

RATIONAL
INVESTMENT
MANAGEMENT

Rational Investment Management, LLC Firm Brochure - Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of Rational Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (415) 379-0749 or by email at: dan@rationalim.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Rational Investment Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. Rational Investment Management, LLC's CRD number is: 163057.

Registration does not imply a certain level of skill or training.

Version Date: 05/13/2020

Item 2: Material Changes

One material change has been made to this ADV: The minimum account size for Rational Investment Management has been increased from \$500,000 to \$1,000,000. However, in special situations, exceptions may be made.

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Item 4: Advisory Business

A. Description of the Advisory Firm

Rational Investment Management, LLC (hereinafter, "RIM") is a limited liability company organized in the state of California.

This firm has been in business since March 2012. RIM's managers and principal owners are Daniel S. Sinton and Brian C. Proses.

B. Types of Advisory Services

RIM offers the following services to advisory clients:

Investment Supervisory Services

RIM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. RIM typically creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- | | |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy |
| • Asset allocation | • Asset selection |
| • Risk tolerance | • Regular portfolio monitoring |

RIM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. RIM will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in each client's Investment Policy Statement.

Services Limited to Specific Types of Investments

RIM generally invests on behalf of client accounts in mutual funds and ETFs. RIM may use other securities as well to help diversify a portfolio when it deems applicable.

C. Client Tailored Services and Client Imposed Restrictions

RIM generally offers the same suite of services to all of its clients. However, specific client financial plans and their implementation depend upon the client's Investment Policy Statement, which outlines each client's current situation (income, tax levels and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs and targets.

Clients may impose restrictions on investing in certain industries, in accordance with their values or beliefs. RIM may end the relationship, however, if the restrictions prevent RIM from properly servicing the client account, or if the restrictions would require RIM to deviate from its standard suite of services.

D. Wrap Fee Programs

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. RIM does not participate in any wrap fee programs.

E. Amounts Under Management

RIM's assets under management are:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$ 225,465,015	\$0.00	12/31/2019

Item 5: Fees and Compensation

A. Fee Schedule

Investment Supervisory Services Fees

Fees for portfolio management services are typically calculated as an annual percentage of managed assets, paid quarterly in arrears based on the average value of all assets in the client's account for that quarter. Fees are generally debited from client accounts by the account custodian after the end of each quarter. Clients may request to be billed directly. The fee schedule is:

- 1% annually on the first \$1,000,000
- 0.75% annually on the next \$1,000,000
- 0.50% annually from 2,000,001 to 10,000,000
- 0.25% thereafter

These fees are computed on a “blended rate” basis. For example, an account of \$3,000,000 will be charged 0.75% per year (1% on the first \$1,000,000, 0.75% on the next million, and 0.50% on the next million).

These fees are negotiable depending upon the needs of the client and complexity of the situation, and the final fee schedule is attached as Schedule A of the Investment Management Agreement. Clients may terminate their contracts with written notice.

Because fees are charged in arrears, no refund policy is necessary. If a client account is terminated within 30 days of signing the Investment Management Agreement, any advisory fees are refunded.

Lower fees for comparable services may be available from other sources.

B. Payment of Fees

Payment of Investment Supervisory Fees

RIM typically deducts advisory fees directly from the client’s account, although it may invoice and bill a client directly on request. Fees are paid quarterly in arrears.

C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third party fees, such as mutual fund fees and trade commissions. Those fees are separate and distinct from the fees charged by RIM. Please see Item 12 of this brochure regarding broker/custodians.

D. Prepayment of Fees

RIM collects its fees in arrears. It does not collect fees in advance.

E. Outside Compensation for the Sale of Securities to Clients

Neither RIM nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

Item 6: Performance-Based Fees and Side-By-Side Management

RIM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7: Types of Clients

RIM generally provides management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

Minimum Account Size

\$1,000,000 is the minimum account size, but in special situations, exceptions may be made.

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

A. Methods of Analysis and Investment Strategies

Methods of Analysis

RIM relies on several sources of information to analyze investment securities and to develop portfolio management strategies and allocations. RIM uses Dimensional Fund Advisors (“DFA”) white papers, research publications, and the Returns 2.0 Program of historical asset class returns; Schwab Institutional and other brokerage firm research reports and white papers; financial websites, newspapers, financial trade journals, and periodic discussions with professional colleagues.

Investment Strategies

RIM primarily utilizes the institutional asset class mutual funds of DFA and various Exchange Traded Funds (ETFs) in the management of client portfolios. RIM has determined that DFA funds in many cases effectively capture the returns of targeted asset classes and provide an opportunity to effectively implement the investment policies of client portfolios. DFA and other mutual fund companies provide clients with prospectuses that identify potential risks involved in investing in the mutual funds used in client portfolios.

B. Material Risks Involved

Client accounts may not achieve their investment objectives. A strategy may not be successful and clients may lose some or all of their investment.

Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account’s investments.

RIM may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. RIM also may receive material, non-

public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.

An account may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.

Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which RIM does business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.

Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.

RIM and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss constituted a knowing violation of applicable law, gross negligence or willful misconduct.

The attorneys who represent RIM or its managers do not represent clients. Clients must hire their own counsel for legal advice and representation.

C. Risks of Specific Securities Utilized

RIM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

Mutual Funds and Exchange Traded Funds (ETFs): Investing in mutual funds and ETFs carries the risk of capital loss. These funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in these funds. All mutual funds and ETFs have costs that lower investment returns, including fees that client accounts will pay in addition to the fees they pay to RIM.

Fixed Income is an investment that makes fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

Debt securities carry risks such as the possibility of default on the principal, fluctuation in interest rates and counterparties being unable to meet obligations.

