



HoyleCohen
WEALTH MANAGEMENT

ADV Part 2A – Disclosure Brochure

March 30, 2020

This ADV Part 2A (“Brochure”) provides information about the qualifications and business practices of HoyleCohen, LLC (“HC”). If you have any questions about the contents of this Brochure, please contact HC’s Chief Compliance Officer, Mark Delfino, at (858) 576-7300. 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.

HC is a Registered Investment Adviser (“RIA”). Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser simply provide you with relevant information to use in evaluating an Adviser in the process of considering whether or not to hire or retain them.

Additional information about HC is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by an identifying number, known as a CRD number. The CRD number for HC is 141125.

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2. Material Changes

The following change has been made to this Brochure since its last annual filing on March 31, 2019, as defined by SEC rules and requirements:

- In the first quarter of 2019, HC made the decision to consolidate its client accounts to a single qualified custodian, Charles Schwab & Co., Inc. (“Schwab”). As such, over the course of 2019, the vast majority of HC client assets housed in accounts at Millennium Trust Company and TD Ameritrade were transferred to Schwab. HC retains discretionary authority over a single account at Millennium Trust Company in order to facilitate the distribution of assets held therein to account beneficiaries. For all other managed accounts previously held at Millennium Trust Company, assets were either transferred to Schwab and accounts closed, or HC’s discretionary authority was removed from the accounts and they are now managed personally by the clients who own them.

HC will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of HC’s fiscal year. HC will further provide clients with a new Brochure as necessary based on new information or upon request.

Clients may request a copy of this Brochure at any time by contacting Mark Delfino, Chief Compliance Officer, or Heather England, Director of Compliance, at (858) 576-7300. Additional information about HC is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any HC affiliated persons who are registered, or are required to be registered, as Investment Adviser Representatives (“Advisors”) of HC.

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4. Advisory Business

HC has been providing advisory services (through it and its predecessor) since 2001.

As of December 31, 2019, HC managed \$1,936,470,498 in assets on a discretionary basis within its standard investment platform. In addition, HC had \$205,864,670 in assets either in transition or outside of its standard platform as of this date.

Advisory and Investment Management Services

HC provides investment advisory services on a discretionary basis which include, among other things: the management of individual securities, mutual funds and ETFs that have been recommended and approved by the HC Investment Committee Advisory Board (“IC”). HC also permits non-discretionary accounts and client-imposed restrictions on certain investments in limited or special circumstances. In addition, HC conducts due diligence on and recommends third-party managers and/or private investment strategies and may facilitate investment in such programs for clients for whom these investments are appropriate. A client’s investment with a third-party manager is managed via a sub-advisory agreement, whereby HC allocates authority to the third-party manager to allocate client assets. In the case of certain private investment funds and other investment programs, while HC may make recommendations to the client, investment ultimately requires the client’s explicit and affirmative authorization.

HC allocates a client’s investment assets among various asset classes and securities in accordance with the client’s specific goals, time horizon and investment constraints. In furtherance of this goal, HC may use various tools, including software, to evaluate portfolio designs. HC works with new clients to develop a plan for transitioning assets from their existing investments to the portfolio recommended by HC. Each client’s portfolio is periodically reviewed and rebalanced or adjusted when deemed appropriate. HC interacts with each client regularly via meetings, phone calls, emails and other means of communication to ensure each client’s needs and objectives are appropriately reflected in the portfolios HC manages on their behalf.

Wealth by Design™

HC helps clients understand their total wealth picture through the Wealth by Design™ process. HC works with clients to review their net worth and total investable assets on a global level, irrespective of the portion of those assets that HC has been retained to manage. This may include services, based on need, such as:

- Income tax and estate tax planning
- Retirement and college financial planning

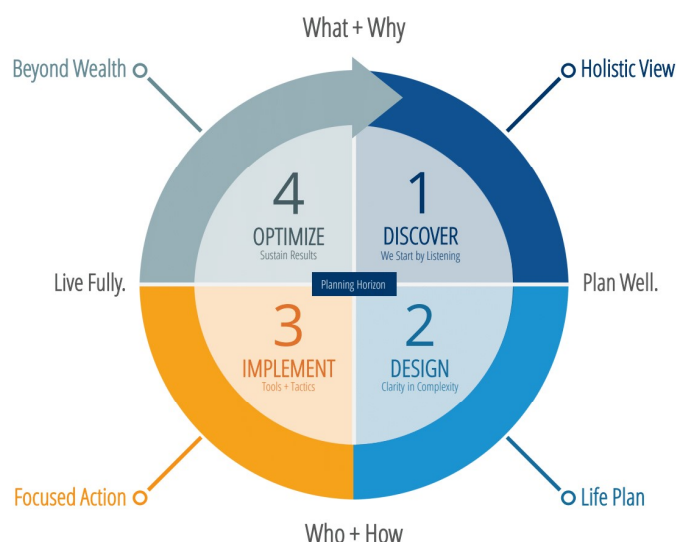
- Family legacy planning
- Personal cash flow analysis
- Risk and insurance analysis
- Charitable intent and capacity
- Design of retirement plans and trusts
- Business interest/sale or real estate sale/rental analysis
- Special investment program due diligence and monitoring
- Coordination and oversight of family wealth plan execution ('loose ends')

