



# CATALYST

## PRIVATE WEALTH

### Form ADV

### Disclosure Brochure

### January 2020

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This Brochure provides information about the qualifications and business practices of Catalyst Private Wealth, LLC (“Catalyst” or “the Firm”), a registered investment advisors with the U.S. Securities and Exchange Commission (“SEC”). If you have any questions about the contents of this Brochure, please contact the Firm at the telephone number listed above. For compliance specific requests, please call 971-371-3450. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration does not imply any level of skill or training.

## ITEM 2 - MATERIAL CHANGES

In this Item, Catalyst Private Wealth, LLC (hereby known as “Catalyst” or the “Firm”) is required to discuss any material changes that have been made to the Brochure since the last annual amendment. As Catalyst was a newly filing entity in October 2019, this brochure will be considered the first annual amendment for the Firm.

Material changes since the initial filing of this brochure include:

- The Firm is now a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”).
- The Firm has amended its Form ADV to update current Assets Under Management. As of December 31, 2019, Catalyst’s assets under management were \$ 130,497,822 in assets for approximately 90 clients all of which are managed on a discretionary basis.

We will ensure that all current clients receive a Summary of Material Changes and updated Brochure within 120 days of the close of our business’ fiscal year. A Summary of Material Changes is also included with our Brochure on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Catalyst Private Wealth, LLC is #305565. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Stacy Sizemore, Chief Compliance Officer at 971-371-3450 or [stacy@tru-ind.com](mailto:stacy@tru-ind.com).

## ITEM 3 - TABLE OF CONTENTS

ITEM 1 - COVER PAGE .....	1
ITEM 2 - MATERIAL CHANGES.....	2
ITEM 3 - TABLE OF CONTENTS .....	3
ITEM 4 - ADVISORY BUSINESS .....	4
ITEM 5 - FEES AND COMPENSATION .....	6
ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	8
ITEM 7 - TYPES OF CLIENTS .....	8
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	9
ITEM 9 - DISCIPLINARY INFORMATION.....	15
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	15
ITEM 11 - CODE OF ETHICS .....	15
ITEM 12 - BROKERAGE PRACTICES.....	17
ITEM 13 - REVIEW OF ACCOUNTS.....	20
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION.....	21
ITEM 15 - CUSTODY .....	21
ITEM 16 - INVESTMENT DISCRETION .....	22
ITEM 17 - VOTING CLIENT SECURITIES.....	22
ITEM 18 - FINANCIAL INFORMATION .....	23

## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Catalyst Private Wealth, LLC (“Catalyst”, the “Firm”, “we”, “our,” or “us”) is a privately owned limited liability company headquartered in San Francisco, California.

Catalyst has been registered as an investment adviser with the U.S. Securities and Exchange Commission since 2019. Catalyst was formed in 2018 and is owned by Brendan Connaughton, John Dodd, Mitchell Sands, and Bryan Wilson. As of December 31, 2019, Catalyst’s assets under management were \$ 130,497,822 in assets for approximately 90 all of which are managed on a discretionary basis.

While this brochure generally describes the business of the Firm, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on the Firm’s behalf and is subject to the Firm’s supervision or control.

### Advisory Services Offered

The Firm offers discretionary investment management and investment advisory services. Prior to the Firm rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with the Firm setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

#### Investment Management Services

Catalyst offers continuous and regular investment supervisory services on both a discretionary and non-discretionary basis. We work with clients and have the ongoing responsibility to select and/or make recommendations based upon the objectives of the client, as to specific securities or other investments that he/she recommends or purchases/sells in clients’ accounts. We utilize a variety of investment types when making investment recommendations/purchases in client accounts which include, but are not limited to: equity securities, fixed income securities, alternatives and mutual funds. The investments recommended/purchased are based off of the clients’ individual needs, goals and objectives. Catalyst offers investment advice on any investment held by the client at the start of the advisory relationship. We describe the material investment risks under *Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss*. Financial Planning may be provided to clients as a part of the Investment Management Services. When being provided as a separate service it is described in this section under *Financial Consulting Services* below.

