

Item 1 – Cover Page

Registered as PAX Financial Group, LLC | CRD No. 284164  
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May 26, 2020

## **WRAP Fee Program Brochure**

This wrap fee program brochure provides information about the qualifications and business practices of PAX Financial Group. If you have any questions about the contents of this brochure, please contact us at 210-881-5700 or [alex@paxfg.com](mailto:alex@paxfg.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.

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

## Item 2 – Material Changes

This Brochure dated March 26, 2020 reflects PAX Financial Group's interim updates to Form ADV Part 2A since its last annual update dated May 1, 2019. The following summarizes the updates and clarifications to the Brochure since its March 26, 2020 update:

PAX Financial Group is expanding its services to include a Retirement Consultation Program. We are excited to announce this new service model to align our services to the needs of our clients. We expect these added services to allow us the opportunity to serve clients/prospects in our capacity as Advisor. The implementation of this new service offering will continue over the course of 2019 and carry over into 2020. Additional information has been provided herein.

Material changes made previously include:

PAX Financial Group is expanding its selection of investment strategies offered through its Wrap Fee Program. We are pleased to announce a new line of service offerings with the use of Third-Party Money Managers. We expect this relationship to allow us to deliver new capabilities across our firm and service offerings. The implementation of this new service offering will continue throughout 2020. Additional information has been provided within Item 4, 5, 7 and 16 respectively.

We have streamlined and clarified the descriptions of our business practices throughout this Brochure.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year, if any do arise in the future. We may further provide other ongoing disclosure information about material changes as necessary. You may request a new brochure at any time and at no cost.

You can request a free brochure by calling us at 210-881-5700. You can also find out more about us and receive our current brochure from the SEC's website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The site can also give you information about people who are registered, or about to be registered, as Investment Adviser Representatives of our Firm.

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

### **Services**

PAX Financial Group, LLC (“PAX”) is a registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”) offering portfolio management services and retirement plan consulting services for individuals and high net worth individuals (together with their trusts and estates) and small businesses, corporations and their pension and profit-sharing plans (each referred to as a “Client”). PAX has been in business since 2007 and was originally founded by Darryl Lyons, Joseph Schuetze and Andres Gutierrez.

The Wrap Fee Program is an asset allocation program with multiple investment objectives sponsored by PAX, accounts are tailored to the individual needs of each Client. Each Client investment objective, suitability and other financial data will be taken into consideration. Accounts are reviewed on a regular basis and rebalanced as necessary according to each Client investment profile. Client may impose restrictions when investing in certain securities or groups of securities by indicating such restrictions within the written asset management agreement<sup>1</sup>. PAX may, at his/her sole discretion, decline to assist the Client with the implementation of investment strategies or purchasing of securities that have not been recommended or those securities which PAX deems not to be in the Client best interest.

As part of its Wrap Fee Program, PAX may recommend that all or a portion of the Client assets in an account be managed by a third-party money manager. If applicable, the Advisor will request discretionary authorization to select or change a strategy within any outside money manager relationships, in addition to changing the outside money managers entirely, without prior notice. Subsequently, the Client will pay the third-party manager an investment management fee out of plan assets directly which is separate from the Advisor fee. Fees range from 0%-1% and are collected quarterly and billed in advance calculated on the last day of each calendar quarter. When assets are contributed or removed during a quarter, Client incurs a pro-rated fee calculated in arrears, billed quarterly and/or monthly, based on the number of days the new assets were placed or removed in the account during a quarter. Reference Third-Party Money Manager ADV for more information.

Reference the PAX ADV for additional information regarding additional program accounts.

### **Wrap Fee Program**

Within the PAX Wrap Fee Program, Investment Advisor Representatives (“IARs”) provide ongoing investment advice and management on assets in the Client discretionary or non-discretionary account. IARs provide advice on the purchase and sale of various types of investments as mentioned herein.

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<sup>1</sup> A Client may request that securities or types of securities not be purchased, or that such securities be sold if held in the account. However, Client requests to purchase particular securities must be approved by the IAR. Note: PAX cannot change the mix of securities held by any mutual fund or ETF included in a Client account. We reserve the right, at our sole discretion, to reject any account should the Client request unreasonable or overly restrictive conditions. PAX may hold legacy account which include non-wrap fee program accounts (non-discretionary), however, future non-wrap fee program accounts may be accepted on a limited basis. Reference the distinction between both plans herein.

PAX makes available discretionary (with written authorization) and non-discretionary (without written authorization, if applicable) fee-based investment services for compensation. Any securities transactions executed by IARs of PAX shall be directed to the approved custodian(s) for execution.