As part of these services, HC clients have access to a secure client portal which allows clients to view information about their investment assets including holdings, values and asset allocation, as well as provides an electronic vault for valuable wealth-related documents like wills, trusts, tax returns, insurance documents and financial plans.

HC also offers new clients an opportunity to engage in an initial planning process through which a written financial plan is developed and discussed prior to implementation of the recommendations in the plan. These initial planning services are typically performed for a separate planning fee that is determined based on the scope of the engagement and work required. Subsequent planning services are included in HC's ongoing advisory fee. Projects beyond routine advisory services (including but not limited to: multi-family meetings, written/video Family Financial Philosophies, etc.) may be performed as needed for a separate fee as agreed in advance by HC and the client.

HC cannot and does not replace or represent the client beyond discretionary investment management. HC will help oversee, advise on and coordinate implementation of HC's planning recommendations, and HC will execute the transition of client assets from their existing investments to those recommended by HC if they so choose. Actual implementation of HC's planning recommendations is left to a client's discretion. Other professionals representing a client – attorneys, accountants, insurance agents, other advisors – may need to be involved in the implementation of some of the recommendations presented to the client by HC. HC suggests clients work closely with these professionals to implement pertinent aspects of their plan. HC is available to make recommendations of trusted professionals to assist clients and coordinate with other trusted professionals.

HC's four-phase Wealth by Design™ process is depicted graphically below:



Over 90% of HC's revenue are attributable to billings for continuous advisory and investment management services with less than 10% attributable to one-time advisory services including, but not limited to: initial planning or special program projects.

ERISA Plan Clients

HC is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. HC is also a fiduciary under the Internal Revenue Code (the "IRC") with respect to investment management services and investment advice provided to ERISA plans, ERISA plan participants, IRAs and IRA owners (collectively, "Retirement Account Clients").

With respect the firm's ERISA plan clients, HC provides co-discretionary services – that is, HC makes the final investment decisions for these plans in collaboration with plan clients. As such, HC is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption (a "PTE"). HC also provides non-fiduciary services to ERISA plan participants in the form of education during open enrollment.

Focus Operating, LLC and Focus Financial Partners, LLC, and Focus Financial Partners, Inc.

HC is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, HC is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. (“Focus Inc.”) is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc. As of the end of 2019, investment vehicles affiliated with Stone Point Capital, LLC (“Stone Point”) had a greater than 25% voting interest in Focus Inc., and Stone Point had the right to designate two of seven directors on the Focus Inc. Board. As of the end of 2019, investment vehicles affiliated with Kohlberg Kravis Roberts & Co. L.P. (“KKR”) had a less than 25% voting interest in Focus Inc., and KKR had the right to designate one of seven directors on the Focus Inc. Board.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, business managers and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

HC is managed by Mark Delfino, Elisabeth Cullington, Peter Mueller and Troy Waters pursuant to a management agreement with Focus. HC’s Principals serve as officers of HC and are responsible for the management supervision and oversight of HC.

5. Fees and Compensation

Fees for Advisory and Investment Management Services

Prior to providing advisory and investment management services, HC agrees on the fee arrangement with each client, which will vary. Most clients pay HC annual fees based on assets under management (“AUM”). Some clients pay HC an annual flat fee. These fees include the ongoing advisory services described earlier as they pertain to each client’s situation. Fees for clients based on AUM are generally determined according to the following fee schedule. HC reserves the right to charge a minimum fee, reduced fee or no fee.

<u>Total Assets Under Management</u>	<u>Annual Fee</u>
On the first \$500,000	1.50%
On the next \$2,500,000	1.00%
On the next \$2,000,000	0.80%
All assets over \$5,000,000	0.60%

HC's charges clients on a quarterly basis in advance. When calculating fees on accounts based on a percentage of total AUM, the value of the assets on the last day of the prior period is used. The quarterly percentage is one fourth of the annual percentage and is charged in advance.

