX considers clients as consulting clients when IPEX does not have authority to make investment decisions or to execute trades. In our role as a discretionary consultant, IPEX manages \$691,297,835 in assets. IPEX manages \$1,075,690,505 in non-discretionary assets. IPEX consults with clients on total assets of \$1,766,988,340. These amounts are based upon December 31, 2019 market values for all IPEX clients.

### **FEES AND COMPENSATION**

#### **Item 5A**

*Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.*

IPEX enters into a Services Agreement with all of our retainer clients and enters into a Letter of Engagement for all projects that we perform for all of our non-retainer clients. Both the Services Agreement and the Letter of Engagement specify the fee to be paid by the client and the services IPEX will provide. While all project work is performed for a fixed fee, retainer clients compensate IPEX according to one of the following three options:

- a fixed fee
- a fixed fee adjusted for the CPI
- a fee based upon a percentage of the account’s market value

When IPEX provides a prospective client with a fee quote, the quote may include a choice of one or more of these options.

The fixed fee for a project is typically between \$5,000 and \$30,000. The annual retainer fee for new clients is typically between \$10,000 and \$100,000. The fee is based upon these factors:

- complexity of the account structure
- number of custodians
- number of money managers and investment products
- number of client meetings

All IPEX fees are charged in arrears, after the services have been provided. If IPEX is terminated, IPEX will charge a fee for any services provided since the last payment. The final fee is based on the termination provision contained in the IPEX Services Agreement.



The IPEX fees are in addition to the following charges:

- other investment manager fees
- custodian fees / trustee fees
- brokerage commissions
- mutual fund expenses
- ETF expenses

The following schedule outlines the maximum IPEX fees, as a percentage of an account's market value:

First \$5 million	100 basis points
Next \$20 million to \$25 million	75 basis points
Next \$25 million to \$50 million	50 basis points
Balance over \$50 million	25 basis points

Fees are subject to negotiation and may be less than this schedule.

#### **Item 5B**

*Describe whether you deduct fees from clients' accounts or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients to deduct your fees.*

For retainer clients, IPEX bills for its services quarterly, in arrears, after the services have been performed. The client is either billed directly or the client may authorize a quarterly withdrawal, limited to the contractually agreed upon IPEX fee, directly from the custodial account. The choice is up to the client. This authorization for withdrawal extends to formally billed fees only. It does not allow IPEX any other access to the account. IPEX instructs the custodian on each invoice that all IPEX fees should be reflected on the custodian's statement as a withdrawal.

The IPEX invoice lists the amount of the fee and explains how the fee was calculated. All invoices indicate the toll-free number that clients can use to contact IPEX with any questions or objections regarding the quarterly billing.

When IPEX is hired to provide its services for a one-time project, IPEX may require the client to pay 50% of the total fee in advance. IPEX would bill the client for the balance when the project is finished.

#### **Item 5C**

*Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.*

As IPEX functions primarily as a consultant, a client will typically pay other fees related to their investment program.

A client may pay a separate custodian fee, unless the client uses a brokerage firm, which does not charge such a fee. If the account is a trust, the client may pay a separate trustee fee.

The client may also pay transaction fees associated with buying or selling individual securities, mutual funds and ETFs. The client may not pay these individual fees if they are included in a custodian wrap fee program or the custodian/broker does not assess such fees on some securities.

The client may also pay the charges for the individual investment product. This investment product may be a money manager, a mutual fund or an ETF. The money manager fee is normally paid by the account or the client is billed directly. A mutual fund or ETF fee is charged inside the investment product and is deducted from the investment returns. All of these fees are assessed by third parties, as IPEX does not charge custody, brokerage, transaction or investment product fees.

IPEX clients are free to use the broker and custodian of their choice. IPEX clients use a number of different brokers and custodians. Some clients may decide to maintain directed brokerage relationships. IPEX does not negotiate commission rates. Clients may pay higher commissions if they use directed brokerage relationships. IPEX does not participate in fee sharing arrangements with any broker dealer in connection with preferred brokerage arrangements.