We discuss our discretionary authority below under *Item 16 – Investment Discretion*. For more information about the restrictions clients can put on their accounts, see *Tailored Services and Client Imposed Restrictions* in this item below. We describe the fees charged for investment management services below under *Item 5 – Fees and Compensation*.

#### Financial Planning & Consulting Services

Our Financial Planning and Consulting Service offers clients the ability to have their investment portfolio allocated among different financial institutions and reviewed by an Investment Adviser Representative for a negotiated fee. This consultation offers the client a detailed look at their financial condition in relation to their investment objectives, risk tolerance, time horizon, and any financial goals that they may be seeking to achieve. This Financial Consultation Service offered by us may or may not be in conjunction with one of our other fee-based programs.

We provide a variety of financial consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of client's current situation, goals, and objectives. Consulting encompasses one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. In performing these services, Catalyst is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Catalyst may recommend clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage the Firm or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by the Firm under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Catalyst's recommendations and/or services.

For financial consulting engagements, we provide our clients with a written summary of our observations and recommendations. One-time consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Services provided under an on-going consultation agreement are conducted on a regular basis, but no less than annually with the client. The client is under no obligation to act upon the investment adviser's recommendation. If the client elects to act on our recommendations, the client is under no obligation to effect the transaction through us.

We describe fees charged for Financial Consultation Services below under *Item 5 - Fees and Compensation*.

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule & Billing Method

The Firm offers services on a fee basis, which may include fixed fees, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, may offer securities brokerage services under a separate commission-based arrangement.

#### Investment Management Services

The annual management fee for our Investment Management Services is based on the total dollar asset value of the assets maintained in your account. The fee assessed and/or charged is based on what is stipulated in the Investment Advisory Agreement signed by each client. This may include a minimum quarterly fee. The Firm offers services on a fee basis, which may include fixed fees, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, may offer securities brokerage services under a separate commission-based arrangement.

Our annual fee ranges up to 2.00% annually, and is assessed and/or charged quarterly or monthly in advance, based on prior period-end value. Inflows and outflows of cash are considered on a prorated basis in this calculation. Margin debits in accounts will decrease the fee calculated. Fees can be structured in one of the following ways: a fixed flat percentage fee on total assets in the account, a tiered fee schedule whereby the fee is calculated by applying different rates to different levels of assets or a linear fee schedule where a breakpoint percentage fee is assessed to total assets in the account.

We discuss our discretionary authority below under *Item 16 – Investment Discretion*.

#### Financial Consultation Service

We will quote the client a fixed fee that is based on the estimate of time to complete the project, or will negotiate another fee arrangement for the client, pursuant to the Financial Planning & Consulting Agreement. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. We may require a negotiable retainer, which is calculated based on the estimated total financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within six (6) months. In the event that the client or Catalyst terminates the financial consulting engagement before completion of the financial plan or consultation, Catalyst will determine the fees due for the services already completed. For flat fee engagements, Clients may receive a pro-rata refund of unearned fees which will be based on the hours Advisor has spent on the engagement, billed at the Advisor's hourly rate for such engagements. If the retainer previously paid by you is more than the fees due, Catalyst will refund the amount of the unearned fees to you. If the amount due is more than the retainer we collected from you, Catalyst will send you an invoice for the remainder due,

which will be due within thirty (30) days of the invoice date. For ongoing engagements, Clients will receive a pro-rata refund for any remaining days left in the quarter in which the contract was terminated.

## **Other Fees and Expenses**

In addition to the advisory fees paid to Catalyst, clients may incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, platform service providers, banks and other financial institutions (collectively “Financial Institutions”). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, reporting charges, margin costs, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

## **Direct Fee Debit**

Clients generally provide Catalyst with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing account transactions, including any amounts paid to Catalyst.

## **Account Additions and Withdrawals**

As stated above, clients may make additions to and withdrawals from their account at any time, subject to Catalyst’s right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client’s account. Clients may withdraw account assets on notice to the Firm, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. The Firm may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

## **Commissions and Sales Charges for Recommendations of Securities**

Clients can engage certain persons associated with the Firm (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Catalyst.

Under this arrangement, the Firm’s Supervised Persons, in their individual capacities as registered representatives of Emerson Equity Inc. (“Emerson”), may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to Emerson, as well as a share of any

ongoing distribution or service (trail) fees from the sale of mutual funds. Catalyst may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with Emerson.