HC has internal processes for checking and validating the accuracy of its fees, but each client is responsible for independently verifying the accuracy of the fee calculation and it is strongly recommended that clients review statements from their designated custodian. Fees may be prorated in the first partial quarter or the last quarter of the relationship, subject to HC's discretion. Lower fees for comparable services may be available from other sources.

HC may offer a discounted fee or waive fees entirely for employees of the firm and family members of firm employees.

Fees for New Client Planning Process or Special Projects

HC strongly recommends that new clients engage in the Wealth By Design™ planning process, however it is not a requirement of becoming a client of the firm. Fees for these services will be charged as a fixed fee, typically ranging from \$2,500 - \$10,000 depending on the nature and complexity of the circumstances and work involved. Up to 100% of this fee may be due upon signing an agreement with HC with any balance due upon presentation of the plan or project completion. As described above, existing clients may require services outside the scope of the ongoing advisory services. If so, clients will be charged a mutually agreed-upon fixed fee for those services. In all instances, fees and the timing of payment are agreed to by the client in advance. These fees do not replace HC's Investment Management and Advisory Fee or non-HC costs related to underlying investments or custodians as described in this Brochure.

Either HC or a client may terminate an advisory relationship at any time, for any reason, upon giving written notice. No fee is ever paid more than six months in advance for work that has not been completed. HC may amend client fees upon advance written notice to the client, subject to the clients' right to terminate HC's services at any time by providing written notice.

6. Performance-Based Fees and Side-By-Side Management

HC does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). All fees are calculated as described above and are never charged on the basis of income, capital gains or capital appreciation of the assets or any portion of the assets of an advisory client. As disclosed under Item 4, HC may utilize sub-advisers in its management of client accounts. The decision to recommend any manager or any investment remains with HC, however the decision to participate in any investment remains with the client. Certain sub-advisers selected by HC may charge performance-based fees, however, HC does not share in any such performance-based fees.

7. Types of clients

HC provides advisory services primarily to individuals, pension plans, profit-sharing plans and charitable organizations. HC requires a minimum of \$500,000 in aggregate investment for new clients but prefer clients who meet an Accredited Investor standard based on net worth or income. HC reserves the right to waive its stated minimums or charge a minimum annual fee for accounts that fall below this amount.

8. Methods of Analysis, Investment Strategies and Risk of Loss

Investment Approach

The HC investment approach combines a blend of investment strategies into a proprietary investment platform called **CorePlus**. All platform investments made or recommend by HC under the terms of this agreement have been assessed, reviewed and approved by the HC Investment Committee. An Advisory Board, composed of HC Advisors and Financial Planners, oversees the IC to ensure that the IC's investments and actions are in the best interests of HC's clients. The intent is to delegate investment related decisions to an experienced investment committee. The HC IC includes HC Advisors who serve clients and is led by staff whose primary duties include investment-related research and recommendations. The CorePlus investment platform consists of various building blocks that are available to Advisors to create portfolios for each client they serve. The result is a variety of customized portfolios that Advisors build to position each client for financial security and wealth accumulation with the goal of meeting his or her objectives over both the short and long term.

The Investment Department studies various sources of research to analyze potential asset class returns and to identify specific asset classes and securities intended to perform as needed from a

risk/return perspective over a multi-year planning horizon. As conditions change, HC may allocate more to asset classes believed to be undervalued and less to rapidly appreciating asset classes that are deemed overvalued. Adjustments will also be made if allocations become misaligned relative to client risk or policy.

IC approval is required to add investments to the HC platform and subsequently recommend them for use in client portfolios. The HC IC selects individual investments based on a number of factors, including fundamental and valuation analyses. Investments are also evaluated with respect to their tax consequences and may be allocated to taxable or tax-deferred accounts in an effort to minimize overall tax impacts. A host of research tools and services, including Morningstar for mutual fund analysis and Bloomberg services for individual securities, are used. HC also conducts customized diligence on special strategies executed by third-party managers or in private fund format. Initial due diligence for these types of investments routinely involves hundreds of hours of research over many months.

HC builds portfolios for each client based on a set of risk/return assumptions and asset allocation parameters. The end goal is to create portfolios for each client that are designed to optimize the likelihood of the desired outcomes based on that client's objectives and tolerance for risk.

