

Item 1 – Cover Page

**Form ADV Part 2A**

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**January 29, 2021**

**This brochure provides information about the qualifications and business practices of Wela Strategies, Inc. If you have any questions about the contents of this Brochure, please contact us at (678) 608-0420 and/or [Holly@YourWealth.com](mailto:Holly@YourWealth.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Wela Strategies, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any references to Wela Strategies, Inc. as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.**

## **Item 2 – Material Changes**

This Brochure is prepared in the revised format required beginning in 2011. Registered Investment Advisers are required to use this format to inform clients of the nature of advisory services provided, types of clients served, fees charged, potential conflicts of interest and other information. The Brochure requirements include the annual provision of a Summary of Material Changes (the "Summary") reflecting any material changes to our policies, practices, or conflicts of interest made since our last required "annual update" filing. In the event of any material changes, such Summary is provided to all clients within 120 days of our fiscal year-end. Our last annual update was filed on February 6, 2020. Of course the complete Brochure is available to clients at any time upon request.

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#### Item 4 - Advisory Business

Wela Strategies, Inc. (hereinafter referred to as “Wela”) was created in 2008. The principal owners of Wela are Michael Reiner & Associates, LP, Wesley Moss, Mitchell Reiner, and Matthew Reiner. Please see **Brochure Supplement**, Exhibit A, for more information on these principal owners and other individuals who formulate investment advice and have direct contact with clients or have discretionary authority over client accounts.

Wela provides asset management services based on model portfolios Wela has designed. As of December 31, 2019, Wela has \$185,500,000 of discretionary assets under management and \$1,450,000 assets under advisement where Wela acts as a model provider to overlay managers.

Wela’s management services are generally designed for portfolios with less than \$500,000, but we do manage some portfolios valued higher than this.

A relationship with Wela is initiated in one of the following ways:

➤ ***Direct Relationship.***

A meeting between you and a Wela Advisory Representative. Certain introductions to Wela come through another financial/investment adviser recommending you to us or through general marketing and advertising. We define this relationship as a “Direct” relationship. The first meeting is a fact-finding meeting and a chance to determine whether our services are suitable for you. We will ask you a series of fact-finding questions and complete data gathering information. The information gathered will assist us in recommending a model portfolio option that appears suitable to your financial situation. You will be asked probing questions about your financial history, goals, objectives and concerns, as well as, details about you, your retirement goals, cash flow needs, standard of living, special needs such as education or elder care, etc.

We help identify your risk tolerance, return expectations, financial goals, investment objectives, risk profile, and investment time horizon. We will coordinate a meeting customized to your needs and schedule that can be virtual, via phone, or in person. Based on our analysis of your situation, we will present a recommended model portfolio to you. We tailor the advisory services we offer to your individual needs based on our designed model portfolios and your specific requirements.

➤ ***Indirect/Separately Managed Account Relationship.***

Your financial/investment adviser recommends you invest all or a portion of your funds in the Wela models. You continue to maintain your financial/investment adviser. In this type of relationship, Wela is the Asset “Manager.” It is your financial/investment adviser’s role to help determine a suitable Wela model or models for you, review your account with you, update your suitability information and provide ongoing monitoring of your account as compared to your financial situation and recommend any change to your selected model. It is our job as the Asset Manager to manage the funds as instructed by you and your financial/investment adviser. Wela will not have a direct relationship with you. However, you may contact us at any time. We offer your financial/investment

adviser a questionnaire to assist your financial/investment adviser in determining a Wela model portfolio most suitable based on your investment objectives, financial profile and risk tolerance. This is determined based on the platform that the model is offered on.

➤ ***Model Portfolio Provider***

Wela also acts as a model provider to various investment management programs. We provide our model allocations to the investment adviser or overlay manager and amend the Wela model portfolios as deemed appropriate. Wela's model portfolios are not based on the individual needs of any client. The model portfolios are constructed based on an objective and goal of the model portfolio. We do not directly engage in the transactions or execute any transactions in an individual client's account. Instead, we only provide model portfolios to the overlay manager. We will not have a relationship with the client investing into a Wela model portfolio. However, a client may contact us with questions about the model portfolio.

Additionally, we offer our model portfolios to qualified retirement plans such as 401(k) Plans as an option for plan participants to select for a more actively managed option.

These relationships are typically offered through a distribution platform of some type.