A conflict of interest exists to the extent that Catalyst recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that Catalyst, in its sole discretion, deems appropriate, the Firm may provide its investment advisory services on a fee-offset basis. In this scenario, Catalyst may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of Emerson.

## **Termination**

Either party may terminate the advisory agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing Catalyst at our office. Catalyst will refund any prepaid, unearned advisory fees.

Terminations will not affect liabilities or obligations from transactions initiated in client accounts prior to termination. In the event the client terminates the investment advisory agreement, Catalyst will not liquidate any securities in the account unless instructed by the client to do so. In the event of client's death or disability, Catalyst will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Catalyst does not charge 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**

Catalyst provides asset management, financial consulting, ERISA plan advisory & consulting, investment advisory consultation, and selection of third party money managers. Our services are provided on a discretionary and non-discretionary basis to a variety of clients, such as institutional investors, individuals, high net worth individuals, trusts and estates, qualified purchasers and individual participants of retirement plans. In addition, we may also provide advisory services to entities such as pension and profit sharing plans, businesses, and other investment advisers.

## **Account Requirements**

Catalyst does not have a specific account minimum.



## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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

We will typically use fundamental, cyclical, charting, and/or technical analysis in the selection of individual securities. Catalyst selects categories of investments based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. We seek to select individual securities with characteristics that are most consistent with the client's objectives. Since Catalyst treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals may own different securities. Tax factors will not influence Catalyst's investment decisions.

#### General Investment Strategies

Catalyst generally uses diversification in an effort to minimize risk and optimize the potential return of a portfolio. More specifically, we utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification. Each portfolio composition is determined in accordance with the clients' investment objectives, risk tolerance, and time horizon. We utilize both passive and active investment management strategies in an effort to optimize portfolios.

Our general investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. We develop a Client Profile to help identify the client's investment objectives, time horizon, risk tolerance, tax considerations, target asset allocation, and any special considerations and/or restrictions the client chooses to place on the management of the account.

Catalyst will then recommend investments that we feel are consistent with the Client Profile.

After defining client needs, Catalyst develops and implements plans for the client's account. Then, we monitor the results and make adjustments as needed. As the initial assumptions change, the plans themselves may need to be adapted. Continuous portfolio management is important in an effort to keep the client's portfolio consistent with the client's objectives.

#### Methods of Analysis for Selecting Securities

The Firm uses, among others, technical, fundamental, and/or charting analysis in the selection of individual equity securities. Additionally, we may use specific strategies or resources in the method of analysis and selection of mutual funds.

#### Technical Analysis

The effectiveness of technical analysis depends upon the accurate forecasting of major price moves or trends in the securities traded by the Firm. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernable

trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may underperform other trading methods when fundamental factors dominate price moves within a given market.

The calculations that underline our system, methods, and strategies involve many variables, including determinants from information generated by computers and/or charts. The use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing trade information.

Accordingly, no assurance is given that the decisions based on computer-generated information will produce profits for a client's account.

### Relative Strength Analysis

Relative strength measures one stock versus another or a group of stocks versus an index, such as the S&P 500. Through relative strength analysis, we can rank areas of the market that are outperforming or underperforming the broad market, whether the Russell 3000 or S&P 500. For our purposes, we use the S&P 500. We then add the highest relative strength sectors and macro areas (i.e. small cap vs. large cap) to our investment model, using primarily ETFs. The general premise is that those areas of the market with highest relative strength outperform over the long term. Additionally, as a risk override, we run moving average analysis to identify when markets are most vulnerable, and from time to time lighten market exposure.

### Fundamental Analysis

Fundamental analysis assesses the financial health and management effectiveness of a business by analyzing a company's financial reports, key financial ratios, industry developments, economic data, competitive landscape, and management. The objective of fundamental analysis is to use historical and current financial data to assess the stock valuation of a company, evaluate company profitability, credit risk, and forecast future performance of the company and its share price. Fundamental analysis assumptions and calculations are based on historical data and forecasts; therefore the quality of information and assumptions used are critical. Differences can exist between market fundamentals and how you analyze them.