IARs programs include Wrap and Non-Wrap Accounts. The accounts offer the same investment choices however the fee structure is different. Within a wrap fee program trading and execution costs are included in the wrap fee, however, they are not included within a non-wrap fee account. Most Clients participate in the Wrap Fee Program, however if approved<sup>1</sup>, Client may engage PAX on a non-wrap fee basis. The PAX fee for Wrap Fee accounts may be equivalent or higher than Non-Wrap accounts to take into consideration the transaction fees and frequency of trading anticipated. PAX receives a portion of the wrap fee and non-wrap fee for our services.

As mentioned herein, PAX may recommend that all or a portion of Client assets in an account be managed by a third-party money manager(s). If applicable, the Advisor will request discretionary authorization to select or change a strategy within any outside money manager relationships, in addition to changing the outside money managers entirely, without prior notice. Subsequently, the Client will pay the third-party manager an investment management fee out of plan assets directly which is separate from the Advisor fee. Fees range from 0%-1% and are collected quarterly and billed in advance calculated on the last day of each calendar quarter. When assets are contributed or removed during a quarter, Client incurs a pro-rated fee calculated in arrears, billed quarterly and/or monthly, based on the number of days the new assets were placed or removed in the account during a quarter. Reference Third-Party Money Manager ADV for more information.

We strive to disclose our material conflicts of interest herein. We mitigate our conflicts of interest by disclosing them to our Client, by conducting our operations in accordance with our fiduciary duty, by following our firm's code of ethics and through ongoing monitoring conducted by our chief compliance officer.

Other programs provided by the adviser may include, but not limited to:

- **Investment Management**
- **Third Party Investment Management**
- **Retirement and Financial Planning**
- **Retirement Consultation**
- **Financial Wellness Coaching**

Reference PAX's ADV for additional program(s) information.

As of March 26th, 2020, the firm has \$305,000,000.00 of discretionary assets and \$0.00 non-discretionary assets under management.

PAX does not charge performance-based fees or engage in side-by-side management.

### *Fees*

The services to be provided and fees charged to a Client are negotiated and are based upon a variety of factors which include but are not limited to: the particular circumstances of the Client, specific investment strategies requested by the Client, retirement planning needed, overall client relationship

including longstanding members, household account sizes and/or otherwise agreed upon with the Client. As a result, IARs may offer certain Client lower fees than other Clients.

The schedule below reflects the maximum fees charged to PAX advised Client. The specific annualized fee charged is set forth by the Client and Adviser respectively.

Amount	Fee
\$0 - \$199,000	1.60%
\$200,000 - \$499,000	1.35%
\$500,000 - \$999,999	1.10%
\$1,000,000 - \$1,999,999	0.90%
\$2,000,000 - \$2,999,999	0.80%
\$3,000,000 – \$3,999,999	0.70%
\$4,000,000 +	0.60%
\$5,000,000 +	0.50%

Fees are billed in advance calculated on the last day of each calendar quarter. When assets are placed under management during a quarter, Client incurs a pro-rated fee calculated in arrears based on the number of days the new assets were placed in the account during the quarter.

Client authorizes the custodian to deduct the firm's fee from the Client account(s). Each calendar quarter PAX submits an invoice to the custodian for our fee. The custodian is authorized to pay PAX upon submission of such invoice. Client acknowledge that the custodian will not verify fee calculations. Client should review the fee calculated by PAX and deducted by the custodian to ensure that the fees were calculated accurately. Generally, fees are deducted from the Client account no later than the fifteenth (15<sup>th</sup>) day after the end of each calendar quarter.

Payment of fees may result in the liquidation of Client positions if there are insufficient funds in the account. Fees are assessed on all assets in the account(s), including securities, cash or money market balances unless agreed upon by the Client and Advisor collectively. Margin debits do not reduce the value of the assets in the account for billing purposes.

Client may terminate the Asset Management Agreement without penalty for a full refund of the fees within five business days of signing the asset management agreement. Thereafter, Client may terminate the Asset Management Agreement with 30 days' written notice. If the Asset Management Agreement is terminated before the end of the quarterly period, Client is entitled to a pro-rata refund of any unearned pre-paid quarterly fee based on the number of days remaining in the quarter after the termination date, which will be determined by the custodian. PAX will begin the process of terminating the agreement upon notification; however, a reasonable amount of time will be needed to liquidate and/or transfer assets, including time for required recordkeeping, and processing such request per rules and conditions imposed by mutual fund companies, stock exchanges, or securities issuers. Any refunds due will be processed within 30 days following the termination date.

### Third-Party Investment Management

As referenced above if Client participates in Third-Party Money Management services, the Client pays the third-party manager an investment management fee out of plan assets directly which is separate from the Advisor fee. Fees range from 0% - 1% and are collected quarterly and billed in advance calculated on the last day of each calendar quarter. When assets are contributed or removed during a quarter, Client incurs a pro-rated fee calculated in arrears, billed quarterly and/or monthly, based on the number of days the new assets were placed or removed in the account during a quarter. Reference Third-Party Money Manager ADV for more information.

