

# **ENTREFOLIO WEALTH MANAGEMENT**

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## **FORM ADV PART 2A BROCHURE**

**FEBRUARY 18, 2021**

This brochure provides information about Entrefolio LLC dba Entrefolio Wealth Management's qualifications and business practices. If you have any questions about the contents of this brochure, please contact us at 510-427-3202. This information has not been approved or verified by the U.S. Securities and Exchange Commission (SEC) or by any state securities authority.

Entrefolio LLC is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training. Additional information about Entrefolio LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

For further information, please contact:

- Riza Hernandez - Managing Member, Chief Compliance Officer

## **Item 2. MATERIAL CHANGES**

This is Entrefolio's first brochure.

## 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.....	4-6
Item 5 - FEES AND COMPENSATION .....	7
Item 6 - PERFORMANCE-BASED FEES .....	8
Item 7 - TYPES OF CLIENTS .....	9
Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS ....	10-11
Item 9 - DISCIPLINARY INFORMATION .....	12
Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	13
Item 11 - CODE OF ETHICS .....	14
Item 12 - BROKERAGE PRACTICES .....	15-16
Item 13 - REVIEW OF CLIENT ACCOUNTS.....	17
Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION .....	18
Item 15 - CUSTODY .....	19
Item 16 - INVESTMENT DISCRETION .....	20
Item 17 - VOTING PROXIES ON CLIENT SECURITIES .....	21
Item 18 - FINANCIAL INFORMATION .....	22

## Item 4. ADVISORY BUSINESS

- A. Entrefolio LLC is a California limited liability company formed in 2020. The Firm does business as Entrefolio Wealth Management (hereinafter “Entrefolio” or the “Firm”). The Firm is registering with the Securities and Exchange Commission. The Firm’s single member is Ms. Riza Hernandez. Ms. Hernandez is also the Firm’s Chief Compliance Officer.
- B. Based on the client's individual needs, Entrefolio provides investment management services to its clients. Such investment management services represent 100% of Entrefolio’s business and income. The Firm will manage the client's portfolio in accordance with the client's individual investment objectives, financial situation, risk tolerance, and any reasonable investment guidelines established by the client. We are a "fee-only" investment adviser. "Fee-only" means we are paid exclusively by our clients and the amounts of all such compensation are fully disclosed to clients in writing. We do not sell products and we do not receive commissions or other compensation from any source. We do not receive soft dollar compensation or commissions from any outside party. This fee-only arrangement enables our firm to act solely in our clients' best interests; there is no financial incentive, hidden or otherwise, for our firm to operate in any other manner.
- C. The Firm’s investment advice for individually managed accounts is based on a number of factors, which may include the client's investment objectives, risk tolerances, asset class preferences, time horizons, or liquidity needs. Clients may impose reasonable restrictions on the Firm’s discretion to invest in certain securities or types of securities if a client provides clear, written directions to that effect. We provide our clients with an extensive range of investment advisory services through our investment management programs, including retirement planning, asset allocation and discretionary and non-discretionary portfolio

### 1. Portfolio Management Services

We provide discretionary and non-discretionary portfolio management services in accordance with your individual investment objectives. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, without obtaining your prior consent or approval for each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, and/or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an

unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

The annual fee for portfolio management services is billed monthly in arrears based on the market value of the assets under our management on the last day of the preceding month. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar month. On an annualized basis, our fees for portfolio management services typically range from .85% to 1.2% based on the assets held in your account. See Attachment 1 at the end of this Brochure. If the portfolio management agreement is executed at any time other than the first day of a calendar month, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the month for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances. Lower fees for comparable services may be available from other sources.

## 2. Financial Planning and Consulting Services

Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we specify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. Once we review and analyze the information you provide to our firm we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives. On a periodic basis, we review and update the plan while monitoring your success in achieving your goals. Prior to engaging our firm to provide financial planning services, you will be required to enter into a separate written agreement with us that sets forth the terms and conditions of the engagement and describes the scope of the services to be provided, and the fees to be paid. We charge a fixed monthly fee for financial planning services that will vary depending on the complexity of the plan. See Attachment 1 located at the end of this Brochure. The fees incurred for financial planning services are calculated and billed on a monthly basis. Depending on the scope and complexity of the services requested, we may ask for a retainer. We will not require prepayment of a fee more than six months in advance and in excess of \$1,200.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the

financial plan through our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm you choose.

