

## Item 1: Cover Page

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

March 21, 2020

#### **Benchmark Investment Advisors, LLC**

SEC File No. 801-73022

205 N. Michigan Avenue, Suite 3770  
Chicago, IL 60601

phone: 312-552-7163  
email: [jswift@trustbenchmark.com](mailto:jswift@trustbenchmark.com)  
website: [www.trustbenchmark.com](http://www.trustbenchmark.com)

This brochure provides information about the qualifications and business practices of Benchmark Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 312-552-7163 or via email to John P. Swift at [jswift@trustbenchmark.com](mailto:jswift@trustbenchmark.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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Benchmark Investment Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the 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. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## **Item 4: Advisory Business**

### **A. Benchmark Investment Advisors, LLC**

Benchmark Investment Advisors, LLC ("Benchmark" and/or "the firm") is an Illinois limited liability company and an SEC-registered investment adviser. John Swift and Jamie Tebbe are the owners and managing members of Benchmark. Benchmark has been providing investment management services since December 2011.

### **B. Advisory Services Offered**

#### **B.1. Asset Allocation Program**

Based on Benchmark's analysis of the client's investment objectives, risk tolerance, investment goals and objectives, Benchmark will determine an asset allocation customized to the client. Clients are advised their account may be managed similarly to other clients with similar investment goals and objectives. Typically portfolios will consist of individual equities, individual bonds, equity and fixed income mutual funds, individual municipal or government/corporate bonds (depending on account and investor tax characteristics and fixed income account size), and exchange traded funds (ETFs).

Accounts are managed on a discretionary basis whereby Benchmark will determine the securities to be bought and sold and when such transactions are to take place. Although we may execute these trading and portfolio rebalancing initiatives without prior consultation with the client, under normal market conditions we will seek prior consultation with our clients before executing these initiatives. However, under adverse or fast changing markets we reserve the right as discretionary managers to do what we feel is in the best interests of the client's portfolio without the necessity of prior consultation with the client. Clients will receive confirmation of all transactions, monthly brokerage statements mailed directly from the custodian, and a quarterly, comprehensive account review directly from Benchmark.

Clients who choose to have accounts managed on a non-discretionary basis are advised that such accounts are subject to certain risks. Risks may include but not be limited to the risk of missing market opportunities or the risk of the Advisory Representative not being able to move out of the market in a timely manner until client has been contacted to discuss recommendations for changes within the client's account and client's prior authorization has been obtained before any buy, sell or exchange. Therefore, the performance of non-discretionary accounts may fluctuate from those accounts managed on a discretionary basis.

Selection of the securities to be held in a client's portfolio is determined based on consideration of the goals and objectives of the client, the appropriate overall management style of the funds, and the goals and objectives of the client's overall portfolio.

We monitor capital markets closely and provide a strategic asset allocation recommendation for both global equity and global fixed income portfolios. These collectively as described as our Model Portfolios. Each client, based on their individual circumstances, will invest varying

proportions of their investable assets into each of these two Model Portfolios. Changes to the model portfolio allocation will generally result in changes to those clients who are invested similarly or identically to the Model Portfolio. Clients are advised there may be tax consequences in non-qualified portfolios as a result of changes to the allocation, but our systems are set up to do execute trades and portfolio rebalancing in a tax efficient manner. Tax loss harvesting during the last quarter of the year will be utilized to increase the after-tax return of non-qualified investment accounts.

Clients will have access to their Advisory Representative at any time during normal business hours to discuss their account. Further, should a client's financial situation change the client must promptly notify Benchmark since changes could impact the management of the client's account and the suitability of the portfolio allocation.