### Charting Analysis

Charting analysis involves the use of patterns in performance charts. We use this charting technique to search for patterns in an effort to predict favorable conditions for buying and/or selling a security.

### *Mutual Funds*

When analyzing mutual funds, we use various sources of information, including data provided by Morningstar. We review key characteristics such as historical performance, consistency of returns, risk level, and size of fund. Expense ratio and other costs are also significant factors in fund selection. We also subscribe to/access additional information from other sources that inform our general macro-economic view.

### *Options*

Catalyst may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. The two types of options are calls and puts. A call gives the holder the right to buy an asset at a certain price within a specific period of time. A call may be purchased if the expectation is that the stock will increase substantially in value before the option expires. It may also be sold as a hedge to protect gains or principal of an existing holding (covered calls). A put gives the holder the right to sell an asset at a certain price within a specific period of time. A put may be purchased if the expectation is that the stock will decrease substantially in value before the option expires. They are typically purchased as a hedge to protect gains or principal of a portfolio. There are various options strategies that our Catalyst may deploy in a strategy, as appropriate for a client's needs. These include, but may not be limited to: covered options (selling a call or put for a premium payment while retaining the cash or securities required to facilitate the underlying purchase or sale of securities if an option is exercised) or spreads/straddles (buying or selling call or put options on the same or opposite side of the market to benefit from the bid/ask "spread" or to straddle the market based on value or time variances).

### *Alternative Investments*

Catalyst may use Alternative Investments as a way to diversify a portfolio. Alternative Investments are considered to be "non-correlated" assets, meaning that they do not tend to run up or down (track) with the market like standard securities typically do. The main goal of alternatives is to provide access to other return sources, with the potential benefit of reducing risk of a client's portfolio, improving returns, or both.

### *Specific Investment Strategies for Managing Portfolios*

Catalyst may use Modern Portfolio Theory tactical asset allocation, cash as a strategic asset, long-term holding, trend, dollar-cost-averaging, defensive portfolio strategies in the construction and management of client portfolios. There is no guarantee that any of the following strategies will be successful and we make no promises or warranties as to the accuracy of our market analysis.

### *Modern Portfolio Theory (MPT)*

Catalyst may use the Modern Portfolio Theory, which has a basic concept of using diversification in an

effort to help minimize risk and optimize the potential return of a portfolio.

### *Tactical Asset Allocation*

Catalyst may use a tactical asset allocation strategy in the shorter term to deviate from a client's long-term strategic asset allocation target in an effort to take advantage of what we perceive as market pricing anomalies or strong market sectors or to avoid perceived weak sectors. Once they achieve the desired short-term opportunities or perceives that opportunities have passed, we generally return a client's portfolio to the original strategic asset mix.

### *Cash as a Strategic Asset*

Catalyst may use cash as a strategic asset and at times move or keep client's assets in cash or cash equivalents. While high cash levels can help protect a client's assets during periods of market decline, there is a risk that our timing in moving to cash is less than optimal upon either exit or reentry into the market, potentially resulting in missed opportunities during positive market moves.

### *Long-term Holding*

Catalyst does not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase, as we do not generally use short-term trading as an investment strategy. However, there may be times when we will sell a security for a client when the client has held the position for less than 30 days.

Catalyst does not attempt to time short-term market swings. Short term buying and selling of securities is typically limited to those cases where a purchase has resulted in an unanticipated gain or loss in which we believe that a subsequent sale is in the best interest of the client.

### *Trend*

Catalyst may manage client assets using a trend following methodology based on the 200-day average and grounded in a strong sell discipline for all positions within the portfolio.

### *Dollar-Cost-Averaging*

Dollar cost averaging involves investing money in multiple installments over time to take advantage of price fluctuations in the attempt to get a lower average cost per share.

### *Defensive Strategies*

If our IAR anticipates poor near-term prospects for equity markets, we may adopt a defensive strategy for clients' accounts by investing substantially in fixed income securities and/or money market instruments. We may also utilize low, non or negative correlated investments through mutual funds and EFT's. There can be no guarantee that the use of defensive techniques would be successful in avoiding losses.