- D. Entrefolio does not participate in wrap fee programs.
- E. As of December 31, 2020 Entrefolio managed no client assets.

## **Item 5. FEES AND COMPENSATION**

- A. For our investment management services, the Firm charges a set-up fee and a monthly fee ranging between 0.85% and 1.2% (annually) of the value of the portfolio assets under management (asset-based fee). The asset-based fees are negotiable and billed monthly in arrears based on the account balance on the last trading day of the month then ended. Financial Planning has a set-up fee and a monthly fee thereafter. These fees are not negotiable. See Attachment 1 at the end of this Brochure for disclosure of all our fees.
- B. Clients can choose whether the Firm's fee is deducted directly from their accounts or whether they are billed. Some clients may choose to write a check for the advisory fee; others may wish to sign a form instructing the custodian firm to have a check made payable to Entrefolio from their account. Clients, not the custodian, are responsible for verifying the management fees and the manner in which that fee was calculated.
- C. In addition to Entrefolio's fees, the clients may have to pay brokerage trading commissions and various account maintenance fees charged by a custodian for an account. See Item 12 of this Brochure for a further discussion of brokerage costs.
- D. All clients must pay asset-based fees monthly in arrears. For the initial month of investment management services, the first month's fees will be calculated on a pro-rata basis. The agreement between us and a client will continue in effect until terminated by either party for any cause or reason effective upon thirty (30) days written notice. Upon the effective date of termination, the fees for that month shall be pro-rated through the termination date.
- E. No one in the Firm receives compensation for selling securities or other investment products.

## **Item 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in Item 4 above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.



## **Item 7. TYPES OF CLIENTS**

Typically, our clients include high net worth individuals and other individuals (other than high net worth individuals). We also provide services to corporations and other businesses, to charitable organizations, estates and trusts.

The Firm generally requires a minimum investment \$250,000 to open an account for asset management. This amount is negotiable, at the Firm's discretion, depending upon such factors as prior relationship or future expectations. Entrefolio, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future additional assets, account composition, related accounts, and pre-existing clients. Entrefolio shall only accept clients with less than the minimum portfolio size if, in the sole opinion of Entrefolio, the smaller portfolio size will not cause a substantial increase in investment risk. Entrefolio may aggregate the portfolios of family members to meet the minimum portfolio size.

## Item 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### **A. Caution: Investing in securities involves significant risk of loss and you should be prepared to bear this loss.**

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Charting Analysis - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical/Cyclical Analysis - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- Option Writing - a securities transaction that involves the purchase of an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. We generally take tax efficiency into consideration in the management of your assets. Nonetheless, regardless of your account size or any other factors, we recommend that you consult with a tax professional prior to and throughout the investing of your assets.

**B. Risks associated with Entrefolio's investments include:**

**No Guarantee of Investment Performance.** Entrefolio cannot guarantee it will achieve positive or competitive investment returns. Unanticipated market conditions, political developments, pandemics, regulatory and other factors, many of which cannot be anticipated or controlled, could result in Entrefolio not generating positive or competitive after-tax returns or in a client losing a portion of his or her investment.

**General Economic and Market Conditions.** General economic and market conditions such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances may affect the success of the Firm's investment activities. These factors may also affect the level and volatility of securities prices. Unexpected volatility could impair Entrefolio's profitability or result in losses.

**Reliance upon the Firm.** The Firm's future profitability will depend upon the execution of our investment strategy. If there are losses of key personnel, Entrefolio's ability to achieve its investment objectives could be materially and adversely affected.

**Tax Risks.** Clients are urged to consult with a tax advisor with respect to the federal, state, and local tax consequences arising from investing with Entrefolio.

**C. Other Risks.**

Entrefolio will use multiple product types in investing client assets: equities, corporate debt, CDs, municipal and US government securities and mutual funds, as well as option contracts on securities on occasion. Each of these securities has its own unique risk and reward characteristics and can be used in varying circumstances to achieve a client's goals. The Firm will also use multiple investment strategies to implement the advice given to clients, such as long term (sometimes referred to as 'buy and hold') and short term purchases, active trading of an appropriate security, short sales and trading on margin. As with the products themselves, each of these strategies have their own risk and reward capabilities unique to that particular strategy. For example frequent trading will increase brokerage costs and a buy and hold strategy may result in missed opportunities which more frequent trading could have captured. Investing in securities regardless of the investment strategy employed involves a risk of loss that you should be prepared to bear.

