

# **Runnymede Capital Management, Inc.**

SEC File Number: 801 – 42744

## **ADV Part 2A, Firm Brochure**

**Dated: July 15, 2021**

Contact: Andrew Wang, Chief Compliance Officer

P.O. Box 359

Mendham, New Jersey 07945-0359

[www.runnymede.com](http://www.runnymede.com)

**This brochure provides information about the qualifications and business practices of Runnymede Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (973) 267-6886 or [awang@runnymede.com](mailto:awang@runnymede.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 Runnymede Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Runnymede Capital Management, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

Since Runnymede Capital Management, Inc.'s most recent Annual Amendment filing on March 4, 2020, this disclosure statement has been revised as follows:

- At Item 4 to revise description of financial planning and consulting services and disclosure of related limitations
- At Item 5 to revise disclosures related to fee collection and engagement termination

This Disclosure Brochure has been revised since the Annual Amendment filing on March 15, 2021 to indicate that Runnymede Capital Management, Inc. provides investment advisory services with respect to the investment subdivisions within variable annuity products.

## **Item 3           Table of Contents**

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	7
Item 6	Performance-Based Fees and Side-by-Side Management .....	9
Item 7	Types of Clients.....	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9	Disciplinary Information .....	13
Item 10	Other Financial Industry Activities and Affiliations .....	13
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	13
Item 12	Brokerage Practices .....	14
Item 13	Review of Accounts.....	16
Item 14	Client Referrals and Other Compensation.....	16
Item 15	Custody.....	17
Item 16	Investment Discretion.....	17
Item 17	Voting Client Securities.....	18
Item 18	Financial Information .....	18

#### **Item 4            Advisory Business**

- A. The Registrant is a Delaware corporation formed on November 9, 1992. The Registrant became registered as an Investment Adviser Firm in December 1993. The Registrant's principal shareholder is Samson Wang.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, estates, pension and profit-sharing plans and charitable organizations, etc.) investment advisory services.

##### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee only* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management. Prior to engaging the Registrant to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

The Registrant provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant will allocate the client allocate investment assets consistent with the designated investment objective(s). The Registrant primarily allocates client investment assets among various individual equities (stocks), individual bond issues, and Exchange Traded Funds ("ETFs") on a discretionary basis in accordance with the client's designated investment objective(s).

##### **RETIREMENT MANAGEMENT AND CONSULTING SERVICES**

The Registrant offers retirement plan consulting services to qualified and non-qualified retirement plans. As a §3(21) fiduciary under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, the Registrant acts in a non-discretionary capacity, making recommendations to the plan sponsor regarding the plan's designated investment alternatives; assists in the development of an investment policy statement based upon the plan's goals and objectives; provides participant education; advises the plan regarding its fiduciary obligations; and assists with ongoing plan operations, as needed. As an ERISA §3(38) investment manager, Registrant may provide the same services described above, but may also modify a plan's designated investment alternatives on a discretionary basis.

##### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

Registrant remains available to provide high-level financial planning and consulting services to its discretionary investment advisory clients, to the extent specifically requested, inclusive of Registrant's asset-based advisory fee. In the event that the client requires extraordinary planning and/or consulting services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the fee for which will be agreed upon with the client prior to the commencement of such services. In very limited circumstances, the Registrant may also provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis.

Before engaging the Registrant to provide stand-alone planning or consulting services, clients are required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client before Registrant commences services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing the Registrant's previous recommendations and/or services.

## **MISCELLANEOUS**

**Limitations of Financial Planning and Consulting Services.** Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Sub-Advisory Engagements.** In very limited instances, Registrant may also serve as a sub-advisor to an unaffiliated registered investment adviser according to the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, the unaffiliated investment adviser that engage the Registrant's sub-advisory services maintains both the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for the Registrant's designated investment strategies and/or programs. If the custodian/broker-dealer is determined by the unaffiliated investment adviser, Registrant will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, clients may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case through alternative clearing arrangements recommended by Registrant. Higher transaction costs adversely impact account performance. **The Registrant's Chief Compliance**

**Officer, Andrew Wang, remains available to address any questions concerning the Registrant's sub-advisory arrangements.**

**Cash Positions.** Depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), the Registrant may maintain cash and cash equivalent positions (such as money market funds) for defensive and liquidity purposes. Unless otherwise agreed in writing, all such cash positions are included as part of assets under management for purposes of calculating the Registrant's advisory fee. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Andrew Wang, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.