The schedule below reflects the maximum fees charged to PAX advised Client when utilizing the services of Third-Party Investment Managers. The specific annualized fee charged is set forth by the Client and Adviser respectively. Fee calculations and authorizations remain the same as mentioned herein.

Amount	Fee
\$0 - \$199,000	1.50%
\$200,000 - \$499,000	1.25%
\$500,000 - \$999,999	1.00%
\$1,000,000 - \$1,999,999	0.90%
\$2,000,000 - \$2,999,999	0.80%
\$3,000,000 – \$3,999,999	0.70%
\$4,000,000 +	0.60%
\$5,000,000 +	0.50%

Although Client do not pay a transaction charge for transactions in a wrap program account, Client should be aware that PAX, or Third-Party Money Manager(s), pays the custodian transaction charges for executed trades and/or platform fees. The transaction charges paid by PAX or Third-Party Money Manager(s) vary based on the type of transaction (e.g., mutual fund, equity, ETF's or fixed income security) and range from \$0 to \$150. Because PAX or Third-Party Money Manager(s) pay the transaction charges in program accounts, there is a conflict of interest. Client should understand that the cost to PAX, or Third-Party Money Manager, of transaction charges may be a factor that PAX or Third-Party Money Manager considers when deciding which securities to select and how frequently to place transactions in a program account.

As mentioned previously, PAX has expanded its selection of investment strategies offered through its Wrap Fee Program. This new line of service offering with the use of Third-Party Money Managers allows us to deliver new capabilities across our firm and with our Clients. Due to this new service offering PAX is transitioning Clients into this lower fee schedule for all existing and new Clients moving forward. Based on this transition, this may mean that some Clients may be paying higher or lower rates than PAX's previous Fee Schedule referenced herein. Some Clients receive reimbursement or credit for transferring or moving accounts into this new service offering. In some circumstances, PAX may, where appropriate, absorb the costs, waive advisory costs or pay certain expenses related to the transfer of Client accounts. In certain circumstances, account transfer costs

may also be paid for by the new service provider(s) (reference additional disclosures herein for more information). Payments for such expenses must be approved by an authorized officer or agent of PAX.

### ***Retirement Consultation***

PAX provides retirement consulting services for a one-time fixed fee, generally in the amount of \$575. Adviser maintains full discretion to assess, increase, reduce or waive the one-time fee based on specific circumstances. Fees and the method of payment will be specifically described in the Retirement Consulting Agreement. Upon termination of the services, any paid and unearned fees will be refunded promptly, and any earned, unpaid fees will be due and payable. Please reference the Retirement Consulting Agreement for detailed information regarding services and compensation. Clients who choose this service receive a one-time analysis, assessment, evaluation, suggestion, and/or recommendations from the Advisor tailored to the Client's stated goals, individual needs and/or objectives. Information and documents are gathered from the Client, as appropriate, during the initial meeting. The analysis, assessment, evaluation, suggestion, and/or recommendations to the Client will be provided during the second meeting. When PAX recommends its own services, it has a conflict of interest because it will receive compensation if these services are implemented. Thus, implementation of the recommendations is entirely at the Client's discretion and they may, of course, select a third-party provider.

Upon request, PAX can provide consultative and administrative services regarding Client's investment and financial concerns on assets not managed by PAX, including advice on securities and non-securities related matters. Clients working with PAX who request an insurance solution for their life, health, long-term care or disability insurance needs, will be directed to one of our representatives who is a licensed insurance agent. PAX and its representative will receive commissions or fees as a result of this referral thus representing a conflict of interest. For more information, please see Form ADV Item 10 – Other Financial Industry Activities and Affiliations.

### **Other Types of Fees and Charges**

Client can also incur certain charges imposed by third-parties in connection with investments made in the account(s), including, but not necessarily limited to, the following types of charges: third-party investment manager fees, mutual fund management and administrative servicing fees, mutual fund 12b-1 fees and short term trading fees, certain deferred sales charges on previously purchased mutual funds, clearing, custody, postage and handling, SEC transaction fees, alternative investment administration fees, other transaction charges and service fees (i.e. account transfer fees, wire transfer fees, termination fees, etc.) interest on debit balances, IRA Qualified Retirement Plan fees, and other costs or charges with securities transactions mandated by law. Within a wrap fee program trading and execution costs are included in the wrap fee and they are not included within a non-wrap fee account. Further information regarding charges and fees assessed by a mutual fund or other securities sponsors is available in the appropriate prospectus, custodial agreement, Wrap Fee Program description<sup>1</sup> and/or referenced in ADV Item 12: Brokerage Practices. PAX at its sole discretion may waive or reimburse certain charges if applicable.



Client will pay PAX the wrap fee with respect to those assets in addition to these other fees and charges. Most of the investments available in the program may be purchased directly. Therefore, Clients could generally avoid the second layer of fees by not using the management services of PAX and by making their own investment decisions.