We continue to seek new partnerships with broker/dealer platforms and other distribution channels to make our models available to professional financial advisers. Currently, Wela's models are offered through the Sawtooth Asset Management, Inc. platform.

Regardless of the type of relationship you have with Wela, you will have access to an Advisory Representative at any time and may request a meeting at any time to discuss your portfolio or changes to your financial situation. If you have certain investment restrictions or limitations that do not fit into our model portfolios, our services will not be suitable for you. Wela's services are designed around managing the models and applying a model portfolio to your assets. Therefore, your account will be managed the same as another client.

Most of Wela's managed model portfolios are based on a mix of growth assets and income producing assets. The majority of our models are referred to or described as "Own Your Age" ("OYA") model portfolios. All of these models are comprised completely of exchange traded funds (ETFs). Advice will generally be limited to the holdings in Wela's model portfolios.

Wela also operates two non-OYA models:

- Wela All Growth – does not include allocation to income strategies
- Wela Agg Yield – 100% income strategies and is more aggressive than a typical fixed income portfolio. Includes closed end funds in its allocation. These funds are not ETFs by the true definition but are close investment opportunities. Many of these closed end funds use leverage and therefore accentuate returns in both positive and negative market environments.

Models are designed around owning your age in “income” investments. However, if you have a financial situation or risk tolerance that indicates an age-based allocation is not suitable, we will suggest another model portfolio more suitable to your needs.

Wela has three models designed for accounts less than \$25,000, however, there is a minimum account size of \$10,000 before the account will be invested in a Wela model (refer to disclosures in Item 7 below). Accounts less than \$10,000 will be invested in at least one holding until the account value reaches at least \$10,000. Accounts \$25,000 or less will be invested in a limited number of exchange traded funds (“ETFs”). The three models attempt to conduct fewer transactions and strive to reduce the costs for smaller investable dollar figures. The models mirror Wela’s model account allocations for accounts over \$25,000 for an 80/20, 50/50 and 20/80 mix of equity and fixed income.

Wela offers the following models for accounts over \$25,000:

- OYA 20 = 80/20 equity to fixed income mix
- OYA 30 = 70/30 equity to fixed income mix
- OYA 40 = 60/40 equity to fixed income mix
- OYA 50 = 50/50 equity to fixed income mix
- OYA 60 = 40/60 equity to fixed income mix
- OYA 70 = 30/70 equity to fixed income mix
- OYA 80 = 20/80 equity to fixed income mix
- All Growth Portfolio = 100% equity portfolio
- Agg Yield Portfolio = comprised of a combination of ETFs and closed-end funds.

Additionally, within the model there is the ability to provide a more customized allocation by selecting alternative sleeves within a model offering more or less diversification depending on the needs of the client and the focus of the portfolio.

We manage your portfolio on a discretionary basis. Therefore, we will make changes to the allocation and holdings as deemed appropriate. We will determine the securities to be purchased and sold in your account and will alter the securities holdings from time to time, without prior consultation with you.

Please note that transactions in your account, such as account reallocations and rebalancing, may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other qualified retirement accounts.

We will monitor the models and your account. If an asset allocation deviates by more than 20% in any direction (positively or negatively) we will reallocate the account back to the original allocation twice a year. Re-balancing and re-allocation will typically occur twice per year and typically will be around February 25 and August 25 of each year. Adjustments to the model accounts will be applied to client accounts without consideration to the taxable consequences to any client.

If you establish your account within 25 days of February 25 or August 25, your account will generally not be allocated to a model portfolio until February 25 or August 25, whichever date is closer. The purpose of waiting is to avoid additional transactions as a result of adjustments to the

allocation of the model. This lowers your overall cost and also minimizes the short-term gain impact that trading in a short period time could cause.

Portfolios will generally maintain 3-5% cash for withdrawals and payment of our advisory fee. Deposits in amounts exceeding \$10,000 will be allocated in accordance with the model portfolio generally within 10 days, or at advisor's discretion. Deposits of \$10,000 or less will remain in a cash position until the next allocation or rebalancing date. However, clients can contact their Advisory Representative and request immediate allocation of deposits of \$10,000 or less.

The investment recommendations and advice offered by Wela are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant. You are advised that it is necessary to inform us promptly with respect to any changes in your financial situation and investment goals and objectives. Failure to notify us of any such changes could result in investment recommendations not meeting your needs.

