



SWS Partners, LLC  
Form ADV Part 2A – Disclosure Brochure  
January 7, 2021

SWS Partners, LLC  
985 North High Street, Suite 220  
Columbus, Ohio 43201  
614-670-5733  
[admin@swspartners.net](mailto:admin@swspartners.net)

This brochure provides information about the qualifications and business practices of SWS Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 614-670-5733 or [admin@swspartners.net](mailto:admin@swspartners.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

You can find more information about SWS Partners, LLC at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The firm’s SEC File No. is 801-107254.

## **Item 2 – Material Changes**

This is our first firm brochure, so there are no material changes at this time. In the future, this Item will be used to provide you with a summary of new and/or updated information. You will receive a summary of any material changes to this brochure within 120 days of the close of our fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. There are no material changes at this time.

### **Item 3 – Table of Contents**

Item 2 – Material Changes .....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	8
Item 6 – Performance-Based Fees and Side-By-Side Management .....	11
Item 7 – Types of Clients .....	11
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9 – Disciplinary Information .....	16
Item 10 – Other Financial Industry Activities and Affiliations.....	16
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	16
Item 12 – Brokerage Practices .....	17
Item 13 – Review of Accounts .....	23
Item 14 – Client Referrals and Other Compensation .....	24
Item 15 – Custody.....	24
Item 16 – Investment Discretion .....	25
Item 17 – Voting Client Securities.....	25
Item 18 – Financial Information .....	25

## **Item 4 – Advisory Business**

### **The Company**

SWS Partners, LLC (“we,” “us” or “SWS”) is an Ohio limited liability company owned by James F. Parker (45%), Philip Kessler (45%), and Michael Stafford (10%). SWS has been providing investment advisory services since November 2015.

### **Advisory Services**

SWS provides personalized, confidential financial planning, investment management and consulting services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. We consult with you and provide advice with respect to one or more of the following:

- Determining your financial objectives
- Identifying financial challenges
- Budgeting, cash flow analysis and debt management
- Retirement needs analysis
- Qualified and non-qualified employee/executive benefit planning
- Financial coaching
- Charitable, college and estate planning
- Tax planning
- Insurance and long term care planning
- Investment and real estate planning
- Business and succession planning

Our services are for clients seeking a personalized approach to implementing an individually customized strategy designed to meet their investment goals and objectives through portfolio monitoring and quarterly reporting. We work with clients to understand their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, SWS assists its clients in developing an appropriate strategy for managing their assets and financial affairs. We manage client accounts primarily on a discretionary, but can accommodate clients who prefer their assets be managed on a non-discretionary basis. Assets managed within our wrap program must be on a discretionary basis. This individualized approach allows us to work with you to achieve your investment goals.

At the beginning of SWS’s relationship with you, we review your current investment portfolio, obtain information necessary to understand your current and expected financial situation, discuss with you your investment history, objectives, special interests and risk

tolerance and make recommendations regarding your portfolio. Additionally, you can participate in regular planning meetings, telephone consultations and educational seminars.

We offer the following advisory services to assist clients in achieving their unique goals and objectives. The different services offer clients a personalized approach to implementing an investment strategy through asset allocation, portfolio monitoring and consolidated reporting.

### ***SWS Automated***

SWS provides portfolio management services through an automated investment program (the “Program”) through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds (“ETFs”) and a cash allocation. SWS Automated is offered exclusively as a wrap fee program; please see SWS Automated Wrap Fee Program Brochure for details.

SWS Automated clients receive the following:

- Investment management on automated platform.
- Two calls per year from financial planner.
- Client can call planner on an unlimited basis.
- Clients receive real-time investment report incorporating performance measurement of the investments via a white-label mobile app from Schwab.

### ***SWS Private Client***

SWS’s private client services are designed to meet the challenging and diverse needs of its high net worth clients. These services are available to those high net worth clients that have committed at least \$2,000,000 to SWS for portfolio management, and is offered exclusively as a wrap fee program; please see SWS Private Client Wrap Fee Program Brochure for details.