IPEX treats Schwab Advisor Services as its preferred custodian to maintain custody of client assets and to process trades for client accounts. IPEX recommends Schwab Advisor Services to clients when we feel that their services are appropriate. Schwab Advisor Services is a division of Charles Schwab & Co Inc., a registered broker-dealer, member SIPC. No IPEX client is obligated to use Charles Schwab as its custodian or to process trades through Schwab Advisor Services.

No separate custody charge is applied to IPEX client accounts held at Schwab. However, transaction charges may apply, depending upon the security that is being bought or sold.

IPEX discloses to all clients the expense ratios of mutual funds and ETFs before they are placed in the account. In addition, IPEX places qualified clients in institutional shares whenever possible. Finally, IPEX regularly updates the expense ratios for mutual funds and ETFs in the client reports.

#### **Item 5D**

*If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.*

IPEX does not permit retainer clients to pay fees in advance.

#### **Item 5E**

*If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to items 5E1, 2, 3 and 4.*

All IPEX compensation is in hard dollars (i.e., not commission dollars), paid directly to IPEX by our clients. IPEX personnel do not accept any compensation from the sale of securities or other investment products. IPEX personnel do not receive asset-based sales charges or service fees from the sale of mutual funds.

### **Performance Based Fees and Side by Side Management**

#### **Item 6**

*Performance based fees and side-by-side management.*

*If you or any of your supervised persons accepts performance-based fees, disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact.*

IPEX personnel do not accept performance-based fees or side-by-side management fees.

### **TYPES OF CLIENTS**

#### **Item 7**

*Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.*

IPEX focuses on institutional clients, primarily not for profit organizations. Virtually our entire client base consists of institutional clients, although IPEX does work with some high net worth individuals. Institutional clients may include community foundations, private foundations, cemetery trust funds and religious organizations.

IPEX does not have a fixed minimum account size, although clients typically have assets of at least \$2 million. IPEX does not impose any other requirements for opening or maintaining an account.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Item 8

#### *Method of Analysis, Investment Strategies and Risk of Loss*

- A. *Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.*

In functioning as an investment consultant, our investment advice focuses on recommending asset allocations and investment products. As a consultant, our management of assets is based upon a long-term investment strategy, which considers the selection of a target asset allocation the critical issue in an investment program.

When we are working with a client to structure an investment program, IPEX usually will prepare an asset allocation study. We will prepare the study after we have helped the client define their investment objectives. The asset allocation study is our primary method of analysis in formulating investment advice on asset allocation.

The asset allocation study incorporates the IPEX model for domestic equity, international equity and fixed income. These models are designed to be style neutral and reflect the broad investment market for each asset class. IPEX uses historical numbers as the basis for the inputs for the asset allocation study – expected return, standard deviation and covariance.

The asset allocation study provides the client with an analysis of multiple target asset allocations for consideration. The analysis contains a range of returns for each target allocation as well as the probability of the allocation generating various target returns.

All of the target allocations address the risk of loss by showing the negative returns that each target allocation may produce at various levels of probability. The IPEX summary of the analysis typically stresses the potential loss associated with each target allocation over different time periods.

After the client selects a target allocation, IPEX works with the client to implement the target allocation. IPEX normally will encourage the client to consider using indexed or passive strategies for at least some portion of the portfolio, as we feel that indexing is a legitimate investment strategy.

IPEX analyzes various investment products as part of this process. The analysis is based on historical data about each investment product and is both quantitative and qualitative. IPEX addresses a broad range of issues such as return, risk and style, when we analyze an investment product. Investment products are analyzed in comparison to relevant indices and peer groups, as well as in comparison to other portfolio holdings.

When analyzing this data, IPEX carefully considers the losses that the investment products have experienced in down markets. The written analysis that IPEX prepares on each product has a specific section that addresses risk variables.

Although the goal of all investment recommendations or decisions made by IPEX is to increase investment performance and reduce risk, no guarantees can be made. Regardless of how detailed the asset allocation and investment product analysis may be, all investors should be aware that past performance is no guarantee of future results. It is important for clients to understand that investing in securities involves risk of loss that they should be prepared to bear.