The 'Core' portion of HC's CorePlus investment platform consists of mutual funds, ETFs and/or individual securities. The 'Plus' aspect includes a variety of more specialized investment strategies and programs. Plus strategies are only recommended based on a strict suitability criteria. They include, but are not limited to, strategies designed to: 1) generate consistent income in relatively low interest rate environments, 2) diversify into real estate or out of concentrated positions, 3) reduce high federal and state tax burdens. Strategies may take advantage of periodic dislocations in financial markets or provide access to income and/or growth opportunities not readily available in publicly traded markets.

Core components of a client's portfolio often represent the majority – and in some cases, all – of a client's investment assets. No client is required to utilize Plus strategies, but many clients chose to invest in one or more of these strategies. The CorePlus platform is intended to provide a variety of ways for HC Advisors to meet client needs.

Risk of Loss and Other Investment Risks

Investing 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 (mutual funds, ETFs and individual bonds and securities), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities 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.

Among the most speculative mutual funds and individual securities used in HC's investment strategies funds are those with exposure to small capitalization and growth-oriented equities. Certain investments utilized by HC may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

High yield and emerging market debt have a higher degree of credit risk than conservative fixed income securities which have lower risk of loss of principal. However, most bonds (with the exception of Treasury Inflation Protected Securities, or TIPS) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.

As part of its advisory services, HC may recommend investments into direct real estate, mortgage notes, residential mortgage backed securities, Master Limited Partnerships (MLPs) and other private funds or special account programs. Because many of these strategies concentrate their investments in areas associated with the real estate industry, they may be exposed to greater concentration risk than the core model portfolios of mutual funds, ETFs and individual securities. Additional risks that investors should be aware of include: credit risk, prepayment risk, possible illiquidity and default risk, as well as increased susceptibility to adverse economic developments.

Risks specifically associated with private funds on the HoyleCohen platform

HC offers a host of private funds to its clients based on suitability. HC believes the non-traditional asset classes accessed by these private funds offer the potential for diversification and superior risk-adjusted returns.

HC works diligently to identify opportunities, select proven managers, and negotiate favorable terms for its clients (such as reduced fees, redemption penalties and/or minimums) that are often unavailable to retail investors. After substantial upfront initial due diligence involving several months and many hours of collaborative internal review, HC may decide to add a fund to its platform of approved investments. The process includes a structural, strategic, administrative, performance, risk, legal and reference review. HC provides ongoing diligence and oversight for its clients, conducting quarterly calls with each fund manager, and performing on-site visits.

Allocations to individual strategies vary by client suitability and circumstance but can collectively represent a meaningful portion of a client's total account portfolio. HC has strict guidelines and procedures for determining and monitoring allocation to these strategies individually, by manager and overall.

Each private fund exhibits its own unique set of characteristics, risks and rewards, and thus will not be suitable for all investors. Some funds have additional suitability requirements such as Accredited Investor, Qualified Client or Qualified Purchaser status as determined by the SEC, which HC also adheres to when making recommendations to clients. Advisors will determine which private funds, if any, are suitable by comparing each client's risk profile and investment needs to the risk/return features of each private fund.

Risks specifically associated with structured products

HC's Structured Products Program provides a way for HC to offer clients unique risk/return characteristics not broadly available through more conventional investment strategies. HC works directly with major banks to issue structured products designed to its specifications.

Every structured product will not be suitable for all investors. Each structured product exhibits an entirely different set of characteristics, risks, and rewards. It is possible individual clients may not participate in all structured products HC researches or offers. Advisors will determine which products, if any, are suitable on a client-by-client basis by comparing each client's risk profile and investment needs to the risk/return features of each structured product. While it is the intent of HC to hold most structured products until maturity, the ability to buy or sell allows HC to lock in gains or mitigate additional risks prior to maturity. Each structured product will have a prospectus and pricing supplement that contains a detailed explanation of risks, tax treatment, and other relevant information about a given offering. This information will be distributed by the custodian and made available to any client who is considering participating in a given offering.

Structured products are unsecured corporate debt issued by banks. Like traditional corporate bonds, they are subject to the risk of issuer default. They carry the credit rating of the issuing bank and participate equally (*pari passu*) with the issuer's other unsecured and unsubordinated obligations. However, barring any issuer credit incident, the terms of each structured product typically result in performance that is tied to other underlying indices and thus are not highly correlated with traditional bonds. For instance, the payout of a structured product might be linked to the performance of an underlying equity index, such as the S&P 500 Index. In addition, the same structured product might absorb some of the downside movement in that index in order to mitigate risk while also limiting or capping the maximum return through the product's stated maturity. The issuing bank typically creates the desired performance characteristics of each structured product by buying and/or selling a set of option positions.

