

# **FORTIGENT, LLC**

## **Part 2A of Form ADV**

### **Brochure**

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<http://www.fortigent.com>

March 30, 2020

This brochure provides information about the qualifications and business practices of Fortigent, LLC (“Fortigent” or “the Company”). If you have any questions about the contents of this brochure, please contact us at 980-321-1197. 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.

Fortigent is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

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

## Item 2. Material Changes

There have been no material updates to this brochure since the last annual update on March 29, 2019.

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## Item 4. Advisory Business

Fortigent, founded in November 2006, is owned by Fortigent Holdings Company, Inc. which is indirectly owned by LPL Financial Holdings, Inc. (NASDAQ: LPLA). Information about these entities is contained below in Item 10, *Other Financial Industry Activities and Affiliations*.

### Assets Under Management

As of December 31, 2019, Fortigent managed approximately \$2.3 billion on a discretionary basis on behalf of approximately 908 Access Overlay Unified Managed Account accounts. Fortigent also provides wealth management solutions and consulting services to approximately 11 Financial Intermediaries. Each of these services is described in this section below.

### Services to Financial Intermediaries

Fortigent provides investment research, consulting, portfolio accounting, database, data processing and support services and reporting on a wholesale fee basis to investment advisory firms and banks (“Financial Intermediaries”) to assist such firms in providing manager recommendations, monitoring, and reporting services to the Financial Intermediaries’ Clients (“Financial Intermediary Clients”). Fortigent also provides customized due diligence project-based support for Financial Intermediaries. Fortigent does not provide investment recommendations directly to Financial Intermediary Clients as part of these services.

### Access Overlay Unified Managed Account Programs

The Fortigent Unified Managed Account (“UMA”) Program combines managed accounts comprised of individual securities, mutual funds and ETFs in one diversified portfolio. Fortigent offers these accounts through its Access Overlay Unified Managed Account Program. In all cases Fortigent acts as the Sponsor, otherwise known as the Investment Manager. Fortigent may also act in other capacities within the program as detailed below. Additionally, third parties may also participate in the programs as Research Providers or Overlay Managers as detailed below.

An investor participating in the Access Overlay Program establishes a discretionary account that is invested the by the Financial Intermediary.

Specifically, responsibilities for management of accounts participating in the Access Overlay Program are divided as follows:

- Fortigent or the Financial Intermediary is responsible for the creation of a series of models with varying asset allocations and risk profiles. The Financial Intermediary is responsible for recommending model(s) to a Client for investment. Fortigent conducts initial and ongoing due diligence on investment advisers known as Research Providers that provide their own model portfolio allocations. Fortigent will also conduct due diligence on and recommend mutual funds for models. It is the Financial Intermediary who makes the final recommendation to the Client with regard to which models they should invest in.
- To implement the models, Fortigent has selected an investment adviser known as the Overlay Manager. The Overlay Managers currently available for Access Overlay are Fortigent, LLC and

Parametric Portfolio Associates, LLC, an SEC registered investment adviser. Please consult your Financial Intermediary to determine which Overlay Manager(s) perform account functions on your account.

- The Overlay Manager is responsible for making discretionary trading decisions to implement the models in the participating Access Overlay Program accounts. The Overlay Manager may execute transactions according to its tax efficient management strategy, which may cause it to delay or defer causing the account to mirror its applicable model. Accordingly, the Overlay Manager may take actions for certain accounts that it does not for other accounts, even when such accounts are all intended to be managed to the same model. The Overlay Manager is responsible for providing periodic rebalancing services so the allocation of these accounts remains consistent with the selected model(s). Unless otherwise directed by a Client, Overlay Manager is responsible for seeking best execution on transactions for Access Overlay Program accounts. Fortigent is responsible for voting proxies for Access Overlay Program Clients, but not other voting or electing activities, such as class actions. Fortigent may delegate proxy voting responsibilities to others. Please consult your Custodial Account Agreement to determine which party is responsible for voting proxies for your account.
- As noted above, the Financial Intermediary is responsible for the creation of series of models with varying asset allocations and risk profiles. The Financial Intermediary will be responsible for reviewing the Client's financial situation and objectives to determine risk and suitability. The Financial Intermediary is responsible for working with the Access Overlay Program Client to determine the suitable model(s) for the Client, consistent with its investment objectives and constraints. The Financial Intermediary may also create its own model using a blend of Research Providers, mutual funds, and ETFs. The Financial Intermediary is responsible for providing performance reports (provided by Fortigent) of the holdings, transactions, and performance of the Access Overlay Program account to the Client. Finally, the Financial Intermediary is responsible for informing the Client of the specific program fees to be paid by the Client with respect to the Access Overlay Program.