- B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.*

The asset allocation studies that IPEX prepares are based upon a computer model that uses mean variance optimization. While this approach is generally accepted in the investment community, like any model, the inputs are critical. Different inputs will produce different results. The selection of the specific inputs for each of the variables is subjective and constitutes a risk. In addition, while these types of models generate expected rates of return, these rates of return are not predictions. There is tremendous uncertainty associated with expected rates of return, especially over short time periods; the shorter the time period, the greater the uncertainty. In order to mitigate these risks, IPEX encourages clients to focus on the range of returns that each target allocation can be expected to produce, rather than a specific expected rate of return.

Furthermore, while various asset classes may have had low correlations and provided good diversification in the past, that is no guarantee that they will continue to do so in the future. It is important for clients to understand that an apparently well diversified portfolio is no guarantee against significant loss in the case of a sharp market downturn.

- C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.*

IPEX does not recommend a particular type of security or investment product but rather a broad spectrum of investment products based upon the individual client's needs. IPEX explains to all clients the risks associated with whichever type of security or investment product that IPEX recommends.

## DISCIPLINARY INFORMATION

### Item 9

*If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding the events.*

IPEX has had no legal or disciplinary action filed against the firm or any of its principals since the inception of the firm in 1995.

## FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### Item 10

- a. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.*

IPEX personnel are not registered nor do they have any registrations or applications pending to register as a broker-dealer or a registered representative of a broker-dealer.

- b. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities, disclose this fact.*

IPEX personnel are not registered nor do not have any registrations or applications pending to register in any of the capacities specified in 10b.

- c. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.*

- 1. broker-dealer, municipal securities dealer or government securities dealer*
- 2. investment company or other pooled investment product*
- 3. other investment adviser or financial planner*
- 4. futures commission merchant, commodity pool operator or trading advisor*
- 5. banking or thrift institution*
- 6. accountant or accounting firm*
- 7. lawyer or law firm*
- 8. insurance company or agency*
- 9. pension consultant*
- 10. real estate broker or dealer*
- 11. sponsor or syndicator of limited partnerships*

With respect to number one above, IPEX treats Schwab Advisor Services as its preferred custodian to maintain custody of client assets and to process trades for client accounts. IPEX recommends Schwab Advisor Services to clients when we feel that their services are appropriate. Schwab Advisor Services is a division of Charles Schwab & Co Inc., a registered broker-dealer, member SIPC. No IPEX client is obligated to use Schwab Advisor Services as its custodian or to process trades through Schwab Advisor Services. IPEX clients use a number of different custodians.

With respect to numbers two through 11 above, neither IPEX nor any of its management personnel have any relationship or arrangement with any such entities.

- d. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.*

While IPEX recommends other investment advisers to our clients, IPEX does not receive compensation, directly or indirectly, from those advisers.

## **CODE OF ETHICS**

### **Item 11**

- A. If you are an SEC registered advisor, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospect client upon request.*

The IPEX Code of Ethics is based upon the “Code of Professional Responsibility” adopted by the Investments & Wealth Institute, and the “Code of Ethics” and “Standards of Professional Conduct” adopted by the CFA Institute. The IPEX Code of Ethics has been adopted to promote and maintain the highest standards of personal and professional conduct in all aspects of investment consulting in which IPEX personnel may be engaged.

IPEX includes a copy of our Code of Ethics with the year-end reports that are mailed to all clients. In addition, IPEX will provide clients with a copy upon request.

New IPEX clients are typically provided with a copy of our Code of Ethics at the inception of the consulting relationship, when they sign the IPEX Services Agreement. In addition, some new clients were already provided with the IPEX Code of Ethics at the time that they received a proposal from IPEX.

- B. If you or a related person recommends to clients or buys or sells for client accounts,*



*securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe how you address conflicts that arise.*

- C. *If you or a related person invests in the same securities (or related securities e.g., warrants, options) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and how you address the conflicts that arise in connection with personal trading.*
- D. *If you or a related person recommends securities to clients or buys or sell securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own account, describe your practice and discuss the conflicts of interest it presents.*

IPEX personnel typically invest in mutual funds or utilize outside managers who have discretion. IPEX personnel do not directly invest in individual securities, other than Exchange Traded Funds. With regard to Item 11(B, C and D), IPEX has the potential for a conflict of interest only when buying or selling ETF securities for our client accounts. IPEX and its related persons avoid any potential conflicts of interest with ETF trades for client accounts by adhering to the policy set forth below.

