

FORM ADV PART 2A. BROCHURE



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This brochure provides information about the qualifications and business practices of Addis Hill. If you have any questions about the contents of this brochure, please contact us at 610.688.9500 or [AddisHill@AddisHill.com](mailto:AddisHill@AddisHill.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Addis Hill is also available on the SEC's website at [ww.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Addis Hill is 117495.

Addis Hill is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

### Item 3: Table of Contents

<b>Item 1: Cover Page .....</b>	<b>1</b>
<b>Item 3: Table of Contents.....</b>	<b>2</b>
<b>Item 4: Advisory Business .....</b>	<b>3</b>
<b>Item 5: Fees and Compensation .....</b>	<b>4</b>
<b>Item 6: Performance-Based Fees and Side-By-Side Management.....</b>	<b>5</b>
<b>Item 7: Types of Clients.....</b>	<b>5</b>
<b>Item 9: Disciplinary Information.....</b>	<b>6</b>
<b>Item 10: Other Financial Industry Activities and Affiliations.....</b>	<b>6</b>
<b>Item 12: Brokerage Practices .....</b>	<b>8</b>
<b>Item 13: Review of Accounts.....</b>	<b>8</b>
<b>Item 14: Client Referrals and Other Compensation .....</b>	<b>9</b>
<b>Item 15: Custody.....</b>	<b>9</b>
<b>Item 16: Investment Discretion .....</b>	<b>9</b>
<b>Item 17: Voting Client Securities .....</b>	<b>9</b>
<b>Item 18: Financial Information.....</b>	<b>10</b>
<b>Additional Information .....</b>	<b>10</b>

## **Item 4: Advisory Business**

### **Owners**

Addis & Hill, Inc. (herein after called Addis Hill) has been in business since March 2000 and is registered with the state of Pennsylvania as an S Corporation and is registered as an investment adviser with the U.S. Securities and Exchange Commission (SEC). Kent R. Addis, Jr. is a sixty percent (60%) shareholder and Justin J. Hill is a forty percent (40%) shareholder.

### **Firm Description**

In 2000, Addis Hill was founded to provide fee-only personal financial planning and investment management services to individuals and families. Addis Hill is not controlled by any other firm, producer's group, insurance company, or financial organization of any kind. As a result, they are not faced with the potential for conflicts of interest. Addis Hill is guided by a fiduciary oath and fiduciary standards as a member of NAPFA – The National Association of Personal Financial Advisors and The Institute for the Fiduciary Standard.

Addis Hill's advisory business is comprised of two parts; Financial Planning and Investment Management. Addis Hill furnishes its advice through analysis and consultations.

Addis Hill continually integrates innovative processes, technology, and tools into its planning process. In addition, the firm collaborates with outside professionals such as insurance professionals, accountants, and attorneys to reduce risk and solve the challenges facing clients.

### **Financial Planning**

Addis Hill defines financial planning as an active process designed to provide comprehensive services such as risk management, asset allocation, tax mitigation, investment planning, insurance analysis, scenario planning, Social Security and pension planning and more to its clients. Clients will experience several meetings to gather facts, assess risk, evaluate insurance coverages, identify estate planning needs, and determine tax analysis necessary to build a clear, identifiable planning foundation. Investment allocations and tax location management is determined through this process.

### **Investment Management**

Portfolio optimization is a data-driven approach to analyzing investments to eliminate investor emotion and reliance on past performance when making investment decisions. The process is a repeatable set of rules to reallocate periodically and take the subjectivity out of choosing and sizing investments.

The goal is to minimize a portfolio's overall variability (or volatility) and potentially reduce protracted portfolio drawdowns. As a result, by controlling risk at the asset, sector, and security level, one can potentially increase the probability of achieving their long-term financial objectives more consistently.

Addis Hill manages client assets on a discretionary basis. As of December 31, 2020, Addis Hill's assets under management are approximately \$111,315,633 on a discretionary basis and \$0 on a non-discretionary basis. Addis Hill charges a fee based on a percentage of assets for on-going portfolio management and financial advisory services.