## Item 5. Fees and Compensation

### Services to Financial Intermediaries

#### *Fees*

Fortigent's compensation is comprised of an annual fixed fee ranging up to \$500,000 and a charge for each account with respect to which Fortigent provides reconciliation and performance reporting services. The per account charge ranges up to \$1500 per year per account, and are generally waived with respect to accounts associated with the Access Overlay Program. Fortigent invoices the Financial Intermediary for both the annual and per account charges quarterly in arrears at the end of each quarter. The fees charged by Fortigent are not based on the capital gains or the capital appreciation of any funds of any Client. Lower fees may be negotiated on a case by case basis in the sole discretion of Fortigent and discounts may be provided to a Financial Intermediary based on, among other factors, the level of the Financial Intermediary's business relationship with Fortigent.

Whether a Financial Intermediary in turn bills its Client(s) for all or a portion of this cost is within the sole discretion of the Financial Intermediary.

#### *Termination*

Generally, the Financial Intermediary Agreement may be terminated by either party, at any time for any reason, upon 90 days written notice during the first term of the contract, subject to a termination penalty. Thereafter, the Financial Intermediary Agreement may be terminated as of the end of the current term without penalty upon 90 days written notice in advance of annual renewal. Financial Intermediaries are responsible for payment of fees until the termination of the Service Agreement. All prepaid but unearned fees are refunded to the Financial Intermediary upon termination of an agreement.

### Access Overlay Unified Managed Account Program

#### *Fees*

Access Overlay Program Client fees are paid quarterly in arrears at the end of each quarter to Fortigent, the Overlay Manager, and the Research Providers. Fees are based on the net asset value of the account on the last business day of each calendar quarter. The annual investor fees range from 0.05% to 1.15% of assets under management ("AUM"), depending on size and the investment strategy selected for the investor's account. The portion of that total retained by Fortigent as sponsor of the program represents 0.05% to 0.25% of AUM (depending on account size and investment strategy selected), and the remainder is paid to the Overlay Manager and applicable Research Providers. As previously mentioned, Fortigent may act as a Research Provider in these programs and would receive compensation for that service in addition to the compensation as sponsor detailed above. The annual investor fee can be higher in cases where a Research Provider is providing services exclusively to certain investors and those services are not available to the entire Access Overlay platform. Accounts are subject to an annual minimum that is the greater of 0.05% or \$350.

Fees and minimums stated above are standard fees for Access Overlay accounts. In some circumstances Research Providers or Financial Intermediaries negotiate different fee structures and minimums than those stated above. Additionally, in some cases Financial Intermediaries have negotiated a lower fixed fee for Fortigent's services by agreeing to commit a certain level of assets to the Access Overlay Program. Access Overlay Program Clients should be aware that this occurs and should consult their Financial Intermediary for details on the fee arrangement.

### *Termination*

The Access Overlay Agreement may be terminated at any time either by the Client or by Fortigent by written notice to the other of such termination. Upon notification, Fortigent will terminate the Access Overlay Agreement subject to the settlement of any outstanding trades and, if requested by Client, the liquidation of portfolio securities. Fees payable hereunder will be prorated to the date of termination as specified in the notice of termination.

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

Not Applicable.

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

### Services to Financial Intermediaries

The Financial Intermediaries utilizing this service generally include registered investment advisers, banks and trust companies, and independent broker/dealers.

### Unified Managed Account (Access Overlay Program)

Clients utilizing this service generally include individuals, pension and profit sharing plans, trusts, corporations, and estates.

The minimum account assets for the Access Overlay Program are \$250,000 for accounts utilizing the tax overlay feature of the program and \$100,000 for accounts not utilizing the tax overlay feature of the program. The minimum annual fee for Access Overlay accounts is \$350. These minimums are negotiable and have been waived for some Clients.



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

### Services to Financial Intermediaries

#### *Method of Analysis*

Fortigent performs investment manager searches, recommends investment managers and monitors manager performance. As such, Fortigent will provide recommendations about investment managers to Financial Intermediaries.

#### *Risks*

Fortigent uses published databases of investment manager, mutual fund, ETF, and private fund performance. Fortigent does not independently audit or verify the performance figures reported by the managers and investment vehicles that appear in these databases.