### **Equity Selection Process**

The criteria used in selecting individual equities include, among other items, the following:

- **Economic Performance:** Our first step is to recast a company's financial information into a proprietary economic metric called Economic Margin. Economic Margin is a cash flow based measure that measures the return a company earns above or below its cost of capital, and provides what we believe is a more complete view of a company's underlying economic vitality. Economic Margin framework takes into account Cost of Capital, Inflation and Cash Flow, which we believe provides a much more accurate representation of management's ability to create shareholder value and provide comparability across sectors and countries.
- **Intrinsic Valuation:** When buying a company, investors are essentially paying for its future expected performance. Traditional models that lock into a perpetuity tend to assume that a company's performance will stay constant forever without facing the effects of competition. Research shows, however, that a perpetuity is not economic reality. The extent that a company's current advantage will recede over time due to competition is referred to as a Decay ratio. Traditional models also do not take into account the concept of steady state growth – the rate at which a company can grow based on its internally generated cash flow less investments required to maintain and replace its asset base. Our methodology combines all 3 factors, economic margin, decay and steady state growth, to calculate intrinsic value.
- **Momentum:** We utilize both Price and Profit Momentum to invest in companies that are not only undervalued based on intrinsic valuation, but also have favorable economic earnings revisions and price movement. Our Profit Momentum translates earnings revisions into economic earnings revisions. Our Price Momentum is based on historical price movement in the company's stock.
- **Management Quality:** Absent a management team that understands how to create shareholder value, a "cheap stock" is likely to get cheaper. We score each company's management team on how its strategy links with its economic reality. Wealth creating firms should focus on growing, while firms that destroy wealth should divest and identify

core competencies. This process is designed to flag firms that appear financially unstable well in advance of their bankruptcies.

- Earnings Quality: Companies have an amazing degree of latitude in preparing their financial statements. As a result, a dollar of net income may not represent a dollar of cash flow. We score the quality of each company's earnings to determine which are or are not sustainable into the future.

#### **Mutual Fund Selection Process**

The criteria used in selecting mutual funds include, among other things, the following:

- Fund performance history
- Industry sector in which the fund invests
- Track record of the fund manager
- Fund's investment objectives
- Fund's management style and philosophy
- Fund's management fee structure

#### **Trading and Portfolio Rebalancing Strategies**

Benchmark may employ various trading strategies, including but not limited to, dollar cost averaging of cash into the various investments, covered call writing for the purpose of security sales, buy/sell limit and stop orders, short term trading (transactions purchased and sold within a year) and long-term holdings (i.e. positions may be held for a year or longer). Generally, Benchmark will rebalance portfolios up to four times a year (quarterly). However, more or less rebalancing may occur depending on the performance of the model portfolios. Typically, Benchmark will look to rebalance when the model portfolio sways in either direction 5% or more from the targeted allocation.

No trading strategy can provide any assurance of investment success or prevent loss of principal or gain. Clients are advised there will be periods where the performance of their portfolio may be down. No management strategy can prevent market loss or protect a portfolio 100% from market fluctuations. However, the goal is to manage a client's account through market fluctuations in an attempt to steady the portfolio. Further, clients are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event for the client, with the exception of qualified accounts such as IRA accounts, 403(b) accounts and other qualified retirement accounts.

#### **Income Producing Investments**

We have in the past created Limited Liability Partnerships and Limited Liability Companies that are wholly-owned by our clients that were set up for the purpose of investing in income producing investments. Examples include farmland that is rented out and investments in real estate tax liens that are currently in good standing with credit worthy property owners. We receive a fee for providing our investment advisory services for these investments that is consistent with the client's Fee Schedule for the remainder of his/her publicly-traded assets under our management. We have no ownership interest in these investment partnerships and

companies, and most of these investment vehicles are wholly owned by one client per vehicle. In several cases we have pooled investments from several clients to invest in assets where the purchase price was too big for just one client to fund. In these cases, the operation agreements make it clear that these are not open-ended investments or satisfy the 1940 Securities Act sufficient to treat these investment vehicles as investment companies.