While structured products may be new to many investors, the strategies and tactics behind them are similar to those in more widely used investment products. The structured products HC incorporates into its portfolio allocations have risk/return features which are subject to ongoing scrutiny by the

HC IC to ensure they are suitable for the client and appropriate for the potential investment environment during the life of the product.

Cybersecurity

The technology systems, networks and devices used by HC and vendors who provide services to HC and its clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks and devices do bear the risk of breach, and client could be negatively impacted as a result of such a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by HC and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

HC devotes significant resources to cybersecurity in an effort to mitigate these risks. With regard to the technology systems themselves, periodic testing, including penetration testing and vulnerability scanning, are performed regularly. HC engages IT professionals for 24/7 network monitoring. HC has also established procedural controls to address the issue of cybersecurity. The firm performs annual due diligence on all vendors with access to client data and completes compliance and accounting controls testing annually. In addition, HC staff training focuses heavily on cybersecurity and data protection.

9. Disciplinary Information

Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HC or the integrity of HC's management. Neither

HC nor any of its Advisors have been the subject of any material legal or disciplinary events applicable to this item.

10. Other Financial Industry Activities and Affiliations

As disclosed under Item 4, HC may select other sub-advisers on behalf of clients for management of specific investment strategies or styles. HC only selects unaffiliated investment advisers as part of this process, and in addition to the fee (management and/or performance-based) charged by the sub-adviser to the client, HC charges a management fee as agreed to with the client in the advisory agreement. As HC does not share in any fees charged by a sub-adviser, the potential conflict of interest inherent in such arrangements does not exist.

As noted above in response to Item 4, HC is part of the Focus Financial Partners, LLC (“Focus”) partnership. As such, HC is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”). The Focus Partners provide wealth management, benefits consulting and investment consulting services, to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, limited liability companies or investment companies as disclosed on their respective Form ADVs.

HC’s clients are not solicited to invest in any other Focus Partners’ advisory services, and generally Focus Partners do not recommend securities, services, or other investment products of other Focus Partner firms, unless so disclosed on their respective Form ADVs and with the clients’ informed consent, nor are any transactions executed through another Focus Partner’s affiliated broker dealer. Further, the Focus Partners do not market their services or share client information amongst each other without prior client consent. Management of other Focus Partners are not involved in the management of HC.

As noted above in response to Item 4, certain investment vehicles managed by Stone Point collectively are principal owners of Focus LLC and Focus Inc., and certain investment vehicles managed by KKR collectively are minority owners of Focus LLC and Focus Inc. Because HC is an indirect, wholly-owned subsidiary of Focus LLC and Focus Inc., the Stone Point and KKR investment vehicles are indirect owners of HC. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of HC’s business.

HC does not believe the Focus partnership presents a conflict of interest with its clients. HC has no business relationship with other Focus Partners that is material to its advisory business or to its

clients. All related investment advisers and broker dealers and additional information about Focus can be found at www.focusfinancialpartners.com.

Pursuant to preexisting agreements with Focus and HC, one Advisor of the firm is permitted to solicit a limited number of HC clients for participation in investments that the particular Advisor is involved in outside of the HC Platform. This Advisor may also have an interest (i.e. receive compensation) in these investments. This agreement represents a potential conflict of interest as the Advisor may stand to benefit personally from investments recommended to this select group of clients.

HC attempts to mitigate any such conflict by providing full transparency of the conflict and how the Advisor may stand to benefit from these investments to the clients considering them. Participating clients are also provided written disclosures of these conflicts at the time they make their initial investment. Disclosures are recertified by participating clients on any changes in the Advisor's compensation structure with regard to these investments. Participation (both by Advisors and clients) in these types of investments is also narrowly limited in scope. No Advisors outside of the one who is subject to this preexisting agreement are permitted to solicit clients for investments outside of the HC platform. Other HC clients may not be solicited for these investments; only those who were specifically named in the original agreements may be approached about such investment opportunities. HC does not believe that this conflict has widespread applicability as the vast majority of HC clients are not eligible for participation in the type of investments that give rise to this potential conflict.

In addition to advisory services, HC formerly offered some of its advisory clients various insurance services through HC Insurance Services, LLC ("HCIS"). HC no longer offers insurance services through HCIS. When in operation, compensation for insurance transactions executed through HCIS were separate from the compensation HC receives for its advisory services. This compensation was disclosed to the client before the transaction was completed and did not affect the cost of the insurance to the client. Some Advisors may still receive compensation for previously executed insurance transactions.