While IPEX does have discretion over a number of client accounts, the trading for the various accounts is done through multiple custodians and seldom on the same day. Typically, IPEX initiates discretionary trades to rebalance an account, replace a security (normally a mutual fund or ETF) or provide for a client withdrawal. The multi-custodians and varied trade dates make the possibility of front-running personal trades ahead of client trades unlikely. Nevertheless, IPEX has developed the following policy with regard to personal trading:

1. All IPEX employees provide a listing of all security holdings, excluding employee SIMPLE plan accounts, to the CCO each quarter, within 15 days of quarter end.
2. The CCO reviews the security listings within 30 days of quarter end.

IPEX has adopted a Code of Ethics and a Personal Trading Policy expressing the firm's commitment to ethical conduct. The IPEX Code of Ethics and Personal Trading Policy describe the firm's fiduciary duties and responsibilities to clients and set forth the IPEX practice of monitoring the personal securities transactions of supervised persons with access to client information. IPEX personnel, and related persons, may buy or sell securities for their personal accounts that are identical to or different than the securities recommended to clients. However, no person employed by IPEX shall prefer his or her own interests to that of an IPEX client or make personal investment decisions based on the investment decisions of IPEX clients.

To supervise compliance with its Code of Ethics and Personal Trading Policy, IPEX requires that anyone associated with our firm report to the Chief Compliance Officer for review all holdings and transactions of reportable personal securities as required by securities laws. In addition, all IPEX personnel must obtain approval from the Chief Compliance Officer before directly or indirectly obtaining beneficial ownership in any



security in an initial public offering or in a limited offering.

IPEX requires that all individuals act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. The IPEX Code of Ethics, Personal Trading Policy and Privacy Policy also include the firm's policy prohibiting the use of material non-public information. Any individual who does not observe these provisions may be subject to discipline. There may be times when the interests of IPEX personnel correspond with the interests of our clients, and in such cases IPEX personnel may invest in the same securities that we recommend to our clients.

## **BROKERAGE PRACTICES**

### **Item 12**

*A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commissions)*

IPEX does not maintain custody of client assets, although we may be deemed to have custody of client assets if the client gives us authority to withdraw assets from their account to pay our fee. Client assets must be maintained in an account at a "qualified custodian" generally a broker-dealer or a bank.

IPEX clients are free to utilize the broker-dealer and custodian of their choice, and as a consequence, IPEX clients utilize a broad range of broker-dealers and custodians. IPEX may or may not be asked to recommend a broker-dealer or custodian.

As IPEX does not typically trade individual securities, IPEX does not select or recommend broker-dealers for individual security transactions.

If a client account or portion of a client's account is managed by an individual money manager, then that money manager is usually responsible for selecting the broker dealer(s) for all of that manager's security transactions.

IPEX recommendations for broker-dealers usually address this issue along with the selection of a custodian, rather than as an independent issue. When asked to recommend a broker-dealer / custodian, IPEX will assess the client's particular needs and recommend the broker-dealer / custodian that we feel will best serve the client's interests. In particular, IPEX seeks to recommend a broker-dealer / custodian that will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. IPEX considers a wide range of factors, including:

- Combination of transaction execution services and asset custody services
- Capability to execute, clear and settle trades
- Capability to facilitate transfers and payments to and from account
- Breadth of available investment products

- Reputation, financial strength and stability
- Whether the client needs an institutional trustee
- Whether the client needs to account for income and principal separately
- Whether the broker-dealer / custodian offers online accessibility to both the client and IPEX
- Whether the client expressed a preference for a particular custodian / broker-dealer
- Whether the fees assessed by the custodian / broker-dealer are reasonable and competitive, given the size of the account and the nature of the investment products in the account, as well as the willingness of the custodian / broker-dealer to negotiate their prices

IPEX considers the reasonableness of a custodian's / broker-dealer's compensation by comparing one firm's transaction costs, ticket charges and cents per share commissions to the comparable charges assessed by other firms for similar sized accounts.