SWS private clients receive the following:

- Everything included for a SWS Automated client plus:
  - Individually managed tactical portfolios constructed from ETFs, private equities, and individual equities.
  - Real-time investment report incorporating performance measurement of the investments in accordance with the client’s investment objectives through SWS 360, a performance, aggregation, and reporting tool offered by SWS.

SWS will work with you and your legal and tax advisors to assist with issues covering one or more of the following topics:

- Estate/Trust planning – Working with your advisors to assist in the development of an appropriate estate/ trust plan.
- Insurance – Assistance with wealth transition and business succession, long-term care.
- Tax and legal advice – If requested, providing recommendations appropriate service providers.

- Banking – Assistance in establishing banking relationships, lending and credit facilities, and related services to meet your investment and business needs.
- Alternative Investments – SWS will recommend alternative investment managers that meet the client’s needs, including direct partnerships and fund of funds. SWS will also provide ongoing review of the managers and recommendations of new managers.

### ***SWS Financial Planning***

SWS will provide advice on one or more of the following issues:

- Determining your financial objectives
- Identifying financial challenges
- Budgeting, cash flow analysis and debt management
- Retirement needs analysis
- Qualified and non-qualified employee/executive benefit planning
- Financial coaching
- Charitable, college and estate planning
- Tax planning
- Insurance and long term care planning
- Investment and real estate planning
- Business and succession planning
- Two calls per year from financial planner
- Client can call planner on an unlimited basis

### ***SWS Institutional & Outsourced Chief Investment Officer (“OCIO”)***

SWS’ Institutional & OCIO programs are designed for institutional clients with portfolio assets of at least \$20,000,000 to assist in delivering portfolio management services that are consistent with the institution’s investment policy mandate. SWS offers the following services as part of its Institutional & OCIO program:

- Discretionary investment program designed for taxable and tax-exempt institutions on a separate account basis.
- Portfolio construction generally comprised of a diversified portfolio of index funds, mutual funds, separately managed accounts, exchange traded funds and/or commingled fund products.
- Includes all of the following:
  - Investment Policy Statement: SWS will assist the client in drafting a policy or modifying a current policy that specifies the client’s goals and objectives, as well as the asset allocation targets and ranges, the performance and risk benchmarks, manager guidelines and restrictions, how the managers will be evaluated, and concludes with an acknowledgement section where all applicable constituents attest to these policies. SWS will assist the client in the ongoing review and

implementation of the Investment Policy Statement on an at least an annual basis and recommend updates as needed.

- **Asset Allocation Study:** Based on the client's return objectives and risk tolerance, SWS will assist the client in developing the appropriate asset mix. SWS will review the asset allocation annually.
- **Performance Reports:** Clients receive real-time investment report incorporating performance measurement of the investments in accordance with the client's investment objectives through SWS 360, a performance reporting tool offered by SWS.
- **Alternative Investments:** SWS will recommend alternative investment managers that meet the client's needs, including direct partnerships and fund of funds. SWS will also provide ongoing review of the managers and recommendations of new managers.
- **Educational Material:** SWS will provide the client with access to its full research library and will also conduct research on topics at the client's request. These research studies are designed to open discussion on relevant investment topics.

### ***SWS Consulting***

On a case-by-case basis, SWS will provide business consulting for institutional or individual investors of institutional size (e.g., family offices) who are interested in better understanding the impact of their current internal investment management operations and/or asset allocation. A fixed retainer will be based on the type of consulting needed, the size of the portfolio, complexity, and length of time of the engagement.

### **Client-Tailored Services and Client-Imposed Restrictions**

We will work with you to accommodate reasonable restrictions in any investment strategy. You must advise us of any such restrictions in writing, and you should be aware that imposing investment restrictions may adversely affect the performance of your account.

### **Wrap Fee Programs**

SWS Private Client is offered exclusively as a wrap fee program, where the client receives investment advisory and portfolio transaction services for a single fee based on the amount of assets in the account. Please see the SWS Private Client Wrap Fee Program Brochure for details.