## Margin

Some clients of Catalyst maintain margin accounts to facilitate short-term borrowing needs, which are unrelated to our investment strategy(ies). For some high-net worth (HNW) clients that are seeking a more aggressive strategy for their portfolio, our Catalyst may work with those clients on an individual basis to develop a leveraged strategy utilizing margin to increase market participation portfolio as part of a customized investment strategy. Clients are responsible for any brokerage or margin charges in addition to advisory fees. Risks of using margin include "margin calls" (also called "fed calls" or "maintenance calls.") Margin calls occur when account values decrease below minimum maintenance margin levels established by the broker-dealer that holds the securities in the client's account, requiring the investor to deposit additional money or securities into their margin account.

While the use of margin borrowing can increase returns, it can also magnify losses. Clients must specifically request to establish a margin account.

## Additional Strategies

Clients interested in learning more about any of the above strategies should contact us for more information and/or refer to the prospectus of any mutual fund. We may also consider additional strategies by specific client request.

## **Investing Involves Risk**

### General Risks of Owning Securities

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy again, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

### Risk of Loss

Diversification does not guarantee a profit or guarantee to protect you against loss, and there is no guarantee that your investment objectives will be achieved. Catalyst strategies and recommendations may lose value. All investments have certain risks involved including, but not limited to the following:

**Stock Market Risk:** The value of securities in the portfolio will fluctuate and, as a result, the value may decline suddenly or over a sustained period of time.

**Managed Portfolio Risk:** The manager's investment strategies or choice of specific securities may be unsuccessful and may cause the portfolio to incur losses.

**Industry Risk:** The portfolio's investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact your portfolio. Investments focused in a particular industry are subject to greater risk and are more

greatly impacted by market volatility than less concentrated investments.

**Non-U.S. Securities Risk:** Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility and lower liquidity than U.S. securities, less developed securities markets and economic systems and political economic instability.

**Emerging Markets Risk:** To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

**Currency Risk:** The value of your portfolio's investments may fall as a result of changes in exchange rates.

**Credit Risk:** Most fixed income instruments are dependent on the underlying credit of the issuer. If we are wrong about the underlying financial strength of an issuer, we may purchase securities where the issuer is unable to meet its obligations. If this happens, your portfolio could sustain an unrealized or realized loss.

**Inflation Risk:** Most fixed income instruments will sustain losses if inflation increases or the market anticipates increases in inflation. If we enter a period of moderate or heavy inflation, the value of your fixed income securities could go down.

**Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate.

**Margin Risk:** The use of margin is not suitable for all investors, since it increases leverage in your Account and therefore risk.

**ETF and Mutual Fund Risk:** When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operation expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund greatly reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs.

**Derivative Risk:** Derivatives are securities, such as futures contracts or options, whose value is derived from that of other securities or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Hedging with derivatives may increase expenses, and there is no guarantee that a hedging strategy will achieve the desired results. Utilizing derivatives can cause greater than ordinary investment risk, which could result in losses.

**Alternative Investment Risk:** Alternative Investments involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not always required to provide periodic pricing or valuation information to

investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager. Alternative investment performance can be volatile. An investor could lose all or a substantial amount of his or her investment.

**Management Risk:** Your investment with us varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment may decrease.

## ITEM 9 - DISCIPLINARY INFORMATION

Catalyst and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our business or the integrity of our management. We do not have any required disclosures to this Item.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Catalyst is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

### Registered Representatives of a Broker/Dealer

Certain of the Firm's Supervised Persons are registered representatives of Emerson, and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5. This arrangement allows

Catalyst' Supervised Persons to offer certain qualified clients trading services, which gives the Firm the ability to execute trades through Emerson of client assets as defined in Item 12.

### Relationship with tru Independence, LLC

Catalyst maintains a business relationship with tru Independence, LLC ("tru Independence"), a service platform for investment professionals and an SEC registered investment adviser. Through its relationship with tru Independence, Catalyst gains access to services related to reporting, custody, investments, compliance, trading, technology, transition support and other related services.