IPEX recommends that our clients use Charles Schwab, a registered broker-dealer, member SIPC, as their qualified custodian, when we feel that their services are appropriate. Specifically, IPEX utilizes RIA services via Schwab Advisor Services, a division of Charles Schwab & Co Inc., a registered broker-dealer, member SIPC.

IPEX is independently owned and operated and we are not affiliated with Schwab. If clients select Schwab as their custodian, Schwab will hold the assets in a brokerage account and buy and sell securities when the client, IPEX or a designated money manager, instruct them to. While IPEX may recommend that clients use Schwab as their custodian/broker, clients will instruct whether to do so and will open their account with Schwab by entering into an account agreement directly with Schwab. IPEX does not open the account for clients, although we may assist a client in doing so. No IPEX client is under any obligation to utilize Schwab Advisor Services as its custodian or to process trades for their account through Schwab Advisor Services.

For IPEX client accounts maintained in Schwab's custody, no separate custody charge is applied. Schwab receives its compensation, in part, through commissions or other transaction related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

*1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer in connection with client securities transactions, disclose your practices and discuss the conflicts of interest they cause.*

Schwab Advisor Services is Schwab's institutional division that serves independent investment advisory firms like IPEX. They provide IPEX and our clients with access to their institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help IPEX manage or administer our clients' accounts, while others help IPEX manage our business. Schwab's support services generally are available on an unsolicited basis and at no charge to IPEX as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If IPEX clients collectively have less than \$10

million in assets at Schwab, Schwab may charge quarterly service fees of \$1,200. As long as IPEX clients collectively custody at least \$10 million in assets at Schwab, whether or not future clients elect to custody their account at Schwab would not impact the IPEX relationship with Schwab. Following is a more detailed description of Schwab's support services:

#### **Services That Benefit You, Our Clients:**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of client assets. The investment products available through Schwab include some to which IPEX might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The Schwab services described in this paragraph generally benefit clients and their account.

#### **Services that May Not Directly Benefit you, Our Clients**

Schwab also makes available to IPEX other products and services that benefit IPEX but may not directly benefit you or your account. These products and services assist IPEX in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. IPEX may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provides access to client account data
- Facilitates trade execution
- Provides pricing and other market data
- Facilitates payment of our fees for our clients' accounts
- Assists with back office functions, recordkeeping and client reporting

#### **Services that Generally Benefit Only IPEX:**

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

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business success

Schwab may provide some of these services itself. In other cases, it will arrange for third party vendors to provide the services to IPEX. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide IPEX with other benefits, such as occasional business entertainment of IPEX personnel.

No IPEX client is under any obligation to utilize Schwab Advisor Services as its custodian or to process trades for their account through Schwab Advisor Services. IPEX clients are free to use the broker and custodian of their choice. IPEX clients use a number of different brokers and custodians.

2. *Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a*

*broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.*

IPEX does not utilize any broker-dealer client referral programs.

### **3. Directed Brokerage**

IPEX does not require that a client direct brokerage transactions through a specified broker-dealer. IPEX clients are free to use the broker of their choice. As a result, IPEX clients use a number of different brokers. In many cases IPEX clients select a money manager, who is then responsible for selecting the broker. Some clients may decide to maintain directed brokerage relationships. IPEX does not negotiate commission rates with these brokers. Clients may pay higher commissions if they use directed brokerage relationships. IPEX does not participate in fee sharing arrangements with any broker dealer in connection with preferred brokerage arrangements.

#### ***B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.***

IPEX does not trade individual securities for client accounts, with the exception of ETFs. The majority of discretionary trades executed by IPEX involves mutual funds. IPEX does not aggregate mutual fund trades. Aggregating mutual fund trades is not necessary as all clients receive the same price at the end of each business day.

IPEX does not aggregate ETF transactions, as ETF trades are not initiated by IPEX as part of a model portfolio rebalancing or restructuring. ETF trades are usually the result of client contributions or requests for distributions. The timing of these transactions usually does not overlap to enable IPEX to aggregate the trades.