### Other Important Considerations

The wrap fee is an ongoing wrap fee for investment advisory services, the execution of transactions and other administrative and custodial services. The wrap fee may cost the Client more than purchasing the program services separately, for example, paying a management fee plus commissions for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the type and size of the account, historical and or expected size or number of trades for the account, and number and range of supplementary management services provided to the Client.

The wrap fee also may cost the Client more than if assets were held in a traditional brokerage account. In a brokerage account, a Client is charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the Client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the Client should consider opening a brokerage account rather than a wrap fee account.

PAX receives compensation as a result of Client participating in program account and compensation may be more than what PAX would receive if the Client participated in other program accounts or paid separately for investment advice, brokerage, and other services. Therefore, PAX may have a financial incentive to recommend the wrap fee program over other programs or services. Clients are under no obligation to purchase services with PAX, services may be purchased through broker-dealers or other investment firms not affiliated with PAX.

PAX has a financial incentive to refer Client to a Third-Party investment manager rather than managing the assets on its own or refer them to another approved sub-advisor, creating a conflict of interest. Approved third-party investment managers and/or sub-advisers are not affiliated with PAX and are separate entities. When PAX refers Client to Third-Party investment managers, more specifically Goldman Sachs Personal Financial Management (GSPFM) for its sub-manager services, it receives various incentives, including:

- Certain technology implementation fees incurred by PAX in connection with PAX's use of GSPFM's technology solutions will be reduced or waived entirely if a predetermined number of PAX Client subscribe to PAX's guidance services which utilize such technology solutions and GSPFM's Sub-Manager services.
- Certain technology implementation fees incurred by PAX in connection with PAX's use of GSPFM's technology solutions will be reduced if a predetermined number of PAX's client's assets are placed in GSPFM's investment models or in mutual funds or exchange-traded funds available through GSPFM's.
- Program fees normally incurred by PAX to offer a Wrap Fee program will be incurred by Sub-Manager as part of their Sub-Manager services. The fees typically paid for by PAX include trade costs, platform fees and third-party provider fees, these fees will be paid for by Sub-Manager under the Third-Party Investment Management program.
- If PAX does not meet a predetermined threshold of production utilizing Sub-Manager services or

technology solutions offered by GSPFM's, as applicable, then the relationship with GSPFM may be terminated by GSPFM. Hence, PAX is financially and non-financially incentivized to utilize such program and services.

To address this conflict, if Client does not want to invest their assets with GSPFM as the Sub-Manager or receive PAX financial guidance services that require access to the GSPFM platform, the Client may discuss alternative options with PAX.

PAX is an insurance agency licensed with the Texas Department of Insurance. Our insurance group operates under the name PAX Financial Group Insurance Services, a registered DBA. Our IARs may also be registered as insurance agents. Please see your IARs Form ADV Part 2B – Brochure Supplement for additional information.

PAX agents make available services from Crump Life Insurance Services (“Crump”) to assist Clients who wish to buy insurance products, such as life, long-term disability, fixed annuities, and long-term care insurance, the unaffiliated independent Field Marketing Organization (“FMO”) specializes in insurance brokerage. PAX agents receive compensation when they refer PAX Clients to Crump and the Client purchases a product. The compensation received by PAX and its agents is a percentage of the compensation paid to Crump.

PAX's agents have a conflict of interest because there is an economic incentive to sell insurance products that result in commissions or sales revenue. Client are advised that they are under no obligation to purchase any insurance products through PAX or the Crump Agency, products may be less expensive elsewhere.

PAX works with various third-party providers, including, among others, Orion Advisor Services and Envestnet, to help support the operational needs of managing and servicing Client accounts. Authority provided to the outsourced service providers may include, but is not limited to, placing transactions with broker-dealers at the discretion of PAX, opening accounts with Client account custodian, and facilitating operational requests on the Client's behalf based on instructions provided by associated persons of PAX. When providing these services, the third-party service provider is acting as an agent of PAX.

The Advisor also participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, The Advisor participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between the Advisor's participation in the program and the investment advice it gives to its clients, although the Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk

serving the Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit the Advisor but may not benefit its client accounts. These products or services may assist Advisor in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the Advisor manage and further develop its business enterprise. The benefits received by the Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, the Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

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

PAX generally provides advice to individuals and high net worth individuals (together with their trusts and estates) and small businesses, corporations and their pension and profit-sharing plans. However, the services offered by PAX Financial Group are also available to, among others, banks, thrift institutions, charitable organizations, state and municipal government entities as such opportunities may arise.

There is no minimum account value required to open an account managed by PAX.

If Client participates in the Third-Party Investment Management program, sub-managers maintain certain account minimums depending on the investment strategy selected. If the account minimums are not maintained, sub-managers may terminate its management of Client assets delegated to it for management. Accounts below the account minimum will remain uninvested (held in cash or cash equivalents) until the account minimum threshold has been satisfied by the Client.