In fulfilling its duties to its clients, Catalyst endeavors at all times to put the interests of its clients first. The Firm reviews all of its service provider relationships on an ongoing basis in an effort to ensure decisions are made in the best interests of clients. Clients should be aware, however, that this relationship may pose certain conflicts of interest. Specifically, tru Independence charges Catalyst a

platform fee that decreases as assets increase. Accordingly, Catalyst has an incentive to increase the assets it places through the tru Independence platform. tru Independence also provided transition support aimed at helping Catalyst launch its new advisory firm. The receipt of economic and other benefits as described above from tru Independence creates an incentive for Catalyst to choose tru Independence over other service providers that do not furnish similar benefits.

## ITEM 11 - CODE OF ETHICS

### Code of Ethics

The Firm has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. The Firm’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons, and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

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

### Personal Trading Practices

The Code of Ethics also requires certain of Catalyst’s personnel to report their personal securities holdings and transactions, and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment decisions/recommendations prior to and in preference to accounts of your Catalyst’ investment advisor representative (“IAR”).
2. Catalyst prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. If Catalyst wishes to purchase or sell the same security as he/she recommends or takes action to purchase or sell for a client, he/she will not do so until the custodian fills the client’s order, if the order cannot be aggregated with the client order. As a result of this policy, it is possible that clients may receive a better or worse price than Catalyst’s IAR for transactions in the same security on the same day as a client.
4. Catalyst requires our IAR’s to report personal securities transactions on at least a quarterly basis.



5. Conflicts of interest also may arise when Catalyst becomes aware of limited offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, limited offerings and IPOs demand extreme care. Catalyst's IARs are required to obtain pre-approval from the Chief Compliance Officer before trading in limited offerings and are prohibited from transacting in IPOs for personal accounts.
6. Under certain limited circumstances, we make exceptions to the policies stated above. Catalyst will maintain records of these trades, including the reasons for any exceptions.

## ITEM 12 - BROKERAGE PRACTICES

Catalyst generally recommends that clients utilize the custody, brokerage and clearing services with one of the following custodians: Fidelity Institutional Wealth Services, a division of Fidelity Brokerage Services, Inc. ("Fidelity"), a Fidelity Investments company, with TD Ameritrade Institutional, a division of TD Ameritrade, Inc., member FINRA/SIPC, with Charles Schwab & Co., Inc. ("Schwab"), member FINRA/SIPC, or with Interactive Brokers, LLC ("IB"), member FINRA/SIPC, (collectively "the custodians").

As part of the arrangement described above, the custodians also make certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by the custodians directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by the custodians to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by the custodians to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving the services discussed above, we have an incentive to continue to use or expand the use of the custodians' services. Our firm examined this conflict of interest when we chose to enter into the relationship with the custodians and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

The custodians charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions).

The custodians generally do not charge clients separately for custody services but are compensated by

account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodians or that settle into accounts at the custodians. The custodians charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). The custodians enable us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. The custodians' commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by the custodians may be higher or lower than those charged by other custodians and broker-dealers.

We may aggregate (combine) trades for ourselves or our associated persons with your trades, providing that the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully disclosed separately to our existing clients (if any) and the broker-dealer(s) through which such transactions will be placed;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to seek best price) for you and is consistent with the terms of our investment advisory agreement with you for which trades are being aggregated.
3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction;
4. We will prepare a procedure specifying how to allocate the order among those clients;
5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, it will be allocated pro-rata based on the allocation statement;
6. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
7. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and,
8. Individual advice and treatment will be accorded to each advisory client.

As a matter of policy and practice, we do not utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis other than what is described above.

## **Factors Considered in Recommending Custodians**

Catalyst does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party. We consider several factors in recommending custodians to a client. Factors that we consider when recommending custodians may include financial strength, reputation, execution, pricing, reporting, research, and service. We will also take into consideration the availability of the products and services received or offered (detailed above) by the custodians.

### Directed Brokerage Transactions

Catalyst does not allow clients to direct brokerage to a specific broker-dealer.

## **Trade Errors**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the Custodian, the Custodian will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Account Reviews & Reporting**

#### Managed Accounts Reviews

We manage portfolios on a continuous basis and generally review all positions in client accounts on a regular basis, but no less than annually. We generally offer account reviews to clients annually. Clients may choose to receive reviews in person, by telephone, or via e-mail. Catalyst's conduct reviews based on a variety of factors. These factors include, but are not limited to, stated investment objectives, economic environment, outlook for the securities markets, and the merits of the securities in the accounts.