SWS Automated is also offered exclusively as a wrap fee program. Please see the SWS Automated Wrap Fee Program Brochure for details

### **Assets Under Management**

As of December 31, 2019, SWS manages \$211 million of discretionary assets and \$0 of non-discretionary assets.

## **Item 5 – Fees and Compensation**

### **Amount of Our Fees**

#### ***SWS Automated***

SWS Automated is offered exclusively as a wrap fee program. Please refer to the SWS Automated Wrap Fee Brochure for a description of the wrap fee program fees.

#### ***SWS Private Client***

SWS Private Client is offered exclusively as a wrap fee program. Please refer to the SWS Private Client Wrap Fee Brochure for a description of the wrap fee program fees.

#### ***SWS Institutional & OCIO***

Fee schedule ranges from 10bps to 55bps depending on size and complexity of engagement. Institutional & OCIO fees will be negotiated and agreed to by the client and SWS prior to the commencement of the engagement.

#### ***Financial Planning***

Generally, Financial Planning services are billed at a rate of \$5000 annually, which may be revised up or down, from time to time, based on the scope of the engagement. Fees are billed annually in advance. If the engagement is terminated, a pro-rata refund is paid to the client provided based upon the remaining days in the year for which an advance fee was paid to SWS.

#### ***Consulting Services***

A fixed retainer will be based on the type of consulting needed, the size of the portfolio, complexity, and length of time of the engagement. The fee varies based on the scope of the work provided and will be disclosed and approved by the client in a separate written agreement prior to the commencement of services.

### **Fee Billing**

#### ***SWS Automated and Private Client Fees***

Our fees are paid quarterly in advance and are based on the market value of the assets in your account on the last business day of calendar quarter. We will deduct our fees directly from your account at Schwab. If you have insufficient cash in your account to pay our fee, we may sell certain of your account assets to pay the fee. Fees are pro-rated for partial periods. If you terminate your agreement with us during a quarter, we will refund a pro rata portion of the fee you paid for that quarter, based on the number of days between the end of the notice period and the end of the quarter.



## ***SWS Institutional & OCIO***

Institutional & OCIO fees will be negotiated and agreed to by the client and SWS prior to the commencement of the engagement.

## ***Financial Planning***

All financial planning fees are waived after the first year, provided the client enters into a money management agreement with SWS. The Financial Planning Agreement renews automatically after the first year. Fees are billed annually in advance. Both the client and SWS have the right to terminate the financial planning agreement at any time, upon 10 days' prior written notice to the opposite party. If the engagement is terminated, a pro-rata refund is paid to the client provided based upon the remaining days in the year for which an advance fee was paid to SWS.

## ***Consulting Fees***

Our fees for financial consulting services are fixed, and are payable in advance and in full, once scope and contract are agreed upon, unless SWS and the client mutually agree otherwise.

## **Other Fees**

Your account may be invested in exchange traded funds ("ETFs") or other investment companies, such as mutual funds, hedge funds and private equity funds. These investment companies charge internal management fees, which are disclosed in their prospectuses or offering documents. These fees are not shared with SWS. We evaluate these relative annual costs as a part of our investment decision making process. In addition, you may incur transfer taxes, custodial fees, wire transfer fees and other fees assessed by broker/dealers in connection with transactions in your brokerage/trading account.

You could invest in an ETF or other investment company directly. In that case, you would not receive the services we provide, which are designed in part to help you determine which, if any, investment companies are best suited to your financial condition and objectives. You should review the fees charged by the investment companies and our fees to fully understand the total amount of fees you will pay and to evaluate the advisory services we provide.

## **External Compensation for the Sale of Securities to Clients**

SWS's advisory professionals are compensated primarily through a salary and bonus structure.

## **Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

*Limitation on Mutual Fund Universe for Custodian Investment Programs:* There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

*Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:* Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

*Additional Disclosure Concerning Wrap Programs:* To the extent that we either sponsor or recommend wrap fee programs, please be advised that certain wrap fee programs may (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively, the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. As a policy matter, the firm does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

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

We do not accept “performance-based fees” (i.e., fees based on a share of capital gains on or capital appreciation of your assets).