In addition to providing Benchmark with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. Benchmark will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. Benchmark will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

## **B.2. Sub-Advisory Arrangement**

In addition to the services mentioned above, Benchmark has entered into a written agreement with an unaffiliated, registered investment adviser to provide sub-advisory services to adviser's clients. Under this arrangement, Benchmark manages the assets of the unaffiliated adviser's clients as requested in accordance with the clients' investment objectives and the Benchmark strategy selected. The unaffiliated adviser is responsible for initial and ongoing suitability determination and will work directly with the client in selecting the appropriate Benchmark investment strategy. Under this sub-advisory arrangement, the unaffiliated adviser has full discretion to select and hire or terminate its sub-advisory relationship with Benchmark at any time and in accordance with the agreement entered into between the client and the unaffiliated adviser. Benchmark is not a signatory to this agreement, nor does it have any direct contractual agreement with the unaffiliated adviser's client. Benchmark has limited discretionary authority to manage and trade those client account assets designated by the unaffiliated adviser.

## **B.3. Retirement Plan Services**

Retirement plan services can be segmented into the following components:

- Benchmarking your current 401(k) plan. We benchmark the fees, services and participation metrics of your plan against similar plans using industry leading research. This service satisfies the fiduciary obligations under both ERISA and the new 408(b)(2) fee disclosure rules. We then can make recommendations for any changes to your plan to reduce costs and improve service for your participants.
- Performing plan design consulting. A review of the plan design is very important because plan design provisions can make a big difference in whether your plan maximizes the benefits available. These provisions address matching contribution formulas, cross-tested profit sharing allocations, qualification and eligibility issues, and merger and acquisition situations. We will work closely with the provider's administration experts to ensure that all available aspects of plan design are considered.



- Assisting in the design an Investment Policy Statement (IPS). As a plan sponsor, you can minimize your fiduciary liability by implementing an IPS. An IPS outlines a detailed, prudent plan of action for the plan's investment managers and advisors to follow. It describes the plan's investment philosophy, risk tolerance and long-term goals to help guide all decisions made regarding the plan. Because the IPS is in writing, it helps prevent misunderstandings between you and the plan's advisors.
- Providing ongoing plan reviews. We review your plan operational metrics such as participation levels, deferral percentages, loans, non-discrimination testing, enrollment and communication services. We also prepare performance analysis of investments utilized by the plan versus benchmarks and/or peer groups; monitor funds selected by the plan sponsor for style drift and correlation with fund investment objectives stated in the IPS; and provide regulatory and compliance updates.
- Managing employee communication and investment education. We believe that coordinating enrollment meetings and providing ongoing investment education for participants regarding plan options is a valuable part of our service. That's why we will be available to your employees by phone and in person for individual consultation. If enrollment and/or education teams from the provider are necessary due to multiple company locations, we will coordinate those efforts. We also provide supplemental educational materials if desired.
- Personal customized financial and estate planning for employees. Finally, we will educate plan participants about plan distribution alternatives, provide retirement cash flow analysis, and, whenever necessary, consult with retirees regarding investment asset allocation.

### **C. Wrap Fee Programs**

Benchmark does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

### **D. Client Assets Under Management**

As of December 31, 2019, Benchmark manages \$212,000,000 of client assets, all on a discretionary basis.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Fees for Asset Allocation Program

Benchmark's fee for the services is an asset-based fee calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule, which represents the advisor's maximum fees for individual services. All fees are negotiable.

<u>Account Value</u>	<u>Annual Fee*</u>
Under \$1,000,000	1.50%
Over \$1,000,000 but less than \$5,000,000	1.00%
Over \$5,000,000 but less than \$15,000,000	0.65%
Over \$15,000,000	0.50%

\*Benchmark generally requires a minimum account size of \$500,000.

#### A.2. Fees for Retirement Plan Services

Benchmark's fee for the services is an asset-based fee calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule, which represents the advisor's maximum fees for individual services. All fees are negotiable.

<u>Assets Under Management</u>	<u>Annual Fee Rate*</u>
First \$1,000,000	1.00%
Next \$1,000,000	0.65%
Next \$8,000,000	0.50%
Next \$10,000,000	0.25%
Next \$30,000,000	0.20%
Next \$50,000,000	0.15%
Thereafter	0.10%

\*Minimum \$4,000 annual fee, which covers Base Services only, per the Retirement Plan Services agreement between the firm and the client. There is an additional one-time installation and plan document setup fee. Clients may also be charged for Special Services as outlined in the Retirement Plan Services agreement.