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

PAX employs a team approach to manage Client assets. We have an Investment Committee ("IC") with members who have varying investment backgrounds, experiences, and skill sets. The IC constructs multiple models to satisfy multiple investment objectives leveraging tools such as third-party investment analytics tools, third-party investment management resources, IC research and public resources. Investments are selected from a funds list provided by the third-party analytics tool and third-party investment management teams, and further evaluated by the IC based on applicable fees, fund track records and past performance (as applicable) in addition to a variety of statistical data which include beta, standard deviation, R-squared and Sharpe Ratio. Our IC systematically and methodically invests new assets regularly and will determine the rebalancing schedule.

If Client participates in the Third-Party Investment Management program, third-party managers will define the Investment Selection criteria and strategies. PAX will review and monitor the activities of the third-party money manager at minimum annually to keep Client interests above all. See third-party investment manager firm brochure for more information.

Client reports and statements are provided by PAX and/or the custodian on a quarterly basis. Client reports and statements are provided for informational purposes to verify account activity including advisory and third-party investment management fees, Client is encouraged to review each statement for accuracy to confirm all activity and fees are properly accounted on a frequent basis.

When providing a consolidated financial summary of accounts to Clients, data included may contain information about accounts for which PAX does not manage or advise the Client. As such, no inference should be drawn that PAX serves as the adviser on all securities listed on these consolidated financial summaries. *For Client assets that PAX is not granted discretionary authority to manage, it will not actively supervise those assets.*

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

### **Investment Strategy**

PAX's investment philosophy is based on traditional scholastic research, such as Efficient Market Hypothesis (EMH), Modern Portfolio Theory (MPT) and habitual discoveries in behavioral finance. EMH suggests it is impossible to "beat the market", because stock market efficiency causes existing share prices to always incorporate and reflect all relevant information. MPT is a theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. MPT suggests that an investment's risk and return characteristics should not be viewed alone but should be evaluated by how the investment affects the overall portfolio's risk and return. By investing in more than one asset class, an investor may be able to reap the benefits of diversification. PAX constructs highly diversified portfolios that incorporates a range of asset classes and market sectors utilizing market based and manager-based investments. PAX implements this philosophy by holding investments for long periods of time as deemed appropriate, periodically reallocating investments as conditions warrant and methodically rebalancing as needed.

### **Investment Selection**

As referenced above, PAX employs a team approach to manage Client assets. We have an Investment Committee ("IC") with members who have varying investment backgrounds, experiences, and skill sets. The IC constructs multiple models to satisfy multiple investment objectives leveraging tools such as third-party investment analytics tools, third-party investment management resources, IC research and public resources. Investments are selected from a funds list provided by the third-party analytics tool and third-party investment management teams, and further evaluated by the IC based on applicable fees, fund track records and past performance (as applicable) in addition to a variety of statistical data which include beta, standard deviation, R-squared and Sharpe Ratio. Our IC systematically and methodically invests new assets regularly and will determine the rebalancing schedule.

If Client participates in a Third-Party Investment Management program, third-party investment managers will define the Investment Selection criteria and strategies. PAX will review and monitor the

activities of the third-party investment manager at minimum annually to keep PAX Client interests above all. See third-party money manager firm brochure for more information.

A Client's portfolio may include, but not be limited to, equities (stocks) – domestic and foreign, exchange traded funds (ETFs), mutual funds, and fixed income (bonds –government or corporate/domestic or foreign).

Each market may function and change in different ways depending on supply and demand, current events and investor behaviors. These changes may also affect a Client's tax situation and filings. While our goal is to help increase a Client's net worth, investing in securities involves risk of loss that Client should be prepared to bear.

The most commonly purchased securities are typically managed at the discretion of the IC, positions may be exchanged during the year to properly align an account with its asset allocation model. Holding commonly recommended securities for less than a year can result in contingent deferred sales charges and short-term gains / losses which may affect a Client's tax situation within non-qualified accounts and in some cases within qualified accounts. It is highly recommended to seek professional assistance from a qualified CPA or tax professional to discuss your specific tax circumstances. Employees of PAX do not provide tax or legal advice.

Analysis and strategies are generally based on:

- Publicly Available Data
- A Client's Net Worth
- Risk Tolerance
- Client Objectives
- Commentary and Information Obtained from Third Party Analyst Firms

The Client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Once a portfolio has been selected, we regularly review the portfolio and when appropriate, rebalance the portfolio.

Accounts are rebalanced, or assets reallocated based on market conditions, investment committee recommendations, or other conditions as warranted. Securities we buy or sell for accounts are subject to our limited discretionary authority. Any changes in the asset allocation models, which includes adding, removing or replacing securities (i.e. mutual funds, ETFs, or variable annuities) are made at the recommendation of the Investment Committee. Those changes are based on a variety of factors, which include but are not limited to changes in the economic, financial or political climate; changes in the tax code; changes in the management of the securities used by the asset allocation models or changes in the degree of desired diversification/concentration in certain sectors or investment themes. Changes may also be made based on the Client's personal circumstances, including changes to marital status, funding needs or investment objectives.