## **REVIEW OF ACCOUNTS**

### **Item 13**

#### ***A. Indicate whether you periodically review client accounts. If you do, describe the frequency and nature of the reviews and the titles of the supervised persons who conduct the review.***

Accounts are reviewed quarterly. The firm's President, Vice President and Chief Compliance Officer assume varying degrees of responsibility for the review process. The firm's Account Analyst functions as the reconciliation specialist for all client accounts. The quarterly review focuses on performance – compared to the designated benchmarks – and allocation – compared to the parameters set forth in the investment policy statement. Clients are apprised of monitored criteria, along with any “variance” items, on a quarterly basis as a function of the IPEX performance monitoring service.

In addition to the quarterly reviews, IPEX performs two more comprehensive annual reviews.

Annually, IPEX personnel conduct an investment review of all client accounts. IPEX personnel prepare an account allocation analysis that compares all of our client accounts to each other in terms of performance and allocation. In addition, IPEX personnel discuss the performance of individual investment products as part of the product review. Any significant items that require attention are assigned to the appropriate individual with a specific timetable for action.

Annually, IPEX personnel conduct an administrative review of all client accounts. This review focuses on administrative issues including custody, fees and cash flows. Any significant items that require attention are assigned to the appropriate individual with a specific timetable for action.

*B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.*

Other factors that trigger a client account review are:

- Client inquiries
- Client meetings
- Significant deposits or withdrawals
- Significant changes in market conditions

*C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.*

IPEX monitors client accounts by providing regular written reports. These reports are a vital component of our consulting services. IPEX provides comprehensive, written reports to our clients quarterly. The reports address a broad range of issues regarding performance, allocation, risk, style, cash flow and market value. When it is appropriate, benchmarks and peer groups are used for comparison purposes. The targets and parameters contained in the investment policy statement are also typically listed in the reports.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **Item 14**

*A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest and describe how you address the conflicts of interest.*

IPEX does not have any compensation arrangements for client referrals with any third party.

*B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement.*

Neither IPEX nor any of its related persons have any compensation arrangement

for client referrals with any third party.

## **CUSTODY**

### **Item 15**

*If you have custody of client funds or securities and a qualified custodian sends quarterly or more frequent account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.*

IPEX does not have custody of any client funds or securities. (However, under government regulations, IPEX is deemed to have custody of your assets if, for example, you authorize IPEX to instruct your custodian to deduct our advisory fees directly from your account.) Your custodian(s) maintains actual custody of your assets. You will receive account statements directly from your custodian at least quarterly. The statements will be sent to the address of record you provided to the custodian. IPEX has directed each client to compare their IPEX reports to their custodian statements. Specifically, IPEX has directed each client to rely solely upon the data contained in their custodian statements for dividends, interest, realized and unrealized capital gains and/or capital losses, cash flows, etc. If you discover any discrepancies, we urge you to bring the matter to the attention of IPEX personnel immediately.

## INVESTMENT DISCRETION

### Item 16

*If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).*

IPEX accepts discretionary authority to manage accounts, i.e., provide discretionary investment consulting, on behalf of clients. This authority is subject to the investment policy statement for the account and is limited to buying and selling securities (typically mutual funds and ETFs) in the account.

In order for IPEX to accept discretionary authority, the IPEX Services Agreement must provide for discretionary authority. In addition, the client must provide the custodian with an executed Limited Power of Attorney.

## VOTING CLIENT SECURITIES

### Item 17

- A. If you have or will accept authority to vote client securities, briefly describe your voting policies and procedures.*
- B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent and discuss whether clients can contact you with questions about a particular solicitation.*

IPEX does not accept authority to vote client securities. Clients will receive their proxies directly from their custodian or transfer agent. All IPEX clients can contact us with questions about a particular solicitation.



## FINANCIAL INFORMATION

### Item 18

- A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.*

IPEX does not require or solicit the prepayment of more than \$1,200 in fees per client, six months or more in advance.

- B. If you have discretionary authority or custody of client funds or securities or you require or solicit prepayment of more than \$1,200 in fees per client, six months in advance, disclose any financial condition that is reasonably likely to impact your ability to meet contractual commitments to clients.*

As a substantial portion of IPEX revenues are fixed fees, unrelated to the capital markets, IPEX does not believe that there are any financial conditions that are reasonably likely to impact our ability to meet our contractual commitments to our clients.

- C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought and the current status.*

IPEX has never been the subject of a bankruptcy petition.