Several HC staff members hold seats on the board of non-profit organizations, some of which are affiliated with the investment management industry. Mark Delfino serves on the board of the Old Globe Theatre. Janet Acheatel serves on the boards of the Jewish Community Foundation of San Diego. Ellen Sawyer serves on the board of the Mission Bay High School Alumni Association. Robert Lopez serves on the UCLA Alumni Board. Kathy Siriwan serves on the board of the USC Second Decade Society. Rachel Luken serves on the executive board of the Parent Teacher Association of the Chaparral Elementary School. Vanessa Wieliczko serves on the board of the CFA Society San Diego. Jeremy Kovacevich serves on the Board of the Financial Planning Association of San Diego.

11. Code of Ethics

HC has adopted a written Code of Ethics which incorporates an insider trading policy. The Code of Ethics requires that HC Supervised Persons must:

- Put the interest of the clients first
- Conduct all personal Securities Transactions in compliance with the Code
- Keep information confidential
- Comply with federal securities laws
- Seek advice when in doubt about the propriety of any action or situation
- Report any violations of the Code promptly to the CCO or Director of Compliance

Partners, employees and Advisors of HC (“Supervised Persons”) may buy and sell securities and other investment products that may also be recommended to HC’s clients. Supervised Persons may undertake personal investment activities in direct opposition to recommendations made to clients if deemed appropriate and suitable for them. Preclearance is not required on personal security transactions. All Supervised Persons must provide a list of personal security holdings to the Director of Compliance annually. In addition, Supervised Persons must provide a list of all personal security transactions no less frequently than quarterly.

It is HC’s policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. HC 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 private 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.

The Code of Ethics specifically addresses HC’s general policy relating to insider trading: No supervised person may trade, either personally or on behalf of others (such as investment funds and private accounts managed by HC), while in the possession of material, nonpublic information, nor may any personnel of HC communicate material, nonpublic information to others in violation of the law. Adherence to this policy is ensured through the monitoring of employee trading, restricting employee access to non-public information and employee training on insider trading and how to

handle and report non-public information. HC will provide a copy of the Code of Ethics to any client or prospective client upon written request to HC's Chief Compliance Officer, Mark Delfino, at HC's San Diego home office address.

12. Brokerage Practices

As HC does not maintain custody of your assets that we manage (for details about custody, refer to Item 15 of this Brochure), your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Clients are required to transfer the assets they wish to place under management at HC to Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities only when you or we instruct them to. While we require that the assets we manage be custodied at Schwab, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with Schwab, then we cannot manage your account. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below.

HC retains discretionary authority over a single account held at Millennium Trust Company. This relationship exists to facilitate the liquidation and distribution of certain legacy assets only. As such, this custodian is not available for new client assets.

How we select custodians

We seek to employ a custodian that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Quality of services and client service team support

- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security and stability
- Prior service to HC and its clients

Your brokerage and custody costs

For HC client accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. For some accounts, Schwab may charge you an asset-based fee related to specific types of assets you may hold. Schwab's commission rates and asset-based fees applicable to HC client accounts were negotiated based on the commitment of HC clients collectively maintain a certain level of assets in accounts at Schwab. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be otherwise. In addition to these costs, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited in a Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute all the trades in your account. We have determined that having Schwab execute trades on your behalf is consistent with HC's duty to seek "best execution" of your trades.

HC regularly reviews Charles Schwab as chosen custodian to ensure this selection is consistent with HC's fiduciary duty. Schwab's trading platform is essential to HC's service arrangements and capabilities, and HC may not accept clients who direct the use of other brokers. HC has evaluated Charles Schwab and believes that it will provide HC clients with a blend of execution services, commission costs and professionalism that will assist HC in obtaining best execution for transactions. On at least an annual basis HC performs a review of Charles Schwab against other peer firms to confirm that clients are receiving best execution. HC has also established a direct relationship with American Funds to act as custodian for client 529 Plan accounts. When the custodian receives sufficient assets and the client and HC have agreed upon the investment strategy, HC will begin management of the client's account and begin initiating transactions as appropriate. HC may also establish direct relationships with others from time to time as it sees fit.