There are different types of investments that involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal any specific performance level(s). Past performance is not indicative of future results.

The firms' methods of analysis and investment strategies do not represent any significant or unusual risks however all strategies have inherent risks and performance limitations. Risks may include, however not limited to:

## Risk of Loss

- **Market Risk** – the risk that the value of securities may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- **Interest Rate Risk** – the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- **Credit Risk** – the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
- **Business Risk** – the measure of risk associated with a particular security. It is also known as unsystematic risk and refers to the risk associated with a specific issuer of a security. Generally speaking, all businesses in the same industry have similar types of business risk. More specifically, business risk refers to the possibility that the issuer of a particular company stock or a bond may go bankrupt or be unable to pay the interest or principal in the case of bonds.
- **Taxability Risk** – the risk that a security that was issued with tax-exempt status could potentially lose that status prior to maturity. Since municipal bonds carry a lower interest rate than fully taxable bonds, the bond holders would end up with a lower after-tax yield than originally planned.
- **Call Risk** – the risk specific to bond issues and refers to the possibility that a debt security will be called prior to maturity. Call risk usually goes hand in hand with reinvestment risk because the bondholder must find an investment that provides the same level of income for equal risk. Call risk is most prevalent when interest rates are falling, as companies trying to save money will usually redeem bond issues with higher coupons and replace them on the bond market with issues with lower interest rates.
- **Inflationary Risk** – the risk that future inflation will cause the purchasing power of cash flow from an investment to decline.
- **Liquidity Risk** – the possibility that an investor may not be able to buy or sell an investment as and when desired or in sufficient quantities because opportunities are limited.
- **Market Risk** – the risk that will affect all securities in the same manner caused by some factor that cannot be controlled by diversification.
- **Reinvestment Risk** – the risk that falling interest rates will lead to a decline in cash flow from an investment when its principal and interest payments are reinvested at lower rates.
- **Social/Political** – the possibility of nationalization, unfavorable government action or social changes resulting in a loss of value.
- **Legislative Risk** – the risk of a legislative ruling resulting in adverse consequences.



- **Currency/Exchange Rate Risk** – the risk of a change in the price of one currency against another.

### Types of Investments (Examples, not limitations)

- **Mutual Funds** – a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets.
  - **Open-End Mutual Funds** – a type of mutual fund that does not have restrictions on the amount of shares the fund will issue and will buy back shares when investors wish to sell. Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature
  - **Closed-End Mutual Funds** – a type of mutual fund that raises a fixed amount of capital through an initial public offering (IPO). The fund is then structured, listed and traded like a stock on a stock exchange. Clients should be aware that closed-end funds available within the program are not readily marketable. In an effort to provide investor liquidity, the funds may offer to repurchase a certain percentage of shares at net asset value on a periodic basis. Thus, Clients may be unable to liquidate all or a portion of their shares in these types of funds.
- **Alternative Strategy Mutual Funds** – Certain mutual funds available in the program invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund’s concentration in the real estate industry.
- **Equity** – investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environment.
- **Exchange Traded Funds (ETFs)** – an ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.
- **Fixed Income** – investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities,

leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

- **Annuities** – are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.
- **Variable Annuities** – If Client purchases a variable annuity that is part of the program, Client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.
- **Non-U.S. Securities** – present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.
- **Margin Accounts** – Client should be aware that margin borrowing involves additional risks. Margin borrowing will result in increased gain if the value of the securities in the account go up, but will result in increased losses if the value of the securities in the account goes down. The custodian, acting as the Client creditor, will have the authority to liquidate all or part of the account to repay any portion of the margin loan, even if the timing would be disadvantageous to the Client. For performance illustration purposes, the margin interest charge will be treated as a withdrawal and will, therefore, not negatively impact the performance figures reflected on the quarterly advisory reports.
- **Long-Term Purchases** – are securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short-Term Purchases** – are securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Other investment types may be included as appropriate for a Client and their respective trading objectives. It is important to note that no methodology or investment strategy is guaranteed to be



successful or profitable. Investing in securities involves the risk of loss that Client should be prepared to bear.

### **Voting Client Securities**

PAX does not accept voting responsibilities for Client proxies. Client will otherwise receive their proxies or other solicitations directly from their custodian. Client may contact PAX to discuss any questions that may arise with a particular solicitation. To request assistance on a proxy voting issue please contact the offering company.