## **Item 9. DISCIPLINARY INFORMATION**

As a registered investment adviser, Entrefolio and its management personnel is required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the Firm or the integrity of the Firm's management. Ms. Hernandez was suspended by FINRA on September 15, 2020 for failure to honor an arbitration award obtained by her former employer for amounts owed to the employer on a promissory note in the amount of \$159,363.92 plus interest. The suspension was lifted on February 1, 2021 when Ms. Hernandez filed a petition for Chapter 7 bankruptcy protection. The petition is pending.

## **Item 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- A. Entrefolio and its management persons are not registered as a broker-dealer and do not have any applications pending to register as a broker-dealer or as representative of a broker-dealer.
- B. Entrefolio and its management are not registered as a futures commission merchant and do not have any applications pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.
- C. Entrefolio and its management do not have any relationships that are material to its advisory business.
- D. Entrefolio only receives compensation directly from clients. We do not receive compensation from any outside source. We do not have any conflicts of interest with any outside party.

## **Item 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

- A. Entrefolio has adopted a Code of Ethics, the provisions of which are based on the principle that the officers, members, and employees of Entrefolio owe a fiduciary duty to its clients and, therefore, Entrefolio and its personnel must place the clients' interests first. Supervised persons must comply with all applicable federal securities laws and all provisions of the Code of Ethics. Among other things the Code of Ethics sets forth policies and procedures relating to the conduct of its investment advisory business and the securities trading activities of its advisory personnel. All personnel of the Firm are required to acknowledge in writing that they have received and understand Entrefolio's Code of Ethics and any amendments. Entrefolio will provide a copy of the Code of Ethics to any client or prospective client upon request.
- B. We may buy or sell some of the same securities that you already hold in your accounts or in our personal accounts or that we may recommend that you purchase. It is our policy not to permit our associated persons to trade in a way that takes advantage of price movements caused by your transactions which we have knowledge of, thus minimizing any conflict of interest on the part of Entrefolio and its affiliated persons. Entrefolio and its affiliated persons may purchase or sell specific securities for their personal accounts based on personal investment considerations without regard to whether those purchases or sales of such securities are appropriate for clients.
- C. Entrefolio does not buy securities for its own account. Therefore, no potential conflict of interest exists at the firm level. However, personal trading by employees is allowed as described in Item 11 B above.
- D. See Item 11 B above.

## **Item 12. BROKERAGE PRACTICES**

### **A. Factors**

#### **1. Research and Other Soft Dollar Benefits.**

Entrefolio does not pay for any products, research or services from the firms it trades with, nor are these items factors in determining the executing broker.

- a. We do not use client brokerage commissions to obtain research or other services. Trade execution is done on best execution basis.
- b. Since we do not use client brokerage commissions to obtain research or other services, our incentive is for clients to receive best execution in order to maximize our clients' wealth.
- c. We do not cause clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits.
- d. All information received from third parties is used to benefit all clients.
- e. Entrefolio does not pay for any products, research or services with client brokerage. However, even trading with broker-dealers on a best execution basis results in access to some general economic, factual company specific information and/or regulatory and compliance information regardless of commissions paid, which Entrefolio does receive in limited instances. The information received is not dependent on commission rates paid.
- f. Entrefolio does not receive any soft dollar benefits from broker-dealers.

#### **2. Brokerage for Client Referrals.**

Entrefolio does not accept or receive client referrals from any broker dealers or third parties.

#### **3. Directed Brokerage**

As a general policy, the Firm does not permit clients to direct brokerage.

Entrefolio recommends Charles Schwab & Co., Inc. and TD Ameritrade as its custodians and broker dealers. We do not receive compensation from these brokers for accounts our clients open with them. Clients should understand that their choice of a broker-dealer may lead to higher brokerage costs than they might have otherwise obtained from another broker-dealer due to higher transaction costs.

- B. Entrefolio's trading policy is fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients. We will aggregate the purchase or sale of securities for various client accounts when the timing of orders allows it.



