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## **Disclosure Brochure**

March 10, 2020

This brochure provides information about the qualifications and business practices of Blue Sky Asset Management, LLC. (hereinafter "BSAM"). If you have any questions about the contents of this brochure, please contact us at (303)552-0945. 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 BSAM is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

BSAM is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

Since our last update of March 26, 2019 there the following material changes have occurred:

- The QuantX ETF funds were liquidated and closed. Various references to these funds have been eliminated from this brochure.
- The brochure now includes information about the Third Party Manager (“TPM”) program.
- Item 4 – The description of the Investment Management Services offered by BSAM were revised to reflect the current offering.

### Item 3. Table of Contents

Item 2. Material Changes.....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation.....	5
Item 6. Performance-Based Fees and Side-by-Side Management.....	6
Item 7. Types of Clients .....	6
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9. Disciplinary Information.....	8
Item 10. Other Financial Industry Activities and Affiliations .....	8
Item 11. Code of Ethics.....	8
Item 12. Brokerage Practices .....	9
Item 13. Review of Accounts.....	100
Item 14. Client Referrals and Other Compensation .....	100
Item 15. Custody .....	100
Item 16. Investment Discretion.....	111
Item 17. Voting Client Securities and Monitoring Class Actions .....	111
Item 18. Financial Information .....	111

#### **Item 4. Advisory Business**

This Disclosure Brochure describes the business of BSAM. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of BSAM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on BSAM's behalf and is subject to BSAM's supervision or control.

BSAM has been in business since April of 2013. Aveo Capital Holdings, LLC is the principal owner of BSAM. As of December 31, 2019, BSAM has \$398,139,731 in regulatory assets under management.

BSAM provides investment management services, for investment advisers ("Adviser Client") and their investment advisory representatives ("IARs"), on a discretionary basis. Prior to engaging BSAM to provide any of the foregoing investment advisory services, the Adviser Client is required to enter into one or more written agreements with us setting forth the terms and conditions under which we render our services (collectively the "Agreement").

#### **Investment Management Services**

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##### Portfolio Model Sources (the "Program")

Third-Party Portfolio Models: BSAM provides access to both asset allocation models developed by third party investment managers ("TPM" or "TPMs") and asset allocation models that we have developed. Neither TPMs nor BSAM act as your investment advisor, as we do not possess knowledge of your individual information, investment goals and objectives, and do not provide personalized investment advice to you. You remain the owner of all securities held in your account and have all ownership rights associated with these securities.

Both TPMs and BSAM may offer multiple models of various risk profiles ("model portfolio" or "model portfolios") and create and manage the model portfolios using investments available through our platform. Your account will be invested in accordance with the model portfolio you select with your Investment Advisor. Once you and your Investment Advisor have selected a model portfolio, we will provide trading, reporting, and administrative services. Furthermore, your selection of a model portfolio in the Program authorizes BSAM to initiate trades in your account when either a TPM or BSAM makes a change to the model portfolio to which your account is assigned. To the extent you or your Investment Advisor place any restrictions or reject any changes to the model portfolio, your account will no longer be managed in accordance with the model portfolio and you or your Investment Advisor will be responsible for managing the account in a different manner.

If a TPM or model portfolio is removed from the Program, BSAM will notify your Investment Advisor of the change and request that action be taken to reassign the account to a different model portfolio by a specified date. If no action is taken by you or your Investment Advisor, BSAM and/or the TPM reserve the right to reassign your account to an alternative model portfolio.

#### Advisor Directed Portfolio Models (“ADM” or “ADMs”):

BSAM, through its custodial relationships, makes available investments which Advisors can use when designing their own proprietary models. Based on the model created by the Advisor, BSAM will initiate trades in your account so that your account is invested accordingly. Furthermore, you authorize BSAM to initiate trades in your account when your Advisor updates the model allocation or rebalances the model. Your Advisor is responsible for ensuring the trades initiated by due to new investments, model allocation changes, or rebalances are processed in accordance with the model he or she creates and maintains.

For all Program changes requiring Investment Advisor notification, “no action” on the part of the Investment Advisor is considered consent to the recommended change.