#### **401(k) Advisory and Retirement Plan Consulting Services**

We offer retirement consulting services to employee benefit plans and their fiduciaries. The services are designed to assist the plan sponsor (the "Company") in meeting its management and fiduciary obligations to the plan under ERISA. As a 3(38) adviser, we offer the following services:

- i. Provide ongoing and continual discretionary investment management with respect to the included assets as defined above in accordance with the Plan's investment policies and objectives.
- ii. Select a broad range of investment options consistent with ERISA section 404(c) and the regulations thereunder. The Company retains the sole responsibility for all other compliance with ERISA section 404(c).
- iii. Develop and execute an Investment Policy Statement ("IPS"). The IPS establishes the investment policies and objectives for the Plan.
- iv. Monitor investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformity to the guidelines set forth in the IPS and determine whether to maintain or remove and replace investment options.
- v. Meet with Company at least annually to discuss the reports and the investment decisions made by Wela to assist the Company with their monitoring role, and more frequently at the discretion and agreement of Wela and the Company.
- vi. Select a Qualified Default Investment Alternative ("QDIA") for participants whom no investment selection has been made if Company determines the Plan should have a QDIA. Company will decide upon the type of investment that will serve as a QDIA (e.g., target date fund, balanced fund or managed account). Once Company has made that determination, we will select the investment to serve as the QDIA. The Company retains the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).
- vii. We will provide investment advice to participants.

In addition to the fiduciary services provided above, Wela offers certain non-fiduciary services for employee benefit plans and their fiduciaries. In those instances, we offer the following services:

- i. Assist in the education of the participants in the Plan about general investment principles and the investment alternatives available under the Plan. Company understands that our assistance in participant investment education shall be consistent with and within the scope of (d) (i.e., the definition of investment education) of Department of Labor Interpretive Bulletin 96-1.
- ii. Assist in the group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.
- iii. Offer services to plan participants regarding assets outside the plan. These services will be governed by agreements directly with the participant and considered outside the scope of this Agreement. It is understood and will be communicated to the participant that the Company does not specifically endorse these services. Costs of these services vary from those charged inside the Plan and will be based on the scope and complexity of each participant's situation.

We will determine with the Company in advance the scope of services to be performed and the fees for all requested services. Prior to engaging us to provide pension consulting services, the Company will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the relevant fees and fee-paying arrangements. The services outlined above that we provide are explained in more detail in the written agreement. We will also provide additional disclosures about our services and fees, where required by ERISA.

We will not be required to verify the accuracy or consistency of any information received from the Company.

### **General Information**

**Wela will deliver required disclosures, client reports, newsletters, and other communications electronically and/or by email, unless the client opts out and requests we deliver all communications, reports, and required disclosures in hard copy. Delivery will then be executed by the U.S. postal system. The Investment Advisory Agreement or other notification obtains the client's authorization and agreement for electronic delivery. The client may revoke electronic delivery authorization at any time upon request.**

### **IRA Rollover Considerations**

As part of our consulting and advisory services, we offer recommendations and advice concerning your employer retirement plan or other qualified retirement account. We may recommend that you consider withdrawing the assets from your employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA"), which we can then manage for you. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as described under Item 5. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Furthermore, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by us.



## Item 5 - Fees and Compensation

Our asset management fees are generally not negotiable. Fees are not based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds.

We charge management fees in arrears based on values at the end of each calendar quarter (i.e., March, June, September, and December), unless otherwise negotiated and agreed to with the client. Unless otherwise agreed, your management fee is calculated based on market value of your managed portfolio at the close of the last business day of each calendar quarter and is rounded to the nearest dollar amount. In the event your account is established on a day other than the first day of a calendar quarter or closed on a day other than the last day of a calendar quarter, your fees will be prorated for the quarter. The initial fee is calculated as of the date of the first deposit into the account. In the event the account is closed, you will be charged a prorated portion of advisory fee for the period up to the date of termination.

No fee adjustments will be issued for additional deposits to the account or partial withdrawals from the account occurring during a calendar quarter.