## Item 13. REVIEW OF ACCOUNTS

- A. Entrefolio periodically reviews client accounts. The cash level of all accounts is reviewed weekly as a percentage of each account's total value. Outliers are analyzed to determine if positions should be purchased or sold. This review is conducted by Riza Hernandez. Monthly client portfolio performance is reviewed for outliers. If there are outliers, analysis is done to understand why and determine if any changes are needed.
- B. Accounts are reviewed following material deposits or withdrawals. Accounts may also be reviewed in conjunction with purchasing or selling a position across all client accounts. This may include a post trade review of the position's weighting in all accounts, which is intended to identify outliers.
- C. Clients receive quarterly written reports from Entrefolio. Quarterly reports include the following:
  - Account report, which includes quarter-to-date and year-to-date performance of the client's portfolio as well as the performance of the major stock market indices. The report includes a note asking clients to compare our report to the statement sent by their custodian
  - Advisory Fee calculation details and invoice
  - Our Privacy Policy is included with the first quarter report each year

Custodians deliver monthly statements directly to the clients.

## **Item 14. CLIENT REFERRALS AND OTHER COMPENSATION**

- A. Entrefolio does not have any oral or written arrangements to receive cash or any economic benefit from a non-client in connection with giving advice to clients.
- B. Entrefolio does not have any arrangements to directly or indirectly compensate any person for client referrals.

## **Item 15. CUSTODY**

Entrefolio has authority to debit fees directly from client accounts. For this reason, only, we are deemed to have custody of client funds. Clients receive account statements from their custodian at least quarterly. These statements should be reviewed carefully. Entrefolio sends a report to clients quarterly as described in Item 13 C above. We urge our clients to compare the statements received from the custodian with the reports we send each quarter.

## **Item 16. INVESTMENT DISCRETION**

Entrefolio has discretionary investment authority over some of the accounts we manage. Prior to assuming discretionary authority, clients are provided an Investment Advisory Agreement and also a copy of our current form ADV. By signing the Investment Advisory Agreement some clients grant Entrefolio discretionary investment authority over their account. This authority is limited to trading only. The Firm has no ability to access clients' funds or take possession of securities.

Entrefolio regularly communicates with all of its clients by phone, email, and in-person to discuss the activity in their accounts. All clients receive a confirmation on every trade made in their account from their custodian on the day of the trade. The confirmation is sent by the custodian directly to the client via email or regular mail.

## **Item 17. VOTING CLIENT SECURITIES**

Entrefolio does not accept authority to vote client securities. Clients receive proxies and other solicitations directly from the individual securities sent by mail to the clients' address on record. Clients may contact Entrefolio with questions about a particular solicitation.

## **Item 18. FINANCIAL INFORMATION**

A. Entrefolio does not require or solicits prepayment of fees longer than three months in advance. Entrefolio bills clients for investment management services on a monthly basis in arrears and monthly for financial planning as described in Item 5 above.

B. There are no financial conditions that are likely to impair our ability to meet our contractual commitments to clients.

C. Entrefolio has not been the subject of a bankruptcy petition.

# WEALTH PLANNING AND INVESTMENT MANAGEMENT SERVICES

## Designing your Wealth Plan

Our services begin via a financial planning engagement so that each of our clients has a foundation: a personalized plan that includes stated goals and objectives. This service is offered on a fixed fee basis and depends on complexity of your plan.

### One time set up fee \$1,000

Individuals: \$3,000 annual fee

Couples & Families: \$4,500 annual fee

Monthly payment plans available upon request.

*Our Wealth Planning fee starts at this level and increases depending on the complexity of your goals and plans.*

## Plan Implementation: Investment Management Fee Schedule

Our Wealth Management services begin with a review of your wealth plan so that we understand your goals and objectives. We work with you to create your Investment Plan and utilize low-cost solutions to craft your investment portfolio. Our fee is strategically set low, so your money is working the hardest for you. It is based on the \$ value of the assets we manage as shown below.

### One time set up fee: \$500

Value of Your Investments	Annual Advisory Fee %
<250,000	1.2%
250,000 - \$850,000	1%
\$850,000 - \$1,000,000	0.95%
>\$1,000,000	0.85%

*\* Please reference your client agreement and the firm's ADV disclosure for specifics on how fees are calculated and withdrawn. Fee schedule is negotiable.*

**\*\*Set up fee waived when engaging in both, Wealth Planning, and Investment Management Services.**

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