### **Item 5. Fees and Compensation**

#### **Investment Management Fee**

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##### *Adviser Clients/Managed Accounts*

BSAM provides investment management services for a fee based upon a percentage of the market value of the assets being managed (“Management Fee”). BSAM’s Management Fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses, which are incurred by the Advisory Clients. BSAM does not, however, receive any portion of these commissions, fees, and costs. The Management Fee is charged monthly in arrears based on the average daily balance of the account for the preceding month. The Management Fee for the initial month is calculated on a pro rata basis commencing on the day the Assets are initially designated to us for management under this Agreement. No portion of the Management Fee shall be based on capital gains or capital appreciation of the Assets except as provided herein and provided for under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and analogous state securities laws. Accounts will be billed on a pro-rated basis for the month prior in the case of full withdrawal requests.

BSAM Fees: Fees for the provision of services to Advisor Clients range between 0.10% - 0.55% depending on the services delivered.

Third Party Manager (TPM): TPM fees may range widely from 0.00% to 1.5% or more depending on the TPM and model selected. BSAM only collects these fees and remits to the manager.

Fees Charged by Adviser Clients: Adviser Clients’ investment advisory fees charged to Advisory Clients is exclusive of and in addition to any service fees charged by BSAM. Adviser Clients are required to enter into investment advisory agreements with Advisory Clients disclosing the authorized use of and any conflicts of interest inherent in the use of outside managers like BSAM as a subadvisor for Advisory Client accounts.

## **Fees Charged by Financial Institutions**

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Advisory Clients may incur certain charges imposed by the Financial Institutions such as custodial fees, charges imposed directly by a mutual fund or ETF, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to BSAM's fee.

Adviser Clients are responsible for disclosing to Advisory Clients all fees and expenses charged by Financial Institutions and may be required to enter into a separate agreement with any Financial Institutions authorizing BSAM to debit the Advisory Client's account for the amount of BSAM's fee and to directly remit that management fee to BSAM or the independent Managers. Any Financial Institutions recommended by BSAM have agreed to send a statement to the Advisory Client, at least quarterly, indicating all amounts disbursed from the account.

Any fees charged by independent managers used by BSAM are exclusive of and in addition to BSAM's fee.

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

BSAM does not charge performance-based fees. Adviser Client IARs are responsible for properly allocating Advisory client assets among BSAM Strategies, Independent Managers, and or their own investment strategies or portfolios.

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

BSAM provides its services to Adviser Clients who generally service individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, other investment advisers, corporations and business entities.

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

### **Methods of Analysis**

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BSAM's primary methods of analysis are fundamental and technical.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. In addition to other factors and information, BSAM may analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends, which may be based on investor sentiment rather than the

fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that will be able to accurately predict such a reoccurrence.

## **Risks of Loss**

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### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholder fees (e.g., sales loads, purchase fees, redemption fees). The NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

ETF and Mutual Fund managers may also fail to adhere to portfolio risk management representations set forth in their respective prospectus. In times of extraordinary market volatility, such manager failures can lead to significant losses in such investments.

### *Liquidity Risk*

Liquidity risk exists when investments are difficult to purchase or sell (e.g., the market becomes less liquid in response to market developments or lack of shareholders willing to sell a particular investment). This can reduce a portfolios' returns because the portfolio may be unable to transact at advantageous times and prices. Investments that are illiquid or trade at low volumes may be more difficult to value.

### *Leveraged and Inverse Funds*

BSAM does not currently recommend investment in leveraged or inverse funds or short investments.

### *Management Through Similarly Managed Accounts*

BSAM's management complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

Securities are usually exchanged and/or transferred without regard to an Advisory Client's individual tax ramifications. Adviser Clients IARs are responsible for monitoring the tax ramifications of their Advisory Client accounts. Asset allocation strategies do not assure profit or diversification and do not protect against loss.

### *General Risk of Loss*

Investing in securities involves the risk of loss, including loss of principal. Securities in a portfolio can underperform in comparison to the general securities markets, a particular securities market, or other asset classes. Debt issuers and other counterparties of fixed income securities or instruments in some instances default on their obligation to pay interest, repay principal or make a margin payment. The credit quality of a security or instrument can deteriorate, which would impair a security's or instrument's liquidity and decrease its value. As interest rates rise or fall within the US or global economy, fixed income investments may experience higher volatility and downward price movements as interest rates rise.

## **Item 9. Disciplinary Information**

BSAM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. We do not have any required disclosures to this Item.

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

BSAM is affiliated and under common control with Aveo Capital Partners, LLC ("ACP"). ACP is an investment adviser to individuals, families, and retirement plans. See Item 4 above for a detailed discussion of ACP's "Adviser Client" relationship with BSAM and any conflicts of interest related to such as well as ACP's Brochure. Keys Tinney is a registered representative of Stephen A. Kohn & Associates, Ltd. ("Kohn"). His relationship with Kohn is supervisory only with respect to his role as managing member of Aveo Capital and he receives no commission for the sale of any investment products.