### Access Overlay Unified Managed Account Program

#### *Investment Strategy and Method of Analysis*

As described above, Financial Intermediary is responsible for the creation of series of models with varying asset allocations and risk profiles. Fortigent conducts initial and ongoing due diligence on Research Providers that provide their own model portfolios. Fortigent has designated Overlay Managers (which may be LPL or Fortigent) responsible for performing the buy/sell transactions.

#### *Risk of Loss - General*

All investing involves a risk of loss and the investment strategy offered by Fortigent could lose money over short or even long periods. Performance could be negatively impacted by a number of different market risks including, but not limited to, management techniques used by Fortigent may not produce the desired results. This could cause accounts to decline in value. In addition, Fortigent may inadvertently rely on information that is inaccurate. Fortigent selects investments based, in part, on information provided by Research Providers to regulators or made directly available to Fortigent by the Research Providers or other sources. Fortigent is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and a result in losses.

#### *Potential Risks of Investing With Mutual Funds, ETFs and Bonds:*

**Redemption Fee Risk** - A mutual fund redemption fee, also referred to as a “redemption fee,” “market timing fee,” or “short-term trading fee,” is a charge by a mutual fund company to discourage investors from making a short-term purchases and sales of mutual fund shares. Clients may incur redemption fees in the event that a model update is implemented, as Fortigent and the Overlay Manager do not consider individual Client holding periods when implementing model changes to Client portfolios. Redemption fees vary by mutual fund and are described in each mutual fund’s prospectus. Imposition of redemption fees can have a material impact on the performance of Access Overlay Program accounts.

*Stock Market Risk* - The mutual funds that invest in equity securities are subject to stock market risk. Stock market risk is the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Investing in small and medium-sized companies involves greater risk than is customarily associated with more established companies. Stocks of such companies may be subject to more volatility in price than larger company securities.

*Foreign Securities Risk* - Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency conversion; and pricing factors affecting investment in the securities of foreign businesses or governments.

*Interest Rate Risk* - Bonds also experience market risk as a result of changes in interest rates. The general rule is that if interest rates rise, bond prices will fall and so will the mutual fund's share price. The reverse is also true: if interest rates fall, bond prices will generally rise.

A bond with a longer maturity (or a bond fund with a longer average maturity) will typically fluctuate more in price than a shorter term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

*Credit Risk* - Bonds and bond mutual funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, have limited credit risk, while securities issued or guaranteed by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk. Of course, bonds with lower credit ratings generally pay a higher level of income to investors.

*Liquidity Risk* - Liquidity risk exists when a particular security is difficult to trade. A mutual fund's investment in illiquid securities may reduce the returns of the mutual fund because the mutual fund may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets at all.

*Call Risk* - Many fixed income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are low. Accordingly, holders of such callable securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund would reinvest the proceeds of the payoff at current interest rates, which would likely be lower than those paid on the security that was called.

*Objective/Style Risk* - All of the mutual funds are subject, in varying degrees, to objective/style risk, which is the possibility that returns from a specific type of security in which a mutual fund invests will trail the returns of the overall market.

*U.S. Government Agency Securities Risk* - Securities issued by U.S. Government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. If a government-sponsored entity is unable to meet its obligations, the securities of the entity will be adversely impacted.

## **Item 9. Disciplinary Information**

Fortigent and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a Client's evaluation of the company or its personnel.

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

Fortigent has affiliated entities that provide a variety of investment related services as further described below.

Fortigent's indirect owner, LPL Financial Holdings Inc. (NASDAQ: LPLA), is a publicly traded company. Fortigent and LPL Financial LLC ("LPL") are related persons. LPL is an investment adviser registered with the SEC. LPL also is a broker-dealer registered with FINRA and the SEC.

As a broker-dealer, LPL transacts business in various types of securities, including mutual funds, stocks, bonds, commodities, options, private and public partnerships, variable annuities, real estate investment trusts and other investment products. LPL is registered to operate in all 50 states and has primarily an independent-contractor sales force of registered representatives and investment adviser representatives dispersed throughout the United States. LPL is also registered as a transfer agent with the SEC and as an Introducing Broker with the Commodity Futures Trading Commission. In addition, LPL is qualified to sell insurance products in all 50 states.

LPL registered representatives may be associated with third party investment advisers, as an outside business activity. From time to time, such investment advisers may enter into agreements with Fortigent for research and reporting services.