REITs have specific risks including valuation difficulties due to cash flows, dividends paid in stock rather than cash and the payment of debt resulting in dilution of shares.

Long term investing is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk and political/regulatory risk.

Short-term investing risks include liquidity, economic stability and inflation.

Non-U.S., private and government securities include risks such as political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Item 9: Disciplinary Information

A. Criminal or Civil Actions

There are no criminal or civil actions to report.

B. Administrative Proceedings

There are no administrative proceedings to report.

C. Self-regulatory Organization (SRO) Proceedings

There are no self-regulatory organization proceedings to report.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

Neither RIM nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Adviser

Neither RIM nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Adviser.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

The principal business of Brian C. Proses is the practice of accountancy as a certified public accountant with Charles W. Proses, an accountancy corporation ("CWP"). This other business activity provides a substantial source of his income and involves a substantial amount of his time, though that income and time is gradually being reduced. This accountancy activity may present a conflict of interest by limiting the amount of time that he has available for his duties on behalf RIM. RIM does not believe this conflict of interest is material, however, given the nature of Brian C. Proses' activities on RIM's behalf. RIM addresses any conflict of interest through periodic reviews by RIM's other manager, Daniel S. Sinton.

Certain clients of RIM may also be, but are under no obligation to be, clients of CWP. Those clients have separate agreements with CWP, and pay separate fees to CWP for accounting services. RIM does not provide accounting services and is not licensed by the California Board of Accountancy.

All material conflicts of interest under Section 260.238 (k) of the California Corporations Code are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections

RIM does not utilize nor select other advisers or third-party managers. All assets are managed by RIM management.

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

A. Code of Ethics

RIM has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. RIM's Code of Ethics is available on request to any client or prospective client.

B. Recommendations Involving Material Financial Interests

RIM does not recommend that clients buy or sell any security in which a related person to RIM or RIM has a material financial interest, except as set forth in Item 11.C, below.

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of RIM may buy or sell securities for themselves that they also recommend to clients. Such transactions may create a conflict of interest by providing an opportunity for representatives of RIM to buy or sell the same securities before or after recommending the same transactions to clients resulting in representatives obtaining a better price. RIM seeks to document transactions that could be construed as conflicts of interest and transact client business before its own when similar securities are being bought or sold.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers

RIM has selected Charles Schwab & Co., Inc. to serve as the custodian for client accounts based on its relatively low transaction fees and access to mutual funds and ETFs. RIM does not charge a premium or commission on transactions, beyond the actual cost imposed by the custodian.

1. Brokerage for Client Referrals

RIM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

2. Clients Directing Which Broker/Dealer/Custodian to Use

RIM generally will not allow clients to direct RIM to use a specific broker-dealer to execute transactions. Clients must use the RIM recommended custodian (broker-dealer), currently Charles Schwab & Co. Inc.

Item 13: Reviews of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed at least quarterly by Daniel S. Sinton, Manager, for consistency with the accounts' Investment Policy Statements.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Non-periodic reviews may be triggered by material market, economic or political events, by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance), or at the client's initiative.

C. Content and Frequency of Regular Reports Provided to Clients

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

RIM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to RIM clients.

B. Compensation to Non – Advisory Personnel for Client Referrals

RIM does not engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors.

Item 15: Custody

The custodian of each client account sends account statements at least quarterly to the client. Each client should carefully review those statements and compare them with the statements that such client receives directly from RIM.

Item 16: Investment Discretion

For those client accounts where RIM provides ongoing supervision, the client has given RIM written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are disclosed to the client before any advisory relationship has commenced. The client provides RIM discretionary authority via a limited power of attorney in the Investment Management Agreement.

RIM's discretion is limited by the requirement that clients advise RIM of:

- the investment objectives of the account;
- any changes or modifications to those objectives; and
- any specific investment restrictions relating to the account.

A client must promptly notify RIM in writing if the client considers any investments recommended or made for the account to violate such objectives or restrictions. A client may at any time direct RIM to sell any securities or take such other lawful actions as the client may specify to cause the account to comply with the client's investment objectives. In addition, a client may notify RIM at any time not to invest any funds in the client's account in specific securities or specific categories of securities.

Item 17: Voting Client Securities

RIM will not ask for, nor accept voting authority for client securities. Clients should receive proxies directly from the issuer of the security or the custodian.

Item 18: Financial Information

A. Balance Sheet

RIM does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither RIM nor its management have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

RIM has not been the subject of a bankruptcy petition in the last ten years.

Item 19: Requirements For State Registered Advisers

A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background

RIM currently has two management persons/executive officers: Daniel S. Sinton and Brian C. Proses. Their education and business background can be found on the Supplemental ADV Part 2B.

B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)

Daniel S. Sinton's and Brian C. Proses' other business activities can be found on the Supplemental ADV Part 2B.

C. How Performance Based Fees are Calculated and Degree of Risk to Clients

RIM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

D. Material Disciplinary Disclosures for Management Persons of this Firm

No management person at RIM or RIM has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

E. Material Relationships That Management Persons Have with Issuers of Securities (If Any)

Neither RIM, nor its management persons, has any relationship or arrangement with issuers of securities.

PRIVACY POLICY

RIM collects non-public personal information about its clients from information received from clients on applications or other forms, and information about clients' transactions with RIM, its affiliates or others. RIM does not disclose any non-public personal information about its clients or former clients to anyone, except as permitted by law. RIM restricts access to non-public personal information about its clients and investors to its employees who need to know that information to provide services to clients. RIM maintains physical, electronic and procedural safeguards that comply with federal standards to guard clients' personal information.