## **Item 11. Code of Ethics**

BSAM and persons associated with it ("Associated Persons") are permitted to buy or sell securities consistent with BSAM's policies and procedures.

BSAM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "*Advisers Act*"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by or



any of its associated persons. The *Code of Ethics* also requires that certain of BSAM's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in BSAM's *Code of Ethics*, none of BSAM's *Access Persons* may affect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of BSAM's clients.

When BSAM is purchasing or considering for purchase any security on behalf of a BSAM managed account, no *Access Person* may affect a transaction in that security prior to the completion of its purchase or sale, or until a decision has been made not to purchase or sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds, exchange traded funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact to request a copy of its *Code of Ethics*.

## **Item 12. Brokerage Practices**

We may consider the following qualitative and quantitative factors in selecting broker- dealers and determining best execution:

Execution Capability and Available Liquidity. Execution capability is defined as the broker- dealer's general trading skills and ability to accommodate our trading requests. Trading evaluates:

- The broker-dealer's ability to work an order with an internal market maker or through floor broker-dealers;
- Order flow through the broker-dealer (the ability to find the natural other side of a trade and trade larger blocks of stock);
- Communication flows; and
- Trading expertise.

Timing and Size of Particular Orders. Broker-dealers are chosen based on their ability to handle different sizes and types of orders in a timely manner.

Commission Rates. Commission rates are required to be competitive among like broker-dealers with which we do business. However, achieving the lowest commission rate is not considered an overriding factor.

Responsiveness. We look to ensure that the broker-dealer is attentive to all orders given. We generally define responsiveness as not only the ability to enter trades quickly, but also the timeliness of return phone calls regarding the progress of the order.

Net Capital Position. At least annually, and prior to trading with a new broker, we will review each broker's net capital position from items such as financial and regulatory filings.

Other factors that we may consider include:

- Trading experience;
- Reputation, integrity and fairness in resolving disputes;
- A good settlement/back-office area that is prompt in identifying and solving trading and billing issues;
- Reliability in executing trades and keeping accurate and complete records Disclosure of current market conditions; and
- Availability of alternative trading systems.

For managed account portfolios managed for Adviser Clients, BSAM manages portfolio through any of a number of major independent custodians. It is the responsibility of the Adviser Client to evaluate the custodian for Advisory Client in order to obtain “best execution.”

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

BSAM continuously monitors the accounts it manages to ensure that they are managed consistently within the tolerances of each strategies investment mandate. BSAM strives to keeps all accounts aligned to the selected portfolio model assigned by the Advisor Client to the Advisory Clients account, however, there may be circumstances that prevent this from being possible. As such, BSAM operates on a best efforts basis to attempt to keep accounts on the assigned model but makes no guarantees that it will be able to do so. Adviser Clients and their IARs are responsible for reviewing advisory client accounts at least annually for adherence to such Advsiory Clients’ investment objectives.

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

BSAM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, BSAM is required to disclose any direct or indirect compensation that it provides for client referrals. BSAM does not have any of these relationships.

### **Item 15. Custody**

BSAM’s Agreement and/or the separate agreement with any *Financial Institution* may authorize BSAM through such *Financial Institution* to debit the Advisory Client’s account for the amount of BSAM’s fee and

the fees of any TPM's and to directly remit that management fee in accordance with applicable custody rules.

Adviser Clients are responsible for ensuring that *Financial Institutions* have agreed to send a statement to the Advisory Client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to BSAM.

#### **Item 16. Investment Discretion**

BSAM has the authority to exercise discretion on behalf of Advisory Clients and Program Clients that is limited to trading within these accounts based on the investment strategies selected by the Adviser Client or Investment Advisor. Based on the investment strategy selected, BSAM will affect transactions in the Advisory Client or Program account without first having to seek the Advisory Client's or Program Client's consent.

#### **Item 17. Voting Client Securities and Monitoring Class Actions**

BSAM will not generally accept the responsibility for voting client securities (proxies) or monitoring class action notices on behalf of its Adviser Clients or their Advisory Clients, nor will BSAM process paperwork to allow such to participate in class action settlements, such are the responsibility of the Adviser Clients or their Advisory Clients.

#### **Item 18. Financial Information**

BSAM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, BSAM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. BSAM has no disclosures pursuant to this Item.