Asset-based fees are always subject to the investment advisory agreement between the client and Benchmark. All fees for advisory services are billed in advance and are calculated on a calendar quarterly basis. The fee calculation will be based on the market value of assets under management as of the last business day of each prior calendar quarter. Fees will be based on the total value of all of a client's accounts under management with Benchmark (i.e. aggregated managed account value). If the account is established during a calendar quarter, the initial fee will be prorated from the date the Discretionary Investment Advisory Agreement is executed by the client and accepted by Benchmark through the end of the current calendar quarter.

Clients may make additions to or withdrawals from the account, provided the account continues to meet minimum account size requirements. Fee adjustments will be made for additional deposits or partial withdrawals representing more than 5% of the account in the subsequent quarterly billing. Benchmark may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

## **B. Client Payment of Fees**

Benchmark generally requires fees to be prepaid on a quarterly basis. Benchmark's fees will either be paid directly by the client or disbursed to Benchmark by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

Benchmark requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

Benchmark will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A client investment advisory agreement may be canceled by either party with 30 days' prior written notice to the client. Fees paid in advance will be prorated to the date of termination and any unearned portion of the fee will be refunded to the client. Such refunds will be made at the end of the quarterly period during which the client's termination notice is effective. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual

fund's prospectus. A client using Benchmark may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

#### **D. External Compensation for the Sale of Securities to Clients**

Benchmark advisory professionals are compensated solely through a salary and bonus structure. Benchmark is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.

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

Benchmark does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## Item 7: Types of Clients

Benchmark provides investment advisory services to a broad array of clients, which include individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations or other businesses.

For its Asset Allocation Program, Benchmark generally requires a minimum account size of \$500,000.

For Retirement Plan Services, Benchmark generally requires a minimum fee of \$4,000, which covers Base Services only, per the Retirement Plan Services agreement between the firm and the client. There is an additional one-time installation and plan document setup fee. Clients may also be charged for Special Services as outlined in the Retirement Plan Services agreement.

Benchmark, in its sole discretion, may waive the required minimums.

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

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

#### **A.1. Methods of Analysis**

Benchmark uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Benchmark and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Benchmark reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Benchmark may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.2. Investment Strategies: Strategic Focus**

Benchmark implements investment advice for clients utilizing a long-term strategic perspective which minimizes trading activity and their related costs.

#### **A.3. Investment Strategies: Tactical Overlays**

While the core strategic asset allocation sets the long-term optimal asset allocation, we understand that markets and economies do not move in a perpetual upward trajectory. To attempt to smooth the short-term ups and downs of an investment portfolio, there are

techniques and time-proven strategies that can be employed to achieve this objective. A great majority of investment management firms and large brokerage firms will not offer these well-known strategies to clients because of the extra effort to employ them. Our Investment Policy Committee (IPC) would like to highlight the benefits of a Tactical Strategy Overlay to a majority of investment portfolios. The IPC therefore meets on a weekly basis to consider tactical opportunities for these strategies. These will include, but are not limited to:

- *Covered Call Writing*: Can be applied to most liquid exchange traded instruments. Effectively lowering the volatility of holding individual securities by creating additional income.
- *Negative correlation ETFs*: These are products that can effectively hedge short term downturns in individual asset classes such as S&P 500, Dow, Bonds, International Indexes, Market Sectors and commodities.
- *Put Option purchases*: Put option purchases, depending on desired protection parameters, can effectively hedge the risk of large downturns in individual equities and most of the asset classes as mentioned above.
- *In-the-Money Call Options (Asset Swap)*: Drastically reduces risk of owning individual securities and indexes. Can effectively lower the cash cost of owning certain asset classes or individual securities. This effectively reduces the risk of owning the asset.
- *Concentrated Equity Collars*: For large, low-cost basis single stock positions that comprises a large portion of an investors net worth there are a number of strategies devised by the banks and brokerage houses to take much of the risk of staking a large portion of one's net worth on a single company. By far the least expensive way of mitigating the risk of holding the stock is an equity collar. We can structure a transaction that is effectively zero cost to the client.
- *Percentage Trailing Stop Orders*: Additionally, any exchange traded security in a client's portfolio, based on the client's and advisors discretion, may be further protected from large medium-term directional downward moves in the markets by using percentage trailing stop orders to protect Equity-type assets from large drawdowns in bear markets and during times of financial distress.