Discretionary assets under management of Addis Hill, are invested in exchange traded funds and individual securities in companies such as iShares, Vanguard, State Street, Performance Trust and more. Addis Hill does not act as a custodian of client assets. Client's assets are custodied at Pershing, LLC (Bank of New York) as well as TIAA and Transamerica for fee-only annuity contracts.

### **Item 5: Fees and Compensation**

Addis Hill derives approximately ninety-eight (98%) percent of its advisory billings from assets under management.

#### **Fee Schedules**

A one-time fee of \$500 to determine if there is an opportunity to work in an additional advisory capacity with Addis Hill.

#### *Advisory Fee schedule:*

Annual advisory fee ranges from three quarters of a percent (0.75%) to one and a quarter percent (1.25%) annually depending on the amount of assets that are managed by Addis Hill and placed in one or more of our managed ETF customized portfolios under our discretionary asset management service. We offer further discounts for accounts over \$2,000,000. One-twelfth of the annual fee will be billed monthly in advance. The monthly fee is based on the account's value on the last calendar day of the prior month. The fee will be paid directly to Addis Hill from the accounts held by the custodian. Partial month fees at the beginning or end of an advisory relationship will be prorated. The asset-based fee will cover on-going comprehensive financial planning and investment management services. Addis Hill's minimum annual fee is \$3000. All fees will be disclosed up front and in writing.

The above fees are negotiable.

#### *Advisory Billing Calculation:*

The monthly fee rate is one-twelfth (1/12) of the annual fee. This is an illustrative example of the calculation performed each month.

Account Value: 1,000,000

Annual Advisory Fee: 0.75%

Calculation:  $1,000,000 \times 0.75\% = 7,500$      $7,500 / 12 = 625$  monthly fee

#### **Other Fees**

Addis Hill will employ the assistance of sub-advisors for the management of specific portions of the client's portfolios. Clients are made aware of the use of sub-advisors prior to any implementation of investments. The sub-advisory relationships are as follows:

DeWitt Capital Management – The annual fee is one percent (1%) and billed quarterly in advance. The fee will be paid directly from the accounts held by the custodian.

Performance Trust – 0.10% - 0.20% one- time fee on initial bond purchase.

The combination of Addis Hill and sub-advisory fees will not exceed the industry excessive fee standard of three percent (3%). Custodians may charge transaction fees on purchases or sales of Exchange Traded Funds,

Stocks, Bonds, Master Limited Partnerships and Mutual Funds. In addition, there are operating expense charges that are part of the operating expense ratio found in the fund's prospectus. These fees are in addition and independent of the fees paid to Addis Hill. Addis Hill does not receive any part of these fees.

Addis Hill fees are paid directly from the client's portfolio accounts and those fees are administered through Shareholders Service Group, a third-party administrator, and TIAA for fee-only annuity products not Addis Hill. Addis Hill is a fee-only firm that neither sells any products nor receives any commissions in any form.

### **Termination of Account**

Since fees are collected on a monthly basis, in advance, Addis Hill will refund a prorated portion of the current monthly fee to the client based on the number of days remaining in the current month if a client or Addis Hill terminates its relationship. In addition, there can be small administration fees charged by custodians for accounts transferring, independent of Addis Hill. Addis Hill does not receive any part of these termination fees.

Addis Hill hereby retains the express right for whatever reason, to terminate the advisory relationship. However, the client shall have the same express right for whatever the reason, to terminate its relationship with Addis Hill.

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

Addis Hill does not use a performance-based fee structure and side-by-side management because of the potential conflict of interest. No fee is ever based upon capital gains or capital appreciation of assets.

### **Item 7: Types of Clients**

Addis Hill provides investment advice mostly to individuals, as well as to trusts. Although there are no required account minimums, clients typically have investible asset between \$500,000 and \$10,000,000 and a net worth up to \$10,000,000.

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

#### **General Investment Philosophy and Objectives**

Consistent with the Addis Hill and with the client's respective investment styles and philosophies, Addis Hill should make every effort to preserve capital and protect the real value of the assets. It is understood that losses may occur, but that risk and losses will be considered at the aggregate portfolio level. Addis Hill should adhere to the investment management styles for which they were hired and make reasonable efforts to control risk, recognizing that some risk is necessary to produce long-term results that are sufficient to meet the investment objectives. Financial markets do fluctuate and there is no guarantee that a certain return will be met, and past performance is not a guarantee of future results.