Account Size	Direct Relationship Annual Fee	SMA Relationship Max Annual Fee*
\$0 to \$250,000	1.00%	0.50%
\$250,000 to \$500,000	0.90%	0.45%
\$500,000 to \$1,000,000	0.75%	0.40%
Above \$1,000,000	Negotiable	0.35%

**\*It is important to note the fee listed under SMA Relationship Annual Fee is Wela's fee. Our fee is negotiable based on the SMA relationship. SMA Relationship Annual Fee applies only to Schwab and Fidelity SMA accounts. Other platform fee arrangements are described below. Your financial/investment adviser will charge you a fee for advisory services. Wela does not participate in the fee charged to you by your financial/investment adviser. Further, the terms of calculating and payment of Wela's SMA fee is determined by the SMA relationship. Typically, the investment adviser engaging us for our SMA services will calculate our fee and pay Wela in accordance with the investment adviser's fee schedule.**

We aggregate or "household" your Wela-managed accounts together to determine your quarterly fee. **The fee schedule is applied based on the household billed account balance (assets in the account which are not billed on are not counted to determine the household asset size).**

Wela uses the following calculation to determine the quarterly management fee:

$$\begin{aligned} & \text{(Quarter end billed market value) times (Annual fee \% ) times \# days in quarter divided by \#} \\ & \text{of days in year} \\ & = \text{quarterly fee (which is then rounded to the nearest dollar amount)} \end{aligned}$$

## Wela Strategies, Inc.

Where Wela acts as a model portfolio adviser to other investment advisers, we will be paid a fee by the Overlay Manager or the Investment Adviser of the program based on the assets invested based on Wela model portfolios. The Overlay Manager or the Investment Adviser of the program will determine our fee and pay us based on the agreement. Our fee will not exceed 30 basis points.

In addition to the advisory fees above, you will pay transaction fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule for accounts traded through Charles Schwab & Co., Inc. ("Schwab") and National Financial Services, LLC and Fidelity Brokerage Services, LLC.

Additionally, you will pay fees for other fees associated with maintaining the Account such as third-party costs including, exchange, regulatory, NSCC, OCC, cancellation, market center transaction, routing or other similar charges. Such fees are not charged by Wela and are charged by the product, broker/dealer or account custodian. We do not share in any portion of such fees. Additionally, you will pay your proportionate share of the fund's management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund they purchase. Such advisory fees are not shared with Wela and are compensation to the fund-manager and respective service provider.

Advisory fees will generally be collected directly from your account, provided you have given us written authorization to do so. You will be provided with an account statement from the custodian reflecting the deduction of the advisory fee. If the Account does not contain sufficient funds to pay advisory fees, Wela has the authority to sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse the account for advisory fees paid to Wela, except for ERISA and IRA accounts.

### Termination Provisions

Either Wela or the client may terminate their Investment Advisory Agreement at any time, subject to any written notice requirements in our written agreement. In the event of termination, any fees due to Wela from the client will be invoiced or deducted from the client's account prior to termination. You will be responsible for any fees and charges incurred from third parties as a result of maintaining the Account such as transaction fees for any securities transactions executed and Account maintenance or custodial fees.

### **401(k) Advisory and Retirement Plan Consulting Services**

Wela will receive an annual fee of 0.30% of total plan assets. Fees will be paid on a calendar semi-annual basis. Each semi-annual fee will be calculated based on the value of plan assets as determined by the account custodian and deducted from the plan at the end of the semi-annual period.

There are no additional fees charged as a result of participants electing to use a Wela model account to allocate their funds.

The plan and participants will be subject to costs and expenses assessed and charged by third parties such as the securities options within the plan such as exchange traded fund and mutual fund fees and costs, custodial costs, record keeper, and third-party administrators. Wela does not share in the fees or expenses charged by other third parties.

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

This section is not applicable to Wela since Wela does not charge performance-based fees.

## **Item 7 - Types of Clients**

Wela's services are generally geared toward individuals who are considered other than high net worth (i.e. clients with a net worth less than \$2,100,000). As stated above, Wela's services are designed for managed portfolios of less than \$500,000 but may be suitable for higher-value accounts.

As stated above under Item 4, there is a minimum account size of at least \$25,000 to participate in "Own Your Age" ("OYA") model portfolios. Wela offers three other model account options for accounts of less than \$25,000; however, there is a minimum account size of \$10,000 to be invested in a Wela model.

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

Wela's management strategy involves allocating clients' portfolios into "growth" and "income" investments. The amount of the portfolio committed to each investment class is determined based on the model invested within. The model chosen should take into account age, risk tolerance, return expectations, etc.

As stated above, Wela's managed portfolios are comprised of exchange traded funds, with the exception of one model portfolio. The risks with ETFs are availability of a market, prices are in constant fluctuation since the shares are purchased on an auctionable market and as compared to other securities, and ETFs are relatively new. Therefore, historical information is limited.