Certain associated persons of Fortigent serve on advisory boards of Financial Intermediaries of Fortigent. In this capacity, these individuals may be asked to consult with the Financial Intermediaries' management on business planning and strategy, among other issues. Fortigent believes that no conflicts of interests arise in having its associated persons serve on the advisory boards of its Financial Intermediaries as these Financial Intermediaries do not receive any financial benefit from Fortigent as a result of its associated persons serving on these advisory boards.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Fortigent has adopted the LPL code of ethics. The LPL code of ethics includes guidelines regarding personal securities transactions of its employees. The code of ethics permits LPL employees to invest for their own personal accounts in the same securities that LPL purchases for clients in program accounts. This presents a conflict of interest because trading by an employee in a personal securities account in the same security on or about the same time as trading by a client can disadvantage the client. LPL addresses this conflict of interest by requiring in its code of ethics that LPL employees report certain personal securities transactions and holdings to LPL. LPL has procedures to review personal trading accounts for front-running. In addition, employees in various LPL departments are required to obtain pre-clearance prior to purchasing certain securities for a personal account. Employees are also required to obtain pre-approval for investments in private placements and initial public offerings. A copy of the Code of Ethics is available to clients or prospective clients upon request and is available on LPL's website [www.lpl.com](http://www.lpl.com).

## Item 12. Brokerage Practices

### Services to Financial Intermediaries

Financial Intermediaries may choose any custodial and trading partner. From time to time, Fortigent may recommend to its Financial Intermediaries that the Financial Intermediary Clients establish brokerage accounts with third party custodians such as the Schwab Institutional division of Charles Schwab & Co., Inc., Pershing Advisory Solutions, LLC, Fidelity Institutional Wealth Services or TD Ameritrade to maintain custody of Financial Intermediary Clients' assets and to effect trades for their accounts. These custodians may provide Financial Intermediary Clients with access to institutional pricing and operations services typically not available to retail investors.

These custodians may also make available to Fortigent other products and services that benefit Fortigent and may not benefit the Financial Intermediaries or the Financial Intermediary Clients. Some of these other products and services assist Fortigent in administering the Financial Intermediary Clients' accounts. These include software and other technology that provide access to Client account data (such as trade confirmations and account statements), provide research, pricing information and other market data, and assist with back-office support, recordkeeping and Client reporting. Many of these services generally may be used to service all or a substantial number of Financial Intermediary Clients' accounts, including accounts not maintained at said custodian. In addition, Fortigent receives sponsorships for its forums from certain custodians recommended to Financial Intermediaries and Access Overlay Clients. Fortigent discloses all sponsors at the forums or upon request.

This creates a conflict of interest since Fortigent has an incentive to recommend these custodial and trading partners based on the above described benefits it receives, rather than on the most favorable execution that may be available for clients. However, Fortigent mitigates this conflict through the independence of its research and due diligence process.

Fortigent may receive referrals of Financial Intermediaries from certain custodians recommended to Financial Intermediaries, Access Overlay. This creates a conflict of interest since Fortigent has an incentive to recommend these custodians based on the referrals they provide. Fortigent mitigates this conflict through the independence of its research and due diligence process, which never contemplates referrals when considering a custodian to recommend to Financial Intermediaries, Access Overlay and Access Overlay II Clients. Fortigent maintains policies and procedures that protect the independence of its research and due diligence process.

### Access Overlay Unified Managed Account Program

Fortigent may delegate all trading responsibilities to Overlay Manager Parametric or may not delegate. Because of the nature of the Access Overlay Program, Overlay Managers will cause the trading in these accounts to occur at the custodian selected by the Client except in cases where Overlay Manager determines that execution is required to be done away from the custodian selected by the Client. Currently, Clients may choose among firms such as Charles Schwab & Co., Inc., Fidelity Institutional Wealth Services, TD Ameritrade, Pershing Advisor Solutions, LLC, SEI Investment Company, Inc. or City National for custody services.

Accordingly, the Overlay Managers will not be able to negotiate the terms and conditions (including, but not limited to, asset-based or transaction-based commission rates) relating to the services provided by such broker or custodian. The Overlay Managers do not have any responsibility for obtaining for the Client from any such broker or custodian the best prices or particular commission rates with or through any such custodian, Fortigent or Overlay Managers will make best efforts to honor advisor directed brokerage requests but may execute trades with other brokers in their discretion.

The Overlay Managers generally aggregate securities sale and purchase orders for a Client with similar orders being made contemporaneously for other Clients. When orders are aggregated, the average price of all securities purchased or sold in such transactions may be determined and a Client may be charged or credited, as the case may be, the average transaction price. As a result, however, the price may be less favorable to the Client than it would be if similar transactions were not being executed concurrently for other Clients.