When trading client accounts, errors may periodically occur. It is HC's policy to make whole any client who has experienced a trade error caused by HC. In situations where a trading error causes a gain in a client's account that exceeds \$100, Charles Schwab will donate the erroneous gain to charity. HC's policy is meant to ensure that clients are, at a minimum, placed in the position intended absent any error. Clients who invest in strategies managed by a sub-adviser are requested to review the disclosure document of that sub-adviser for complete information on the brokerage practices of that firm.

13. Review of Accounts

Reviews

Transactional client account detail is examined daily by Investment Operations and/or Advisory Team members in order to identify inconsistencies and to review the accuracy of securities trades, income distributions, cash balances, deposits or withdrawals. In addition, an electronic download from the client's custodian and software-based accounting system is used to reconcile accounts. Investment Operations staff do not make investment decisions or recommendations to clients. In the course of the daily review, if any of these personnel identify one of the above changes to an account, he or she will consult with an Advisor.

Advisors review client accounts as frequently as needed. Accounts for clients are rebalanced as necessary to bring the asset allocation back in line with recommended asset allocations and/or the client's investment objectives or policy statement. Advisors communicate with clients regularly and when client circumstances change to ensure client accounts are being managed consistent with client objectives.

The HC IC is responsible for reviewing, monitoring and recommending changes to investments on the HC investment platform. The HC IC may also recommend target allocations and/or specific strategies for certain objectives. The HC IC Advisory Board also meets regularly to discuss and to make decisions based on the IC's recommendations. Each Advisor assesses the HC IC's recommendations for applicability to each client situation. Global asset allocation, potential tax ramifications of investment changes and client-specific variables are considered prior to implementation.

Reports

In addition to the statements and confirmations of transactions that investment management clients receive from their account custodian, HC prepares and sends each client a report on a quarterly basis that provides the market value of assets under management, HC advisory fees, and investment performance. HC's standard process includes at least annual meetings between clients and their

Advisors either in person, on the phone or via a virtual meeting depending on client circumstances and preferences. Unless specified otherwise, planning and other issues that are part of HC's ongoing advisory services are typically addressed as part of this review process. Clients also receive reports showing annual performance and asset allocations at least once each year. Clients with explicit Investment Policy Statements are asked to review these statements annually. HC also provides each client an annual Privacy Notice.

14. Client Referrals and Other Compensation

Client Referrals

HC does not have any active arrangements whereby any entity or individual solicits or refers clients in exchange for financial consideration.

Other Valuable Services

As disclosed under Item 12 above, HC recommends Schwab to clients for custody and brokerage services. HC also participates in Schwab Advisor Services.[™] This platform is Schwab's business arm that serves independent investment advisory firms like HC. They provide HC and its clients with access to their institutional brokerage services (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 HC manage or administer its clients' accounts, while others help HC manage and grow its business. Schwab's support services are generally available on an unsolicited basis (HC does not have to request them) and at no charge to HC. Following is a more detailed description of Schwab's support services:

Services that benefit you. 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 HC might not otherwise have access or that would require a significantly higher minimum initial investment by its clients. Schwab's services described in this paragraph generally benefit you and your account.

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

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of HC fees from its clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services that generally benefit only HC. Schwab also offers other services intended to help HC manage and further develop its 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 succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab may provide some of these services itself. In other cases, it may arrange for third-party vendors to provide the services to HC. 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 HC with other benefits, such as occasional business entertainment of HC personnel.

HC has an agreement with Charles Schwab under which HC may receive “benefit dollars” towards technology, research marketing and compliance related expenses in exchange for maintaining a certain amount of client assets custodied at Schwab. This technology and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”), but is based on the total volume of assets custodied at Schwab by HC clients. These offerings may benefit HC, but not its clients directly.

Our interest in Schwab's services

The availability of these services from Schwab benefits HC because it does not have to produce or purchase them. HC does not have to pay for Schwab's services. This creates an incentive to recommend that you maintain your account with Schwab, based on HC’s interest in receiving Schwab's services that benefit its business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of

interest. HC believes, however, that its selection of Schwab as custodian and broker is in the best interests of its clients. The selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only HC.

In fulfilling its duties to its clients, HC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that HC's receipt of economic benefits from a broker-dealer creates a conflict of interest, as these benefits could theoretically influence the Firm's choice of one broker-dealer over another that does not furnish similar services.