Wela uses fundamental analysis to analyze securities. Fundamental analysis generally involves assessing a company's or security's value based on factors such as sales, assets, markets, management, products and services, earnings, and financial structure. Wela uses both proprietary and third-party research to evaluate securities and develop an asset allocation.

### Security Type Risks:

ETFs trade on an auctionable market. Therefore, there is more price fluctuation with ETFs than with mutual funds since ETFs trade throughout the day, whereas mutual funds are priced once a day. Also, since most ETFs only mirror a market index, such as the S&P 500, they won't outperform the index.

The Wela Agg Yield model uses closed end funds in addition to ETFs in its portfolio. Many of these closed end funds use leverage and therefore accentuate returns in both positive and negative market environments.

Pricing will be different across different custodians as they might secure different prices for the securities. Wela might employ methods such as Volume Weighted Average Pricing ("VWAP"), limit orders, or direct market maker transactions to attempt to secure the best and equal price for Wela clients.

Wela does not represent, guarantee or imply that the services or methods of analysis used by Wela can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Wela will provide a better return than other investment strategies.

You are advised investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the management programs offered by Wela will require you to be prepared to bear the risk of loss and fluctuating performance.

### **Item 9 - Disciplinary Information**

There is no reportable disciplinary information required for Wela or its management persons that is material to your evaluation of Wela, its business or its management persons.

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

Wela has a number of affiliated entities. “Affiliated” means these entities are under common ownership and/or control with Wela. Following is a brief description of each affiliate.

#### Capital Investment Advisors, LLC (CIA)

The principal owners and members of Wela are registered under another investment adviser, Capital Investment Advisors, LLC, an investment adviser registered with the Securities and Exchange Commission. Additionally, the principal owners and members of Wela are also owners of CIA. CIA offers asset management services that involve a higher level of customized management services that are specifically designed around the individual needs of the client. Additionally, clients will receive more one on one advisory service. The fees for asset management and advisory services offered through CIA will be higher than the fees for management services through Wela. CIA and Wela are under common ownership.

Wela will utilize the investment committee formed under Capital Investment Advisors, LLC. Additionally, CIA will provide administrative services, operational services and compliance oversight to Wela. As a result, Wela will pay CIA for its services.

#### Capital Accounting & Tax, LLC (“CAT”)

CAT is an affiliate of Wela owned by Michael Reiner, Wes Moss, Mitchell Reiner, and Matt Reiner. It offers accounting and tax services. Wela may recommend CAT to clients in need of such services, but you are under no obligation to use CAT’s accounting services. CAT does not pay Wela for such referrals.

#### Schwab Advisor Services Technology Board Service

Mitchell and Matthew Reiner both serve on the Schwab Advisor Services Technology, Operations, and Service Advisory Board (the “Board”). As described under Item 12 of this Form ADV, Wela recommends that clients establish brokerage accounts with Charles Schwab & Co., Inc. (“Schwab”)

to maintain custody of the clients' assets and effect trades for their accounts. The Board consists of approximately 20 representatives of independent investment advisory firms who have been invited by Schwab management to participate in meetings and discussions of Schwab Advisor Services' services for independent investment advisory firms and their clients. Board members serve for three-year terms. Mitchell's term ends in 2022, and Matthew's term ends in 2023. Board members enter nondisclosure agreements with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange (symbol SCHW). The Board meets in person approximately twice per year and has periodic conference calls scheduled as needed. Board members are not compensated by Schwab for their service, but Schwab does pay for or reimburse Board members' travel, lodging, meals and other incidental expenses incurred in attending Board meetings.

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

Wela has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. Wela's Code has several goals. First, the Code is designed to assist Wela in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, Wela owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with Wela (managers, officers and employees) to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Wela's associated persons. Under the Code's Professional Standards, Wela expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Wela associated persons are not to take inappropriate advantage of their positions in relation to Wela clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time Wela's associated persons may invest in the same securities recommended to clients. Under its Code, Wela has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

#### **Participation or Interest in Client Transactions**

Because associated persons may invest in the same securities as those held in client accounts, Wela has established a policy requiring its associated persons to pre-clear transactions in some types of securities with the Compliance Department. The goal of this policy is to avoid any conflicts of interest that arise in these situations. Some types of securities, such as CDs, treasury obligations and open-end mutual funds are exempt from this pre-clearance requirement. However, in the event of other identified potential trading conflicts of interest, Wela's goal is to place client interests first.