## **Item 13. Review of Accounts**

### Services to Financial Intermediaries

The performance of managers, private funds, mutual funds and ETFs is monitored on an ongoing basis and typically reviewed by LPL's Research Department. The LPL Research Department is also responsible for the day-to-day review of model portfolios consisting of manager sleeves, mutual funds, and/or ETPs. Factors which may trigger a review include changes in performance or advisory fee as well as political and economic events. The recommended list on the Fortigent portal, which is available to all Financial Intermediaries, is updated as necessary.

Most of Financial Intermediaries receive Financial Intermediary Clients' performance reports on a quarterly basis. The performance reports provide a summary of account-based investment performance for the applicable quarter may then be forwarded by the Financial Intermediaries to their respective Financial Intermediary Clients.

### Access Overlay Unified Managed Account Program

The LPL Research Department performs initial and ongoing due diligence on Research Providers, mutual funds, and ETFs participating on the platform.

Access Overlay Clients receive quarterly performance reports prepared by Fortigent. Such reports are provided to the Clients directly by their Financial Intermediaries. These reports detail the Client's positions, gains and losses, income and expenses, and the performance the account. Access Overlay Clients receive statements directly from the custodian on a monthly or quarterly basis.



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

### General

Fortigent provides discounts to the fees a Financial Intermediary pays Fortigent under the Services Agreement based on, among other factors, the level of the Financial Intermediary's business relationship with Fortigent.

Fortigent receives referrals of Financial Intermediaries from certain custodians recommended to Financial Intermediaries or Access Overlay Clients. This creates a conflict of interest since Fortigent has an incentive to recommend these custodians based on the referrals they provide. Fortigent mitigates this conflict through the independence of its research and due diligence process, which never contemplates referrals when considering a custodian to recommend to Financial Intermediaries or Access Overlay Clients. Fortigent maintains policies and procedures that protect the independence of its research and due diligence process.

### Trade Errors

Fortigent will seek to correct trade errors in Access Overlay accounts to make the Client whole as if the error did not occur. It is Fortigent's standing policy, however, to donate any gains resulting from trade errors to charities selected by Fortigent on an annual basis. It is important to note, however, that Trade Error corrections may depend on the Trade Error Policy of the selected Custodian.

## **Item 15. Custody**

### **Access Overlay Unified Managed Account Program**

All Access Overlay Client assets are held in custody by unaffiliated broker/dealers. Access Overlay Clients should receive account statements no less than quarterly from the broker/dealer that holds and maintains the Client's Access Overlay assets. Fortigent urges you to carefully review such statements as your official custodial records and to compare these with any account statements provided to you by your Financial Intermediary. The Financial Intermediary performance reports vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16. Investment Discretion**

Fortigent does not assume discretionary authority to manage securities accounts on behalf of any clients.

### Services to Financial Intermediaries

Given that Fortigent does not provide investment recommendations directly to Financial Intermediary Clients, Fortigent assumes no responsibility or liability for any advice and/or recommendation rendered by Financial Intermediaries to their Financial Intermediary Clients.

### Access Overlay Unified Managed Account Program

Fortigent may delegate all trading responsibilities to Overlay Managers, or may not delegate. However, Fortigent retains the authority to select the Research Providers, mutual funds, and ETFs to be used in the Client accounts by making adjustments to the models. The Overlay Manager(s) may choose to implement adjustments to accounts as a result of changes to models at its sole discretion and in accordance with its tax efficient management strategy, when applicable.

## **Item 17. Voting Client Securities**

### Access Overlay Unified Managed Account Program

Fortigent or the Overlay Manager is responsible for voting proxies for Access Overlay. With regard to Access Overlay, the Overlay Manager, Parametric Portfolio Associates, LLC conducts all proxy voting activities on behalf of Access Overlay Clients. For information on Parametric's proxy voting policy relied upon by Fortigent or how prior proxies were voted, please contact Fortigent.

Upon written request, Clients can also take responsibility for voting their own proxies, or can give the Overlay Manager instructions about how to vote their respective shares. Additionally, some Financial Intermediaries may vote proxies for their Clients. Please consult your Access Overlay Program Agreement to determine who is voting proxies for your account.

With regard to all matters (other than proxies) for which shareholder action is required or solicited with respect to securities beneficially held in the Access Overlay Clients' accounts, such as (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) bankruptcies or reorganization, Clients shall remain responsible for taking action on their own behalf, and Fortigent affirmatively disclaims responsibility for electing/voting (by proxies or otherwise) on such matters and will not take any action with regard to such matters.

## **Item 18. Financial Information**

Fortigent has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Client accounts.