The asset class risk and return assumptions are based on various factors including historical data, market valuations, economic expectations, market capitalizations, and financial modeling. The assumptions are long-term in nature and are intended to be a reasonable approximation for a wide range of return behavior that asset classes can potentially exhibit through uncertain market conditions. The asset class assumptions are then combined in a manner consistent with the weightings of this investment strategy to produce a range of possible returns for the time periods indicated.

Addis Hill believes that asset allocation – the overall mix of asset types within your portfolio – is an extremely important factor in any portfolio's behavior. There are many types of assets and many ways to define asset categories. In basic terms though, most asset categories either: (1) entitle you to some form of equity ownership; (2) provide an income stream in return for the use of your money; or (3) are a combination of (1) and (2).

### **Risk Profile**

Investing involves elements of risk, whether that risk is loss of dollars invested or erosion of the value of wealth due to inflation or spending. In constructing an investment plan, Addis Hill considers the willingness for clients to assume risk and performs a subjective and financial plan appraisal of the client's capacity to assume investment risk.

Addis Hill's client's risk level and subsequently their portfolio's equity/fixed income ratio are determined through conversations held with the client and discussions about the risk needed or desired to accommodate the financial plan. In addition, we test the risk level in the client's financial plan to determine the minimum risk level to achieve the desired result. A client may assume more or less risk than a plan supports.

### **Constraints**

#### *Income Needs & Time Horizon*

Financial goals are defined in terms of the money that clients require at specific times in the future. These can be in the form of monthly or annual needs, one-time lump sum distributions, or cash reserves for emergency needs. Addis Hill considers these expected income needs and incorporates them into the client's overall investment allocations. Any unexpected income needs will be dealt with carefully.

When investment recommendations are implemented in non-qualified taxable accounts, there may be tax implications. The impact of taxation will be considered in constructing any investment recommendations, purchases, or sales.

#### *Taxes*

When investment recommendations are implemented in non-qualified taxable accounts, there may be tax costs. The impact of taxation will be considered in constructing any investment recommendations, purchases, or sales. Tax considerations fall into three areas: Tax Location, Withdrawal Order, and Tax Loss/Gain. Tax Location management evaluates where the best location for a security, with or without dividends/capital gains and other behaviors is to be placed. Withdrawal Order considers the cost basis and security lots when selling a security to lessen the tax liability. Tax Loss/Gain considers a similar alternate security to buy into, when selling a security to capture any gains or losses, to keep from being out of the market.

### **Item 9: Disciplinary Information**

There are no legal or disciplinary actions involved with either Addis Hill as an entity or Kent R. Addis, Jr. and Justin J. Hill as individuals. There are no material facts to disclose regarding any legal or disciplinary events. In addition, its employees have not been involved in any legal or disciplinary events related to past or present activities.

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

Addis Hill can utilize specific client accounts, as part of our investment strategy, a sub-advisory relationship with DeWitt Capital Management for master limited partnerships and Performance Trust for individual bonds.

Prior to introducing any clients to another investment advisor, Addis Hill will be responsible in determining if the firm is properly licensed, noticed filed or exempt from registration with the Department.

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

#### **Code of Ethics**

Addis Hill has adopted a written Code of Ethics in accordance with SEC Rule 204A-1 which has been adopted by the state regulators. Such Code of Ethics outlines various professional responsibilities imposed upon Mr. Addis and Mr. Hill, including, but not limited to ethical issues concerning personal securities trading. A true and correct copy of the firm's Code of Ethics is available to clients and prospective clients upon request.

Kent R. Addis, Jr. is a member of NAPFA – The National Association of Personal Financial Advisors. As a member, Kent has committed to a code of ethics and Fiduciary Oath surrounding objectivity, confidentiality, competence, suitability, disclosure and professionalism.

William Mayer, CFP® is a certified financial planner. The certification is the standard of excellence in rigorous education, training and ethical standards. The CFP® Code of Ethics and Standards of Conduct reflects his commitment to the financial services profession.