## **Item 7 – Types of Clients**

SWS provides investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, financial institutions and small businesses.

For SWS Direct, clients eligible to enroll in the Program include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The minimum investment required to open an account in the Program is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

For SWS Private Client, the minimum portfolio value is \$2 million. Access to actively managed tactical equity portfolios requires a minimum investment of \$1 million.

For SWS Institutional & OCIO, there is a minimum portfolio value of \$20,000,000.

The minimum account size for a wrap fee program account is \$50,000.

We reserve the right to waive minimum account size requirements at our discretion.

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

The investment strategies employed by SWS share a common philosophy: participate in upside asset price momentum while engaging in systematic methods to avoid substantial losses. The use of downside protection strategies, or portfolios designed primarily to win by avoiding substantial losses, is an approach that has shown to benefit portfolio performance over the long-term. We believe that applying systematic, rules-based investment processes focused on aligning portfolio exposures with trends in capital markets may prove to be a successful investment approach. Our investment philosophy is grounded in a disciplined approach to allocating assets consistently based on what we believe to be the highest probability events. SWS’s investment focus is not on beating the benchmark year after year. We believe that this approach may expose client portfolios to excessive risk. Instead, the SWS attempts to participate in upside asset class trends while focusing on avoiding material losses that may significantly erode a portfolio’s value. We believe this approach may result in portfolio performance that beats the benchmark over the long-term, while assuming less risk.

## Methods of Analysis

SWS employs both fundamental and technical analysis in developing investment strategies for its clients.

- *Fundamental Analysis.* The success of our strategies depends in large part on our ability to accurately assess the fundamental value of securities and capital markets in general. An accurate assessment of fundamental value depends on a complex analysis of a number of economic, financial, operating, legal and other factors. No assurance can be given that we can assess the nature and magnitude of all material factors having a bearing on the value of securities.
- *Technical Analysis.* In implementing our investment strategies, we may also utilize technical analysis, which is the study of asset prices and their movement as influenced by the supply and demand for a particular security. Although employing these techniques may expand the opportunity for gain, it also carries the risks of volatility and loss.

Our research and analysis is derived from numerous sources, including financial media companies, third-party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and third-party research.

## Investment Strategies

In managing client accounts, we generally employ a long-term investment strategy consistent with our client's financial goals. We typically will hold all or a portion of a security for more than a year, but may hold for shorter periods in order to rebalance a portfolio, meet a client's cash needs, or respond to poor investment performance. In addition, SWS may at times buy and sell positions that are more short-term in nature, depending on the goals of the client and/or the fundamentals of the security, sector or asset class. However, we do not utilize frequent trading. Frequent trading may result in higher transactional costs and may cause deterioration in investment performance. Frequent trading also may cause additional tax consequences (i.e., higher taxes) for the client.

In managing a portfolio, SWS principally recommends investment in ETFs, private equities, mutual funds, hedge funds and other investment companies, as well as individual equity securities. These securities may be subject to material loss of principal or loss of principal in its entirety. Investment in these securities and in financial markets in general may subject clients to material risks such as those set forth below.

### ***Important Disclosure – Custodian Investment Programs***

Please be advised that the firm utilizes Schwab as its primary custodian, which is described in detail under Section 12 of this Part 2A disclosure brochure. Under this arrangement we can access certain investment programs offered by our custodian that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please see Item 5.A. of this Brochure for detailed information.

## Risk of Loss

All investments in securities include a risk of losing your principal (invested amount) and any profits that you have not yet realized. You should be prepared to bear that risk. As you know, the stock and fixed income markets fluctuate substantially over time. In addition, as recent global and domestic economic events have shown, the performance of any investment is not guaranteed.