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

In the PAX Wrap Fee Program, PAX is responsible for ongoing account management, third-party money managers if utilized are responsible for the management of assets on a discretionary basis. PAX obtains the necessary financial data from the Client and assists the Client in setting an appropriate investment objective for the account. PAX obtains this information by having the Client complete an asset management agreement and other documentation. Clients are encouraged to contact PAX if there have been any changes in the Client financial situation, investment objectives or if they wish to impose any reasonable restrictions on the management of the account and/or reasonably modify existing restrictions. Client should be aware that the investment objective selected for the program is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. Client should further be aware that achievement of the stated investment objective is a long-term goal for the account.

PAX encourages Clients to meet with their IARs annually (one review every 12 months) to determine if there have been any changes in the Client financial situation, investment objectives, or restrictions. The annual meeting may occur by phone, in person, via e-mail, or via video conference. If the Client and IAR do not meet for a considerable period of time, greater than a year, after reasonable effort is made by the IAR to do so, the Client's account will be managed based on previously discussed expectations.

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

Clients are generally free to contact PAX Financial Group and their Advisor or an assigned Advisor at any time during normal business hours via telephone, mail or email. In person meetings, should be scheduled in advance to ensure that the Advisor is available. Client may contact PAX Financial Group at any time with questions regarding program accounts or general inquiries.

### **Item 9 – Additional Information**

#### **Disciplinary Information**

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would-be material to your evaluation of an investment firm or the integrity of a firm's management.

There are no legal or material disciplinary events to disclose.

## **Other Financial Industry Activities and Affiliations**

Neither the firm nor any investment representatives are registered or have an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative or associated person of the foregoing entities.

PAX is an insurance agency licensed with the Texas Department of Insurance. Our insurance group operates under the name PAX Financial Group Insurance Services, a registered DBA. Our investment adviser representatives (or IARs) may also be registered as insurance agents. Please see your IARs Form ADV Part 2B – Brochure Supplement for additional information.

PAX agents make available services from Crump Life Insurance Services (“Crump”) to assist Clients who wish to buy insurance products, such as life, long-term disability, fixed annuities, and long-term care insurance, the unaffiliated independent Field Marketing Organization (“FMO”) specializes in insurance brokerage. PAX agents receive compensation when they refer PAX Clients to Crump and the Client purchases a product. The compensation received by PAX and its agents is a percentage of the compensation paid to Crump.

In addition, as Agents of PAX Insurance Services, IAR’s also make available services and products to Client, on a commission and fee basis, from Insurance and Annuity Companies more specifically Annuities as deemed appropriate.

PAX’s agents have a conflict of interest because there is an economic incentive to sell insurance products that result in commissions or sales revenue. Client are advised that they are under no obligation to purchase any insurance products through PAX or the Crump Agency, products may be less expensive elsewhere. These insurance and/or investment vendors may provide sales support in various forms including but not limited to funding corporate events and/or client education events hosted by PAX. Educational events are conducted to bring awareness to consumers regarding market trends and product education.

PAX makes available books published by third-parties and sold by the Chief Executive Officer (CEO) of PAX. Books are available for sale through booksellers, with pricing averaging between \$0 - \$18. As an IA of PAX, books may be provided to organizations, individual Client or prospective Client at a discount or at no cost. PAX receives 0% of any book royalties or other revenue from the sale of any books written by the CEO.

The CEO also makes available an online retirement readiness course titled “Pivot Your Retirement” which enables consumers to obtain valuable education only material to kick start and/or prepare for retirement for a fee. Material contains budgeting tools, personal balance sheet construction and much more. PAX receives a portion of the fees collected for its services. The fees paid are separate and in addition to any advisory services offered through PAX.

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

PAX maintains a Code of Ethics, which serves to establish a standard of business conduct for all employees that are based upon fundamental principles of openness, integrity, honesty and trust. The Code of Ethics includes guidelines regarding personal securities transactions of its employees, IARs and related persons (“supervised persons”).

PAX is a fiduciary. As a fiduciary, it is our responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each Client. Our fiduciary duty is the core principle for our Code of Ethics which also includes provisions related to insider trading. We require our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation, all supervised persons will sign an acknowledgement that they have read, understood, and agree to comply with our Code of Ethics, any future amendments will require subsequent acknowledgement.

This disclosure is provided to give all Client a summary of our Code of Ethics. However, if a Client or a potential Client wishes to review our Code of Ethics in its entirety, a copy will be provided upon request.

**Material Financial Interest.** Neither PAX nor its employees recommends to Client, or buys or sells for Client accounts, securities in which they have a material financial interest.

**Same Securities/Same Time.** The code of ethics permits employees to invest for their own personal accounts in the same or related securities that may be purchased for Client. This presents a conflict of interest because trading by an employee in a personal account in the same security on or about the same time as trading by a Client could potentially disadvantage the Client. PAX addresses this conflict of interest by requiring in its code of ethics that employees report certain personal securities transactions and holdings to the Chief Compliance Officer for review.