Addis Hill, the Registrant has voluntarily subscribed to the "Best Practices for Financial Advisors" published by The Institute for the Fiduciary Standard. The Best Practices offer a code of conduct and outline a commitment to clients of subscribing financial advisors. They seek to clearly articulate what a client can expect to receive from a subscribing financial advisor. These Best Practices do not replace our regulatory compliance obligations or duties to clients under relevant laws, rules, or regulations. The Institute for the Fiduciary Standard's role is limited to publishing the Best Practices as well as maintaining a corresponding register of subscribing financial advisors. You can find a complete list of the Best Practices on our website at <https://addishill.com/about-us/> or <https://www.thefiduciaryinstitute.org/wp-content/uploads/2016/09/BestPracticesSpecificRequirementsSeptember132016.pdf>

#### **Insider Trading**

Addis Hill is in complete compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, Addis Hill has adopted a firm wide policy statement outlining insider trading compliance including associated persons and other employees. This statement is distributed to all associated persons and other employees of Addis Hill to be signed and dated by each such person annually.

#### **Supervisory Procedures**

Addis Hill has adopted a written supervisory procedures statement highlighting the steps which shall be taken to implement the firm wide policy. These materials are also distributed to all associated persons and other employees of Addis Hill, are signed, dated and filed with the insider trading compliance materials. There are provisions adopted for (1) restricting access to files, (2) providing continuing education, (3) restricting and/or monitoring trading on those securities of which Addis Hill's employees may have non-public information, (4) requiring all of Addis Hill's employees to conduct their trading through a specified broker or reporting all transactions promptly to Addis Hill, and (5) monitoring the securities trading of the firm and its employees and associated persons. Addis Hill or individuals associated with Addis Hill may buy or sell securities identical to those recommended to customers for their personal accounts.

Justin Hill is acting Chief Compliance Officer of Addis Hill. Mr. Hill reviews all the activity in the personal trading accounts of Addis Hill's employees on a quarterly basis. The personal trades in nature are not

significant enough to affect any of the securities markets. In addition, Addis Hill has a retainer relationship with Financial Planners Assistance Corporation to counsel on the changing securities regulations and annual responsibilities to be compliant.

### **Item 12: Brokerage Practices**

Addis Hill is an independent fee-only firm that does not have any affiliation with product sales firms. Addis Hill has the authority, without first obtaining specific client consent, to determine the securities to be bought or sold, the amount of the securities to be bought or sold, and the custodian to be used. The selection of a custodian shall be based on reputation in the industry, financial integrity, best execution of orders, proven track record and input from colleagues. In addition, Addis Hill tracks the Best Execution scores versus their peers on an annual basis to ensure the highest degree of quality for clients. The review is documented in Addis Hill's Compliance Manual -Best Execution and Soft Dollar section.

The firm is in compliance with SEC Regulation S-P (Privacy) and SEC Release No. 34-23170 (Best Execution). The firm receives certain soft dollar benefits as a result of the association with the qualified custodial firm such as research, administrative and brokerage services. However, our utilization of a custodian is for the primary purpose of trade execution and safe keeping of client custodian accounts.

Again, Addis Hill does not receive any portion of the trading fees or custodial fees.

### **Block Trading**

Addis Hill has the discretion to block trade orders for two or more clients seeking the identical security to establish an average price for the security being purchased. The trade orders are executed in the same fashion as a single trade but batched together when executed. The allocation of each security purchased in a batch trade must be made in accordance with our allocation procedures specific to each client's portfolio.

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

#### **Periodic Client Reviews**

Addis Hill offers an annual review to each client. However, the frequency of reviews is decided upon with the advisor and client based on their needs and wants. Addis Hill's periodic reviews with its clients includes a comprehensive look at insurance, estate, tax planning, investment performance, scenario planning, and more. All the client reviews are performed by Kent R. Addis, Jr., with the allocations and assistance of William Mayer, Kelly Bashore, Justin Hill, and the assistance and support of Addis Hill staff.