Our strategies may subject clients to the following risks:

- *Correlation Risk:* The price of equity securities and fixed income securities, as well as other asset classes, often rise and fall at different times so that a fall in the price of one may be offset by a rise in the price of the other. In deteriorating markets, the prices of securities within and across asset classes may fall in tandem. Because our strategies allocate investments targeted in one asset class or across asset classes, the strategies are subject to correlation risk.
- *Credit Risk:* Issuers of fixed income securities may not make interest or principal payments on securities, resulting in losses to an investor. In addition, the credit quality of an issuer's securities may be lowered if an issuer's financial condition changes, including the U.S. government.
- *Derivatives Risk:* Some ETFs use derivatives, such as swaps, options and futures, among others. Derivative instruments may be illiquid, difficult to value and leveraged so that small changes may produce disproportionate losses to a client. Over-the-counter derivatives, such as swaps, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Losses from investments in derivatives can result from a lack of correlation between the value of those derivatives and the value of the underlying asset or index. In addition, there is a risk that the performance of the derivatives or other instruments used by ETFs to replicate the performance of a particular asset or asset class may not accurately track the performance of that asset or asset class.
- *Diversification Risk:* A client's portfolio may be limited to only a few investments. As a result, the client's performance may be more sensitive to any single economic, business, political or regulatory occurrence, relative to the value of a more diversified portfolio.
- *Emerging Market Risk:* Emerging market countries may have relatively unstable governments, weaker economies and less-developed legal systems with fewer security holder rights. Emerging market economies may be based on only a few industries and security issuers may be more susceptible to economic weakness and more likely to default. Emerging market securities also tend to be less liquid.
- *ETF Risk:* ETFs are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of the investment strategy will be higher than the cost of investing directly in ETFs. In addition, ETFs are subject to specific risks, depending on the nature of the fund. ETFs are professionally managed pooled investment vehicles that invest in stocks, bonds, short-term money market

instruments, other ETFs, derivatives and other securities, or any combination thereof. ETF managers trade fund investments in accordance with fund investment objectives. While ETFs may provide diversification, risks can be significantly increased for funds concentrated in a particular sector of the market, or that primarily invest in small cap or speculative companies, use leverage (i.e., borrow money), or concentrate in a particular type of security rather than balancing the fund with different types of securities. ETFs can be bought and sold throughout the day and their price can fluctuate throughout the day. During times of extreme market volatility, ETF pricing may lag versus the actual underlying asset values and there is no guarantee this relationship will resolve itself.

- *Fixed Income Risk:* A client's account may be invested in fixed income securities, directly or through ETFs. The credit quality rating of securities may be lowered if an issuer's financial condition deteriorates and issuers may default on their interest and/or principal payments. Typically, a rise in interest rates causes a decline in the value of fixed income securities.
- *Foreign Investment Risk:* Foreign investing involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards.
- *Key Personnel Risk:* The success of our strategies depends greatly on the investment skills of our principals and key personnel. Performance of a client's account could be adversely affected if, due to illness or other factors, the services of certain principals or key personnel were not available for any significant period of time.
- *Leverage Risk:* Leverage (borrowing) may be used in investment and trading, generally through purchasing inherently leveraged instruments, such as certain ETFs. The prices of leveraged instruments can be highly volatile, and investments in leveraged instruments may, under certain circumstances, result in losses that exceed the amounts invested. Borrowing magnifies the potential for losses and exposes the client to interest expense on money borrowed. Leveraged ETFs and derivatives will amplify losses because they are designed to produce returns that are a multiple of the equity index to which they are linked.
- *Leveraged ETF Risk:* ETFs may use leverage, which may amplify gains and losses. Most leveraged ETFs reset their leverage daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance of their underlying index or benchmark during the same period of time.
- *Market Risk:* Overall equity, fixed income and alternative securities market risks affect the value of a client's portfolio. Factors such as domestic or global economic growth, market conditions, interest rate levels and political events affect the securities markets.
- *Options Risk:* There are numerous risks associated with transactions in options on securities. A decision as to whether, when and how to write options and purchase