Consistent with the foregoing, Wela maintains policies regarding participation in initial public offerings (“IPOs”) and private placements to comply with applicable laws and avoid conflicts with client transactions. If an associated person of Wela wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Compliance Department.

Finally, if associated persons trade with client accounts (i.e., in a bundled or aggregated trade), and the trade is not filled in its entirety, the available shares will normally be allocated prorata among all participating accounts, including accounts of associated persons.

Wela and its associated persons buy or sell securities identical to those securities recommended to you. Therefore, Wela and/or its associated persons have an interest or position in certain securities that are also recommended and bought or sold to you. Wela and its associated persons will not put their interests before your interest. Wela and its associated persons may not trade ahead of you or trade in such a way to intentionally obtain a better price for themselves than for you or other clients.

## **Item 12 - Brokerage Practices**

Wela does not maintain custody of your assets that we manage, although we are deemed to have custody of your assets if you give us authority to withdraw assets from your account on your behalf under certain circumstances (see Item 15—Custody, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. Wela has entered into relationships with various account custodians for the purpose of offering clients a custodian to maintain their account and for us to manage the client’s account. Additionally, in arrangements where Wela services as a model provider to an asset management program, the program will determine the custodian. Wela has arrangements for custodial and execution services with the following Custodians:

- Schwab Advisor Services through Charles Schwab & Co., Inc. (“Schwab”)
- National Financial Services, LLC and Fidelity Brokerage Services, LLC (together referred to as “Fidelity”) to participate in the Fidelity Institutional Wealth Services (“FIWS”) platform,
- Mid Atlantic Trust Company (MATC) – Wela serves as a model provider to MATC to offer portfolio management options to qualified plans.

The above listed Custodians provide custody, execution, and clearance and settlement services for stocks, bonds, mutual funds, and other securities held at the Custodians. Wela is independently owned and operated and not affiliated with any of the above listed Custodians.

While we recommend you use Custodians as custodian/broker, you will decide whether to do so and will open your account with one or more of the Custodians by entering into an account agreement directly with the selected custodian. However, in programs where Wela serves as the model provider, the option for the custodian is determined by the management platform and not Wela. We do not open the account for you, although we may assist you in doing so. Trading costs and account maintenance will be higher than what is available through other Custodians and broker/dealers. Further, there is no assurance that can be given that the most favorable execution of client transactions will be achieved. Not all investment advisers require clients to use a specific custodian or broker/dealer.

Qualified plans offering the Wela models as an investment option will be maintained at a custodian selected by the qualified plan.

The custodians charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). The custodians enable Wela to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. The custodian's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by the custodians are higher or lower than those charged by other custodians and broker-dealers. In addition, the custodian of your account is compensated by earning interest on the uninvested cash in your account.

#### *How We Select Brokers/Custodians*

In initially selecting the Custodians which with Wela have a direct relationship for execution services, Wela seeks to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us from Schwab and Fidelity.")

#### *Your Brokerage and Custody Costs*

For our clients' accounts that Schwab and Fidelity maintain, Schwab and Fidelity generally do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that they execute or settle into your account. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab and Fidelity charge you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your account.

The above fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab and Fidelity execute most trades for your account. We have determined that having Schwab and Fidelity execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How We Select Brokers/Custodians”).

*Products and Services Available to Wela from Schwab and Fidelity*

Schwab and Fidelity provide Wela and our clients with access to its institutional brokerage trading, custody, reporting, and related services many of which are not typically available to retail customers. Schwab and Fidelity also make available various support services. Some of those services help us manage or administer our clients’ accounts; while others help us manage and grow our business.

Following is a more detailed description of support services:

*Services That Benefit You.* Schwab’s and, Fidelity’s services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab and Fidelity include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s and, Fidelity’s services described in this paragraph generally benefit you and your account.

*Services That May Not Directly Benefit You.* Schwab and Fidelity also make available to Wela other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, either Schwab’s or Fidelity’s own and that of third parties. We will use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab or Fidelity. In addition to investment research, Schwab and Fidelity also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients’ accounts
- Assist with back office functions, recordkeeping, and client reporting

*Services That Generally Benefit Only Us.* Schwab and Fidelity also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers



Schwab and Fidelity provide some of these services themselves. In other cases, they will arrange for third-party vendors to provide the services to us. Schwab and Fidelity from time to time will discount or waive fees for some of these services or pay all or a part of a third party's fees. Schwab and Fidelity provides us with other benefits, such as occasional business entertainment of our personnel.