Other Disclosures

As noted above, HC's parent company is Focus Financial Partners, LLC. From time to time, Focus Financial Partners, LLC holds partnership meetings and conferences, which typically include HC, other Focus firms, and external attendees. Those meetings are intended to provide training or education to personnel of Focus firms, including HC. However, the meetings may provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including HC. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause HC to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not serve as revenue for itself or any affiliate, including HC. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement. The following entities have provided conference sponsorship to Focus in the last year: Charles Schwab & Co., Inc., eMoney Advisors LLC, Envestnet Financial Technologies, Inc., Fidelity Brokerage Services LLC, Fidelity Institutional Asset Management LLC and Orion Advisor Services LLC.

15. Custody

HC does not take possession of client money or securities. However, because HC generally has the authority to deduct its advisory fees directly from client accounts as agreed in client contracts, it is deemed to have custody of client assets per SEC rules and regulations. Charles Schwab serves as custodian for client accounts and maintain actual custody of client assets.

Clients receive statements from the qualified custodian that holds and maintains a client's investment assets. HC urges clients to carefully review such statements and compare such official custodial records to the account statements that HC may provide. HC's statements may vary from

custodial statements based on accounting procedures, reporting dates, or valuation methodologies or timing for certain securities.

HC is also deemed to have custody of certain client assets by virtue of PIN and password access. Advisors have to assets of their clients held outside HC at the request of those clients. HC has engaged an independent public accountant to conduct an annual surprise exam of relevant investor funds and securities to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940.

16. Investment Discretion

HC determines which securities to purchase and in what amount in discretionary accounts under its direct management. Third-party managers or sub-advisers determine which securities to purchase and in what amount in client accounts that they manage. Any restrictions or limitations to HC's discretionary authority are established on a client-by-client basis.

Individual Security Trade Aggregation

Procedures have been developed for individual securities with the intention of providing reasonable assurance that a clear and consistent methodology is applied to the aggregation and allocation of investment opportunities and transactions. Once it is determined that a particular security should be purchased or sold for particular accounts, the number of shares to be traded for each account is determined. In determining the size of a client's order, consideration is given to factors such as, but not limited to: the size of the account, any legal or client-imposed investment restrictions, the cash position of the account and the role of the investment in the client's asset allocation strategy.

If HC decides to place a block trade of 10,000 shares or greater of a particular security in client accounts, trading personnel will inform staff the day before the trade is placed to offer employee participation in the trade. If HC personnel decide to purchase or sell the same security, they must place their trades through HC. Orders for HC personnel are aggregated with those for clients, but client orders are filled first.

If an aggregated order is filled in its entirety, it will be allocated among clients and HC personnel in accordance with the allocation statement; in the unusual circumstance where an order is partially filled, it will be allocated based on a rotational methodology using client names. HC personnel do not participate in such orders unless and until all client needs are satisfied.

Queue Process for Private Funds or Third-Party Managers

From time to time, the aggregate volume of client interest in a given private investment managed by a third-party manager may exceed the amount that manager is able to accept and invest, making it necessary to develop a queue to track the order in which client accounts will be funded in the

investment over time. In order to establish a fair and equitable process for determining priority in the investment queue, HC employs a series of internal documented procedures which outline how client priority in these queues is determined.

17. Voting Client Securities

HC's proxy policy is client specific. HC typically does not vote proxy statements on behalf of advisory clients served by HC's San Diego and Sacramento offices. For clients of these offices, it is each client's responsibility to vote proxies and participate in corporate actions of the securities they hold, if they so choose. Clients will receive applicable proxies directly from the issuer of securities held in clients' investment portfolios. HC's Santa Monica office will vote proxy statements on behalf of clients who request this service. In these instances, HC's Santa Monica office receives proxy materials from Charles Schwab and other brokerage firms for securities held in client accounts on behalf of those clients. Clients may request to receive duplicate informational copies of proxy materials or not. Proxy voting ballots represent each security in aggregate.

The HC Santa Monica Investment Sub-Committee has a process for reviewing proxy materials and deciding how to vote on each issue or initiative. Any IC member who has a direct or indirect interest in the issue presented for voting must recuse himself or herself from voting on that particular issue. HC keeps records of which securities were voted, how many shares of each security were voted, and how each share was voted, for all proxy clients. Clients who wish to vote their proxies in a specific way may do so by changing the voting authorization so that his or her shares are no longer included in the aggregated vote.

If HC has not been granted the authority to vote client securities, clients will receive their proxies or other solicitations directly from their custodians or transfer agents. A full copy of HC's Proxy Voting Policy and voting record is available upon request. Clients should contact Peter Mueller at the HC Santa Monica address with questions about a particular solicitation, or how HC voted their securities.

18. Financial Information

Advisors are required in this Item to provide you with certain financial information or disclosures about HC's financial condition. HC 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.