options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

- *Small and Medium Capitalization Stock Risk:* A client may invest directly or through ETFs in companies of any size capitalization. The price of small or medium capitalization company stocks may be subject to more abrupt or erratic market movements than larger, more established companies or the major market indices in general.
- *Turnover Risk:* A higher portfolio turnover may result in higher transactional and brokerage costs and could result in higher taxes when a client's investments are held in a taxable account.
- *U.S. Government Securities Risk:* Although U.S. government securities are considered among the safest investments, they are not guaranteed against price movements due to changing interest rates. Obligations issued by some U.S. government agencies are backed by the U.S. Treasury, while others are backed solely by the ability of the agency to borrow from the U.S. Treasury or by the agency's own resources.
- *Strategy Risks:* The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.
- *Cyclical Analysis Risk:* Economic/business cycles may not be predictable and may have many fluctuations between periods of economic or market expansion and contraction. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.
- *Management Risk:* The success of SWS's investment strategies depends to a great extent on the investment skills of SWS's principals and key personnel. Performance could be adversely affected if, due to illness or other factors, the services of certain principals or key personnel were not available for any significant period of time.
- *Private Fund Risk.* Client assets may be invested in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. Private investment vehicles are less liquid than other investments. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

SWS has no legal or disciplinary events to report.<sup>1</sup>

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

We are obligated to disclose whether SWS or any of its officers or employees are involved in other financial industry activities, such as those of a broker-dealer, commodity pool operator or a futures commission merchant. We are also obligated to disclose if we receive compensation from other advisers for recommending or selecting those advisers for you.

Our investment adviser representatives are not registered with a broker-dealer, commodity pool operator or a futures commission merchant or an insurance company or agency.

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

### **Code of Ethics**

We expect our investment adviser representatives to always act in your best interests, and to place your interests ahead of their own. We have adopted a Code of Ethics (the “Code”) that sets forth the standard of business conduct expected from each member of our team.

The Code restricts trading in any security for which we believe we may be privy to material non-public information. It also places restrictions on trading by our managers and investment adviser representatives (which we refer to as “personal trading”) to prevent any conflict of interest between personal trading and client trading. The Code limits gifts and entertainment, whether received or given, to avoid conflicts of interests. The Code causes all outside business activities of our team members to be disclosed so that potential conflicts can be detected and addressed. Finally, it limits the political contributions of our managers and investment adviser representatives to prevent any potential conflicts in that area as well. All our managers, investment adviser representatives and employees must accept in writing the terms of the Code upon employment, annually, and as amended.

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<sup>1</sup> We note that registered advisors are required to report, in Part 1A of Form ADV, all disciplinary events regardless of whether they are material. SWS has no disciplinary events of any kind to report.



We will provide a copy of the Code to any client or prospective client upon request. If you would like a copy, please contact our Chief Compliance Officer at the telephone number or the address specified on the cover page of this brochure.

## **Participation or Interest in Client Transactions and Personal Trading**

The strategies we use to manage client accounts also are used to manage accounts maintained by SWS, its managers, investment adviser representatives and employees. As a result, we (or our managers, investment adviser representatives and employees) may (i) invest in the same securities or related securities (for example, warrants, options or futures) that we recommend to our clients, or, in some cases, follow investment strategies or invest in securities that are different from those recommended to clients; (ii) buy or sell securities for our own accounts at the same time that we recommend, buy or sell the same securities for client accounts; or (iii) include buy or sell orders in an aggregated transaction along with client buy or sell orders. To address any potential conflicts of interest from this practice, we may not trade in a manner that would be adverse or detrimental to client trades, and we always allocate partially filled orders to client accounts before allocating to our accounts.

We do not buy or sell for your account securities in which SWS or its managers, investment adviser representatives and employees have a material financial interest.