**ERISA/IRC.** As part of our investment advisory services, PAX may make recommendations regarding the rollover of participant retirement plan assets. When a PAX Advisor recommends a retirement plan rollover into an IRA at PAX, we will charge a fee on the assets in the IRA as described in Item 5. This presents a conflict of interest as PAX Advisors have an economic incentive to recommend that a Client transfer retirement plan assets into an IRA at PAX. Plan participants are under no obligation to rollover their retirement assets to an IRA with PAX and should carefully consider all relevant factors.

## **Review of Accounts**

Account surveillance is conducted on an ongoing basis by PAX IARs in conjunction with the Investment Committee. IARs monitor account suitability, investment objectives and risk tolerance per Client and the Investment Committee continually monitors model allocations per investment strategy. All Client are advised that it remains their responsibility to advise PAX of any changes in their investment objectives and/or financial situation. All Client (in person, video conference, via email or via telephone) are encouraged to review all financial planning recommendations (to the extent applicable), investment objectives and account performance with their PAX IARs on an annual basis. If the Client and IAR do not meet for a considerable period of time, greater than a year, after reasonable effort is made by the IAR to do so, the Client's account will be managed based on previously discussed expectations.

Client review periods are generally recommended annually unless a triggering event occurs materially impacting a financial engagement such as, changes to marital status, funding needs or investment objectives. Occasionally a review may result in a "no change" recommendation. If a Client has a change in their financial situation, after notifying PAX, we will perform a review of the Client's financial position to help ensure the recommendations remain appropriate for the Client and satisfies their needs. Client are provided, at least quarterly, with written transaction confirmation notices and

regular written summary account statements directly from the approved custodian(s) and/or program sponsor of accounts.

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

PAX does not currently have any solicitor agreements in place. PAX does not currently directly or indirectly compensate any person who is not a supervised person for Client referrals. Should PAX determine the solicitation rules apply, PAX will implement the necessary requirements needed to satisfy our regulatory obligations.

As mentioned in our firm brochure, PAX participates in TD Ameritrade's institutional customer program and PAX may recommend TD Ameritrade to Client for custody and brokerage services. As part of its fiduciary duties to Client, PAX endeavors at all times to put the interests of its Client first. Client should be aware, however, that the receipt of economic benefits by PAX or its related persons in and of itself creates a potential conflict of interest and may indirectly influence PAX's choice of TD Ameritrade for custody and brokerage services.

PAX also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment IARs participating in the program. Specifically, the Additional Services include Salesforce. TD Ameritrade provides the additional services to PAX in its sole discretion and at its own expense, the IARs do not pay fees to TD Ameritrade for the Additional Services. PAX and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

PAX's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to PAX, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, PAX's Client accounts maintain at TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with PAX, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, PAX may have an incentive to recommend to its Client that the assets under management by PAX be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. PAX's receipt of Additional Services does not diminish its duty to act in the best interests of its Client, including to seek best execution of trades for Client accounts.

PAX and its employees can receive additional compensation from product sponsors whose products we make available to our Clients. PAX participates in activities that are designed to help our financial advisers be more knowledgeable about those company's products, operations, and management. However, such compensation is not being tied to the sales of any products. Compensation may include such items as merchandise, gifts, prizes, leisure activities such as dinner or tickets to a sporting event, as well as payment or reimbursement in connection with business development expenses, educational meetings with investment IARs, Client workshops, seminars or appreciation events, software, marketing events or advertising initiatives, including services for identifying prospective Client. Product sponsors may also pay for, or reimburse PAX for the costs associated with, education or training events that may be attended by PAX employees, Client and IARs in addition to PAX sponsored conferences and events. The educational activities, gifts and entertainment received by PAX from product sponsors do, however, create a conflict of interest for PAX. They incentivize PAX to

focus more on or otherwise recommend or promote the products of those sponsors that provide this additional compensation over those that do not. Although direct or indirect compensation is received by these product sponsors, PAX IAR's only offer recommendations that are in the best interest of our clients taking into consideration multiple areas of a Client's financial position such as suitability of recommendations, investment objectives, risk tolerance and financial goals etc.

PAX and its supervised person's receipt of additional compensation and/or services represents a conflict of interest because we have an incentive to offer products from product sponsors that provide these benefits. We mitigate this conflict of interest by disclosing it to our Client, by conducting our operations in accordance with our fiduciary duty, by following our firm's code of ethics and through ongoing monitoring conducted by our chief compliance officer.

### **Financial Information**

Registered investment advisers are required to provide Client with financial information or disclosures about their financial condition under certain circumstances. PAX does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance or otherwise have actual or constructive custody of Client funds aside from the ability to deduct advisory fee from Client accounts directly. There are no financial conditions that are reasonably likely to impair the firm's ability to meet contractual commitments to Client. At no time has PAX been the subject of a bankruptcy petition.

For additional information regarding PAX Financial Groups Brokerage Practices and Financial Information, please reference the PAX ADV-2A Item 12: Brokerage Practices and Item 18: Financial Information.

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