In addition, we may conduct a special review of an account based on, but not limited to, the following:

1. A change in the client's investment objectives, guidelines and/or financial situation;
2. Changes in diversification;
3. Tax considerations; or

#### 4. Material cash deposits or withdrawals.

Catalyst contacts clients on a regular basis, as agreed to with the client, in order to review their financial situation and objectives; and, assist the client in understanding and evaluating the services provided by the Firm. The client is expected to notify us of any changes in his/her financial situation, investment objectives, or account restrictions that could affect their account.

#### Account Statements and Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from Catalyst and/or an outside service provider which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any reports they receive from Catalyst or an outside service provider.

#### Financial Consultation Service

Financial consultation clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us or separately contract with us for a post-financial plan meeting or update to their initial written financial plan. The type of reporting is agreed upon by Catalyst and the client on a case-by-case basis. We do not provide ongoing services to financial consultation clients but are willing to meet with such clients upon their request to discuss updates to their plans or changes in their circumstances. The clients IAR provides the financial consultation services to the client. In cases when we have been contracted to conduct ongoing financial consultation services, the Firm will conduct reviews as agreed upon with the client.

### **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

The Firm may provide compensation to third-party solicitors for client referrals. In the event a client is introduced to the Firm by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from the Firm's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with the Firm's written Brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of the Firm is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written Brochure(s) at the time of the solicitation. In addition, the Firm has disclosed additional compensation arrangements in *Item 10 - Other Financial Industry Activities and Affiliations* and *Item 12 – Brokerage Practices* above.

## Outside Compensation

Catalyst may refer clients to unaffiliated professionals for specific needs, such as mortgage brokerage, real estate sales, estate planning, legal, and/or tax/accounting. In turn, these professionals may refer clients to our Catalyst for investment management needs. We do not have any arrangements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals.

However, it could be concluded that Catalyst is receiving an indirect economic benefit from this practice, as the relationships are mutually beneficial.

Catalyst only refer clients to professionals we believe are competent and qualified in their field, but it is ultimately the client's responsibility to evaluate the provider, and it is solely the client's decision whether to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and Catalyst have no control over the services provided by another firm. Clients who chose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by Catalyst.

If the client desires, our Catalyst will work with these professionals or the client's other advisers (such as an accountant, attorney, or other investment adviser) to help ensure that the provider understands the client's investments and to coordinate services for the client. We do not share information with an unaffiliated professional unless first authorized by the client.

## ITEM 15 - CUSTODY

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize Catalyst and/or the Independent Managers to debit client accounts for payment of the Firm's fees and to directly remit those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts have agreed to send statements to clients at least quarterly detailing all account transactions, including any amounts paid to Catalyst. Additionally, the Firm has the ability to disburse or transfer certain client funds pursuant to Standing Letters of Authorization executed by clients.

Clients should carefully review the account statements they receive from the qualified custodian. When clients receive statements from Catalyst as well as from the qualified custodian, they should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive a statement from their qualified custodian at least quarterly should also notify us.

## ITEM 16 - INVESTMENT DISCRETION

Catalyst accepts discretionary authority over client accounts. If Catalyst is acting in a discretionary capacity, we may place trades within a client account without pre-approval from the client.

Catalyst is given this authority through a power-of- attorney included in the agreement between the Firm and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). The Firm takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

## **ITEM 17 - VOTING CLIENT SECURITIES**

### *Proxy Voting*

We do not accept or have the authority to vote client securities. However, clients may call us if they have questions about a particular solicitation. We will not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

### *Class Actions*

Catalyst does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. Catalyst does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, does not have or foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.

Recently, the Firm elected to participate in the Paycheck Participation Program ("PPP") offered under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The firm's participation in the program was related to the ongoing economic uncertainty surrounding the COVID-19 pandemic and its potential negative impact on the capital markets. We expect the funds will be used to support the payroll of employees who perform advisory functions as well as those employees who support the firm's advisory services, e.g. employees who assist in opening new accounts, transfers, customer service, operations, and marketing.