## **Item 12 - Brokerage Practices**

### **Factors Used to Select Broker-Dealers for Client Transactions**

#### **Custodian Recommendations**

SWS may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. ("custodian" and/or "Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although SWS may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. SWS is independently owned and operated and not affiliated with custodian. For SWS client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

SWS considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by SWS, SWS will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian

recommended by SWS will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

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

SWS seeks to recommend a custodian/broker who will hold client 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, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (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 them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

### **Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates paid are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the

executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

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

SWS has not entered into any commitments or understandings to trade with specific broker/dealers, direct a minimum number of transactions to specific brokers/dealers, or generate a specified level of brokerage commission with any particular broker/dealer, in order to receive brokerage or research services. These commitments or understandings are generally known as soft dollar arrangements. However, certain brokers through which we execute trades may provide unsolicited proprietary research (i.e., research the broker creates) to us. This research is used for all client accounts, even though only certain clients may have paid commissions to the brokers who provided the research. This research could include a wide variety of reports, charts, publications or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections. In addition to unsolicited research, certain brokers may provide invitations to attend conferences and meetings with management representatives or with other analysts and specialists.

### **Institutional Trading and Custody Services**

The custodian provides SWS with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

### **SWS Automated**

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform. Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us.

## **Other Products and Services**

Custodian also makes available to SWS other products and services that benefit SWS but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of SWS's accounts, including accounts not maintained at custodian. The custodian may also make available to SWS software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of SWS's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help SWS manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of SWS personnel. In evaluating whether to recommend that clients custody their assets at the custodian, SWS may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

## **Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to SWS. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to SWS.

## **Additional Compensation Received from Custodians**

SWS may participate in institutional customer programs sponsored by broker-dealers or custodians. SWS may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between SWS's participation in such programs and the investment advice it gives to its clients, although SWS receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations

- Research-related products and tools
- Consulting services
- Access to a trading desk serving SWS participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to SWS by third-party vendors

The custodian may also pay for business consulting and professional services received by SWS's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for SWS's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit SWS but may not benefit its client accounts. These products or services may assist SWS in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help SWS manage and further develop its business enterprise. The benefits received by SWS or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

SWS also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require SWS to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, SWS will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by SWS's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for SWS's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, SWS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by SWS or its related persons in and of itself creates a potential conflict of interest and may indirectly influence SWS's recommendation of broker-dealers such as Schwab for custody and brokerage services.

### **The Firm's Interest in Schwab's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian.

This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

### **Brokerage for Client Referrals**

SWS does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **Directed Brokerage**

#### **SWS Recommendations**

SWS typically recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

#### **Client-Directed Brokerage**

Occasionally, clients may direct SWS to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage SWS derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. SWS loses the ability to aggregate trades with other SWS advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **Aggregating Securities Transactions for Client Accounts**

### **Best Execution**

In managing client wrap fee accounts, SWS has the authority to make all determinations as to securities to be bought and sold, the amounts of securities to be bought or sold, and the broker-dealer to be used. As part of its discretionary responsibilities, SWS seeks best execution under the circumstances on each trade placed on your behalf.

### **Trade Aggregation and Allocation**

SWS may aggregate orders for the same securities purchased for a number of client accounts. Trade aggregation is performed to ensure, to the extent possible, optimal execution and consistent results across our client base. Accounts owned by the SWS or its managers, investment adviser representatives or employees may participate in aggregated orders; however, they will not be given preferential treatment. Occasionally, we may only partially fill an aggregated order. Under those circumstances and to the extent it makes practical

sense, we allocate the order on a pro rata basis among the applicable client accounts and do not allocate to firm or employee accounts unless all client orders are fully filled. The allocation of the shares purchased is not based on account performance or the amount or structure of management fees. There may be instances when partially filled orders may adversely affect the size of the position or the price you pay or receive, as compared with the size of the position or price that you would have paid or received had no aggregation occurred.