#### **A.4. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Some of the primary risks of investing are summarized below:

- *Interest Rate Risk*: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk*: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk*: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.



- *Reinvestment Risk*: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- *Business Risk*: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk*: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk*: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

#### **A.5. Mutual Funds and Exchange-Traded Funds, Individual Securities, and Third-Party Separate Account Managers**

Benchmark may recommend no-load and load-waived mutual funds and individual securities (including fixed income instruments). Benchmark may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Benchmark will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

Benchmark has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

Benchmark may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

Benchmark reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Benchmark on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Benchmark (both of which are negative factors in implementing an asset allocation structure).

Benchmark may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. Benchmark will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

Benchmark will regularly review the activities of mutual funds and managers utilized for the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

#### **A.6. Material Risks of Investment Instruments**

Benchmark may invest in open-end mutual funds and exchange-traded funds for the vast majority of its clients. In addition, for certain clients, Benchmark may effect transactions in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds

- Fixed income securities
- Municipal securities
- U.S. government securities
- Private placements
- Government and agency mortgage-backed securities

#### **A.6.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.6.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.6.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.6.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another

investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.6.e. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.6.g. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.6.h. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.6.i. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities

offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

#### **A.6.I. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

### **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

#### **B.1. Margin Leverage**

Although Benchmark, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Benchmark will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For

example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although Benchmark, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.3. Short Selling**

Benchmark generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **B.4. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

### **B.5. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the

underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Benchmark as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

#### **B.5.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### **B.5.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.5.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.



#### **B.5.d. Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

#### **B.5.e. Short Call Option Strategy**

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

#### **B.5.f. Short Put Option Strategy**

Short put option strategy is highly speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

#### **B.5.g. Equity Collar**

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified “cap rate.” A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified “floor rate.” A collar involving stock is called an “equity collar.” In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the



same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

**B.5.h. Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

**C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither Benchmark nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither Benchmark nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

John Swift is the outsourced Chief Investment Officer for Benchmark Wealth Management ("BWM") an Ohio registered investment adviser. Mr. Swift's dual relationship with BWM and Benchmark Investment Advisors creates certain conflicts of interest. Mr. Swift, as a result of his dual role, has divided loyalties in that he serves two advisory firms. Depending on compensation arrangements, Mr. Swift may have an economic incentive to favor BWM versus Benchmark Investment Advisors. Although Mr. Swift strives to place clients' interests first, clients should be mindful of these conflicts in evaluating whether to enter into an advisory relationship with Benchmark Investment Advisors.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Benchmark does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from the separate account manager or client.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Benchmark has adopted policies and procedures designed to detect and prevent insider trading. In addition, Benchmark has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Benchmark's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Benchmark. Benchmark will send clients a copy of its Code of Ethics upon written request.

Benchmark has policies and procedures in place to ensure that the interests of its clients are given preference over those of Benchmark, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Benchmark does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Benchmark does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Benchmark, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Benchmark specifically prohibits. Benchmark has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Benchmark's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Benchmark, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Benchmark clients. Benchmark will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of Benchmark to place the clients' interests above those of Benchmark and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Benchmark may recommend that clients establish brokerage accounts with TD Ameritrade, Fidelity Investments, Millennium Trust, or Equity Institutional (collectively "custodian"), FINRA registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Benchmark may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. Benchmark is independently owned and operated and not affiliated with custodian. For Benchmark client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

Benchmark also utilizes the municipal bond brokerage and research capabilities of Bernardi Securities Inc., 20 S. Clark St. Suite 2700, Chicago, Illinois 60603. Bernardi Securities is a FINRA and SIPC member. Bernardi recommends individual municipal bond investments. When accepted, these investments are paid for and placed directly into individual client portfolios at their present custodian on a delivery versus payment basis.