#### **Trigger Reviews**

In addition to annual client reviews, additional reviews are triggered and conducted either by the client or advisor when changes in the market dictate, objectives change, lifestyle changes, or other various important changes are necessary to attend to.

#### **Regular Reports**

Addis Hill performance and position reports are provided virtually, on-line through our client portal. The reports are generated through data we collect through Pershing and believe those channels to be true and accurate. In addition, each client receives a written monthly value and activity report sent directly by Shareholder Service Group, TIAA, or Transamerica, independent of Addis Hill. We suggest comparing the

reporting through the on-line portal to statements provided by Shareholders Service Group to verify accuracy. Clients who have no internet access will be mailed written reports to their address of record. All reports are reviewed by Kent R. Addis, Jr. and / or Justin J. Hill and Addis Hill's staff.

#### **Investment Management Review**

The underlying securities within the investment advisory services are reviewed periodically. The reviews are internal in nature for the purpose of ensuring portfolio performance in relation to expectation. In addition, to seeking new opportunities and to maintain a high level of risk management awareness.

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

Addis Hill has no client referral or other client based referral compensation relationships. We receive no compensation, nor pay for any referrals to third parties for referring prospective clients to us. Addis Hill does not accept referrals or any form of remuneration from other professionals when a prospect or client is referred to the firm.

#### **Item 15: Custody**

Addis Hill does not maintain full custody of client assets. Addis Hill does maintain limited custody of client assets for the sole purpose to withdraw advisory fees directly from client's accounts held by the custodians. All assets are held at qualified custodians, who provide account value and activity statements directly to clients at their address of record at least quarterly and often monthly. We have experience in working with Pershing, TIAA, and Transamerica. Addis Hill does provide periodic performance statements directly to clients and urges clients to compare the account statements they receive from the qualified custodian with those they receive from Addis Hill. Clients are always encouraged to carefully review all financial statements provided directly to them.

#### **Item 16: Investment Discretion**

Addis Hill has discretion over client's assets to implement investment trades/transactions in their account in accordance with a limited power of attorney under the framework of Addis Hill's Investment Policy Statement. Addis Hill has the authority to determine, without obtaining specific client consent, the securities bought and sold, and the amount of those buys and sales.

Addis Hill provides all clients with a written and executed Investment Advisory Agreement and Investment Policy Statement. The investment policy statement is a summary of your objectives, constraints, and asset allocation target. It also includes details on the investment strategies, risks, and monitoring procedures used to achieve client objectives.

Shareholders Service Group, Transamerica, and TIAA has full discretionary trading authority to act on behalf of Addis Hill transactions.

#### **Item 17: Voting Client Securities**

Addis Hill will not accept or have the authority to exercise proxy power with respect to client's securities. We will not vote any proxy statements on behalf of any client. Clients receive their proxies or other solicitations directly from the account custodians. Addis Hill may assist you in interpreting proxy information, but the voting is the decision of the client.

## **Item 18: Financial Information**

Addis Hill neither custodies client's funds or securities nor collect more than \$1,200 in fees per client six months or more in advance. Addis Hill has never been subject to bankruptcy.

### **Additional Information**

#### **Disaster Recovery and Contingency**

Addis Hill has in place policies in order to effectively address and the specific steps which we shall use and employ, in order to recover from disaster or emergency. It addresses alternative offices, equipment, system information back up, and more.

#### **Shareholder's Agreement**

Addis Hill has in place a Business Continuity plan in the event of a shareholder's death or disability. The Agreement is funded by both Cross Purchase and Key Man Life insurance policies.

#### **Privacy Policy**

The Gramm– Leach – Bliley Act, a federal statute, requires “financial institutions” to explain what their specific policy is with regard to the use of information that has been collected from individuals. Addis Hill was in full compliance and is continuously adjusting our practices to remain in compliance with our policy and procedures. Addis Hill maintains the highest level of confidentiality with all the information we receive clients. Each year clients receive a written copy of the firm's Privacy Policy.

#### **Licensing**

Mr. Justin J. Hill is licensed to sell insurance products. The insurance license is maintained in order to assure compliance with laws regulating the provisions of insurance advice, not as a means to sell insurance products. As a result of this licensing, there is a potential conflict of interest.