### **Trade Error Policy**

The firm maintains policies and procedures for the disposition of trade errors. The firm's policy is as follows:

All trade errors must be reviewed and approved by an SWS Manager or the Chief Compliance Officer ("CCO") before a correction can be effected. It is the responsibility of the Managers and or CCO, once the correcting trade has been effected, to memorialize the details of the error and correction, and if necessary, to work with the applicable service provider (most likely the custodian) to determine fault and how the corrected trade is to be reflected or corrected in the client's account. Errors resulting in losses of \$100 or less, irrespective of fault, will be absorbed either by the custodian or SWS. It our goal that where applicable, the benefit of an error shall always go to the client. For example, if the firm failed to purchase a security for a client on a particular day and upon discovery of the error, the price of the stock was lower, the client would get the benefit of the lower price. There may circumstances, for example, either for a buy or sell transaction where the firm may be required to provide the price on the day the security transaction was to be effected in order to accommodate tax selling, avoid violating regulatory requirements for same day substitutions, and related circumstances.

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

Our investment adviser representatives review client accounts quarterly and may reposition assets to bring the actual allocations closer to the chosen strategy's target allocations, unless the client has requested otherwise. Account transactions are reviewed on an ongoing basis to ensure consistency with client objectives and restriction, if any. Significant market or client-specific events may cause us to review an account on a more frequent basis. Our investment adviser representatives meet with clients in-person, by telephone or via webcasts on an agreed upon basis, but on at least an annual basis. Clients are encouraged to notify SWS of any changes in their financial situation, needs or investment objectives, or the suitability of the investment strategy developed for them.

Clients receive transaction confirmation notices and regular summary account statements directly from the Financial Institution holding their accounts. SWS also provides clients with periodic reports. These written reports generally contain account holdings, investment results and other data relevant to your account. We urge clients to carefully review these reports and compare the statements received from the Financial Institution with the reports

that we provide. The information in our reports may vary from the Financial Institution's statements based on accounting procedures, reporting dates or the valuation methodologies of certain securities.

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

### **No Compensation for Client Referrals**

We do not currently compensate any person for client referrals.

### **Other Compensation**

Other than the compensation described in Item 5, SWS does not receive any compensation from anyone other than its clients.

## **Item 15 – Custody**

We are considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to engage an independent public accountant to annually conduct a surprise custody exam audit.
- The firm or its affiliate is a managing member or general partner to a private fund vehicle. An independent public accountant annually audits a pooled investment vehicle(s) the firm manages and the audited financial statements are distributed to the investors in the pooled vehicle within 120 days from the end of the private fund's fiscal year end or 180 days in the event of a feeder/master fund structure.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account. Private fund investors will receive fund level statements of all activity, cash balances, and portfolio holdings on a quarterly basis from their qualified custodian.



## **Item 16 – Investment Discretion**

Our investment advisory agreements give us discretionary authority to manage the assets in clients' accounts, including the ability to purchase, sell and exchange securities and other instruments, and reinvest all proceeds. However, we observe reasonable investment limitations and restrictions that you provide to us in writing, provided that we determine in our sole discretion that such limitations and restrictions are consistent with the strategy we are using for your account.

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

We do not accept authority to vote client securities. Proxy materials generally will be received by you directly or forwarded to you by your Financial Institution. We encourage you to contact your Financial Institution if you have questions related to proxy materials.

We do not advise or act on your behalf in legal proceedings involving companies whose securities are held in your account, including, but not limited to, the filing of class action settlement claim forms. You may, however, direct us to transmit copies of these forms to you or a third party. If you do, we will attempt to forward such forms in a timely manner.

## **Item 18 – Financial Information**

In certain circumstances, registered investment advisers are required to provide clients or prospective clients with financial information or disclosures about their financial condition.

SWS has received a Paycheck Protection Program ("PPP") loan through the U.S. Small Business Administration, which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Due to the economic uncertainties surrounding the current COVID-19 pandemic and in an abundance of caution, SWS believes it was necessary and prudent to apply for and accept the PPP loan to support ongoing operations. SWS intends to use the PPP funds to fund payroll for its employees, including a portion of the salaries of employees who are primarily responsible for performing investment management functions for the firm. The loan is forgivable provided SWS satisfies the terms of the loan program. SWS believes the existence of the loan and the obligation to repay it will have no impact on its ability to provide investment advisory services to clients.

SWS has never been the subject of any bankruptcy proceeding.