Benchmark considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by Benchmark, Benchmark will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Benchmark will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

Benchmark seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates paid are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **A.1.c. Soft Dollar Arrangements**

Benchmark does not utilize soft dollar arrangements. Benchmark does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.d. Institutional Trading and Custody Services**

The custodian provides Benchmark with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are

otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **A.1.e. Other Products and Services**

Custodian also makes available to Benchmark other products and services that benefit Benchmark but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Benchmark's accounts, including accounts not maintained at custodian. The custodian may also make available to Benchmark software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of Benchmark's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help Benchmark manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of Benchmark personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Benchmark may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.1.f. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Benchmark. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Benchmark.

#### **A.1.g. Additional Compensation Received from Custodians**

Benchmark may participate in institutional customer programs sponsored by broker-dealers or custodians. Benchmark may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Benchmark's participation in such programs and the investment advice it gives to its clients, although Benchmark receives economic benefits through its participation in the programs that are typically not available to



retail investors. These benefits may 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 Benchmark 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
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Benchmark by third-party vendors

The custodian may also pay for business consulting and professional services received by Benchmark's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for Benchmark's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Benchmark but may not benefit its client accounts. These products or services may assist Benchmark in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Benchmark manage and further develop its business enterprise. The benefits received by Benchmark or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Benchmark also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Benchmark to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Benchmark will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Benchmark's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Benchmark's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Benchmark endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Benchmark or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Benchmark's recommendation of broker-dealers for custody and brokerage services.

**A.1.h. The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

**A.2. Brokerage for Client Referrals**

Benchmark does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

**A.3. Client-Directed Brokerage**

Occasionally, clients may direct Benchmark to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Benchmark derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Benchmark loses the ability to aggregate trades with other Benchmark advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

**B. Aggregating Securities Transactions for Client Accounts****B.1. Best Execution**

Benchmark, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. Benchmark recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Benchmark will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)

- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Benchmark seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Benchmark's knowledge, these custodians provide high-quality execution, and Benchmark's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Benchmark believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since Benchmark may be managing accounts with similar investment objectives, Benchmark may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Benchmark in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Benchmark's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Benchmark will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Benchmark's advice to certain clients and entities and the action of Benchmark for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Benchmark with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Benchmark to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Benchmark believes that a larger size block trade would lead to best overall price for the security being transacted.

### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Benchmark acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Benchmark determines that such arrangements are no longer in the best interest of its clients.

## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by Benchmark's investment adviser representative servicing the client's account. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

### **B. Review of Client Accounts on Non-Periodic Basis**

Benchmark may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Benchmark formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Benchmark.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Other than what is disclosed in Item 12 regarding benefits the firm receives from its custodian(s), Benchmark does not receive economic benefits for referring clients to third-party service providers.

### **B. Advisory Firm Payments for Client Referrals**

Benchmark does not pay for client referrals.

## Item 15: Custody

Benchmark is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- Benchmark provides bill paying services for one or more accounts.
- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires).

The firm has elected to engage an independent public accountant to annually conduct a surprise custody exam audit.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account. Private fund investors will receive fund level statements of all activity, cash balances, and portfolio holdings on a quarterly basis from their qualified custodian.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Benchmark with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Benchmark will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.



## Item 17: Voting Client Securities

Benchmark does not take discretion with respect to voting proxies on behalf of its clients. Benchmark will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Benchmark supervised and/or managed assets. In no event will Benchmark take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Benchmark will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Benchmark has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Benchmark also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Benchmark has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Benchmark receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Benchmark does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Benchmark does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.