These services are not soft dollar arrangements but are part of the institutional platform offered by the Custodians. The benefits provided to Wela create an incentive for Wela and the Advisory Representatives to recommend a Schwab or Fidelity based on the products and services that will be received rather than strictly on your best interest. However, as previously described, Wela believe Schwab and Fidelity serve your interests as well.

From time-to-time Wela may make an error in submitting a trade order on your behalf. When this occurs, Wela will place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Wela will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they will be netted.

#### Aggregated Trading

Wela aggregates ("blocks") transactions in the same security on behalf of more than one client in an effort to strive for best execution and to possibly reduce the price per share and/or other costs to clients. However, aggregated or blocked orders will not reduce the transaction costs to participating clients. Wela conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. Participating clients will obtain the average share price per share for the security executed that day. To the extent the aggregated order is not filled in its entirety and when possible, securities purchased or sold in an aggregated transaction will be allocated pro-rata to the participating client accounts, which may also include Wela employee accounts, in proportion to the size of the orders placed for each account. Under certain circumstances, the amount of securities will be increased or decreased to avoid holding odd-lot or a small number of shares for particular clients. Typically, blocked trading is conducted when Wela is implementing an investment decision to buy or sell a security across all or multiple accounts.

#### **Item 13 - Review of Accounts**

Wela is continuously reviewing the holdings in the model portfolios. We will determine if any adjustments are warranted given our evaluation of the market. Wela utilizes the Capital Investment Advisors' investment committee that meets on a bi-weekly basis for investment research. The investment committee reviews and evaluates securities holdings in model portfolios as well as market events on a continuous basis. On a monthly basis Wela screens and updates information on

managed portfolio holdings. We will monitor for changes or shifts in the economy, performance of the holding, changes that impact the securities in which you are invested, and market shifts and corrections.

If you are working directly with a Wela Advisory Representative, you will be invited to participate in at least an annual review of your portfolio. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. You are advised that you must notify us promptly of any changes to your financial goals, objectives or financial situation as such changes may require a review of your portfolio allocation and make recommendations for changes.

If you have been referred to Wela by another investment adviser, it is recommended you meet with your investment adviser at least annually. Unless you specifically request a meeting with Wela, Wela will not conduct annual reviews of your managed account(s). You are advised that you must notify your investment adviser promptly of any changes to your financial goals, objectives or financial situation. Such changes may require revisions to the model portfolio most suitable to your situation..

You will be provided statements at least quarterly direct from the account custodian. **If you do not receive at least quarterly statements from the account custodian, please contact Wela immediately and/or your account custodian.** Additionally, you will receive confirmations of all transactions occurring directly from the account custodian.

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

Wela has arrangements with other investment advisers (“Soliciting IA”) to offer its management services to clients of the investment adviser. Soliciting IA will refer its clients who are candidates for Wela’s management services. In return, Wela agrees to share a portion of its management fee with the Soliciting IA if the client engages Wela. Compensation to the Soliciting IA is dependent on the client entering into an agreement with Wela for management services. Compensation to the Soliciting IA will be an agreed upon percentage of Wela’s advisory fee. Wela’s referral program is in compliance with the federal regulations as set out in 17 CFR Section 275.206(4)-3. The solicitation/referral fee is paid pursuant to a written agreement retained by both the investment adviser and the Soliciting IA. The Soliciting IA will be required to provide the client with a copy of Wela’s Disclosure Brochure and a Solicitor Disclosure brochure prior to or at the time of entering into any investment advisory contract with Wela. The Soliciting IA is not permitted to offer clients any investment advice on behalf of Wela. A referred client’s advisory fee will not be increased as a result of compensation being shared with Solicitor.

Wela receives an economic benefit from Schwab and Fidelity in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts at Schwab and Fidelity. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – *Brokerage Practices*). The availability to us of Schwab’s and Fidelity’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Your Advisory Representative has an interest in the fee charged to you since Wela will pay a portion of the advisory fee to your Advisory Representative.

### **Item 15 - Custody**

Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct the account custodian where your cash and securities are maintained to deduct our advisory fees directly from your account. Additionally, Wela will be deemed to have custody if a client has a standing letter of authorization (SLOA) to transfer funds or securities to a third party and Wela has the ability to direct transfers, change the amount, and/or the timing of the transfer.

The account custodian maintains actual custody of your assets. You will receive account statements directly from the account custodian at least quarterly. The account statements will be sent to the email or postal mailing address you provided to the account custodian. You should carefully review those statements promptly when you receive them. We also urge you to compare the account custodian's account statements to the periodic account statements you receive from us.

It is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify Wela of any questions or concerns. **Clients are also asked to promptly notify Wela if the custodian fails to provide statements on each account held.**

From time to time and in accordance with our agreement with clients, we will provide additional reports. The account balances reflected on these reports should be compared to the balances shown on the brokerage statements to ensure accuracy. At times there will be small differences due to the timing of dividend reporting, pending trades or other similar issues.

### **Item 16 - Investment Discretion**

Upon execution of our asset management agreement, Wela is granted discretionary authorization to manage your account. Discretionary authority will be limited to authorizing Wela to determine the securities to be purchased and sold within your account and execute on those transactions. You may terminate our discretionary authorization at any time upon receipt of written notice by Wela, however, termination of discretionary authority will result in termination of our management services.

Additionally, you are advised that:

- 1) You may set trading restrictions or limitations;
- 2) Your written consent is required to establish any account;
- 3) With the exception of deduction of Wela's advisory fees from the account, if you have authorized automatic deductions, Wela will not have the ability to withdraw your funds or securities from the account.

## **Item 17 - Voting Client Securities**

Wela has engaged the services of Broadridge's ProxyEdge platform to vote and maintain records of all proxies. The Broadridge open architecture platform allows Wela to choose from several different proxy advisory firms to make recommendations on how our firm should vote the proxies. Wela has selected Egan-Jones as the current advisor, who considers the reputation, experience, and competence of a company's management and board of directors when it evaluates an issuer.

Egan-Jones has provided Wela with the Proxy Voting Principals and Guidelines which is available to clients upon request. The Proxy Voting Principals and Guidelines outline Egan-Jones guidelines for determining how to vote on various matters. Egan-Jones proxy voting services includes voting on matters involving tender offers, mergers and acquisitions, common stock authorization, stock distributions (splits and dividends), and debt restructuring.

In general, the Egan-Jones proxy voting principals and guidelines include:

- Directors should be accountable to shareholders, and management should be accountable to directors.
- Information on the company supplied to shareholders should be transparent.
- Shareholders should be treated fairly and equitably according to the principle of one share, one vote.
- Egan-Jones Proxy Voting Principals will be influenced by current and forthcoming legislation, rules and regulations, and stock exchange rules.

You may view a list of proxies voted, the date Wela voted the proxy, and how Wela voted the proxy at any time upon request. Furthermore, if you would like a copy of our proxy voting procedures, please contact the person on the cover page of this Disclosure Brochure.

Wela will assist with preparing and filing Class Actions "Proof of Claim" forms on behalf of a client provided the client provides Wela with a signed Proof of Claim form and Wela purchased the holding for the client. Wela is not able to file Proof of Claims automatically on behalf of clients due to forms are sent directly to the client and the client must sign the form.

## **Item 18 - Financial Information**

Wela will not require you to prepay any fee in advance of receiving the service.

Based upon the potential for long-term economic uncertainty, in May 2020, Wela received funding from the US Small Business Administration as part of the Paycheck Protection Program (PPP). The PPP was authorized by the Cares Act passed by Congress in response to the COVID-19 pandemic. Wela received \$44,100 in PPP funding, and expects that such funds will be used to retain employees and maintain payroll, as well as for mortgage interest, rent, utilities, and other relevant firm expenses as allowed under the PPP program.

## *Wela Strategies, LLC*

Set forth below is the **Summary of Material Changes** for Wela Strategies, LLC. These are changes made to our Form ADV since our last annual updating amendment that we believe prudent investors may find material.

<b>Date of Change</b>	<b>Description of Item</b>
October 2020	The firm no longer has direct or indirect soft dollar arrangements with Schwab or Fidelity.
June 2020	Wela updated its disclosures to detail its participation in the Paycheck Protection Program under the Cares Act. Please see <b>Item 18 – Financial Information</b> for more details.
January 2021	Holly Mallory became the Chief Compliance Officer on January 1, 2021.