**Fidelity/TD Ameritrade/Wells Fargo.** As discussed below at Item 12, Registrant recommends that Fidelity Investments ("*Fidelity*"), Wells Fargo Advisors Financial Network, LLC ("*Wells Fargo*"), and/or TD Ameritrade ("*Ameritrade*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity*, *Wells Fargo*, and *Ameritrade* charge brokerage commissions and/or transaction fees for effecting certain securities transactions. In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). The fees charged by *Fidelity*, *Wells Fargo*, and *Ameritrade*, as well as the charges imposed at the mutual fund and exchange traded fund level, are in addition to Registrant's advisory fee referenced in Item 5 below.

**Trade Error Policy.** Generally, the Registrant shall reimburse accounts for losses resulting from the Registrant's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within the Registrant's custodian firm account and Registrant retains the net gains and losses. However, for clients with assets maintained at *Ameritrade*, *Ameritrade* requires the Registrant to establish a trade error account whereby all trade errors are processed. The Registrant's trade error account will net gains and losses. The Registrant will be responsible for paying any losses caused by its trading error. *Ameritrade* will automatically sweep any of the Registrant's error account credit balances to a designated *Ameritrade* error account each business day. *Ameritrade* will then donate the balances swept to the *Ameritrade* error account to charity.

**Retirement Rollovers – No Obligation / Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. **The Registrant's Chief Compliance Officer, Andrew Wang, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such a rollover recommendation.**

**Please Note: Fee Differentials.** As indicated below at Item 5, we shall generally price our advisory services based upon various objective and subjective factors. As a result, our clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, the level and scope of the overall investment advisory services to be rendered, negotiations, and other factors. As a result, similarly situated clients could pay diverse fees, and the services to be provided by Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Andrew Wang, remains available to address any questions regarding Fee Differentials.

**Variable Annuity Products:** In the event that the client owns a variable annuity product, the client can engage the Registrant to provide investment management services relative to the investment subdivisions that comprise the variable annuity product. Registrant's investment selection shall be limited to those products provided by the variable annuity sponsor. If so engaged, the Registrant shall charge an ongoing advisory fee equal to 0.50% of the variable annuity assets payable quarterly, in advance, based upon the market value of the assets on the last business day of the previous billing quarter. **Please Note:** Neither the Registrant, nor any of its employees, offers to sell variable annuity products to its clients. Neither the Registrant, nor any of its employees, are registered as, or associated with, a broker-dealer or an insurance agency. In the event that the client owns a variable annuity product and/or seeks to purchase a variable annuity product, the Registrant shall refer the client to an unaffiliated broker-dealer/insurance agency to advise on same, and if agreed upon by the client, engage the unaffiliated broker-dealer/insurance agency to exchange a current, or purchase a new, variable annuity product. Neither the Registrant, nor any of its employees, shall receive any portion of the fees earned by the unaffiliated broker-dealer/insurance agency. The Registrant's only compensation shall be limited to the management of the investment subdivisions that comprise the variable annuity product, should the client engage the Registrant to do so. The client is under no obligation to engage Registrant to provide such management services, nor is the client under any obligation to consider addressing variable annuity issues with the unaffiliated broker-dealer/insurance agency that may be recommended by the Registrant. **Please Also Note:** Because the Registrant could earn an advisory fee on the variable annuity assets, a potential conflict of interest arises in the event that the Registrant recommends that the client should address variable annuity issues with the unaffiliated broker-dealer/insurance agency. **Please Further Note:** Variable annuities are long-term investment products. Variable annuity product sponsors generally impose financial penalties for early withdrawals as set forth in the variable annuity documents. Thus, the client must consider such potential penalties prior to agreeing to exchange or purchase a variable annuity product.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- C. The Registrant shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The Registrant shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2020, the Registrant had \$91,938,133 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services on a negotiable *fee-only* basis.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee only* basis. The Registrant's annual investment advisory fee is generally 1.25% of the market value of the assets placed under the Registrant's management.

### **RETIREMENT MANAGEMENT AND CONSULTING SERVICES**

The Registrant offers retirement plan consulting services to qualified and non-qualified retirement plans. Generally, the Registrant's advisory fees are payable at a time agreed upon between the plan sponsor and the Registrant. The Registrant's fee for advisory services may be based on a percentage of assets under advisement, an agreed upon fixed fee or determined on an hourly rate basis, as agreed upon by the Client and the Registrant. The Registrant's annual fee shall be based upon various objective and subjective factors, but typically is an asset-based fee ranging from 0.01% to 1.00% based on a percentage of assets. These factors include, but are not limited to, the amount of the plan's assets, the level and scope of the overall services to be rendered and the complexity of the engagement.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

In very limited circumstances, Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally the Registrant charges between \$300 and \$400 per hour on an hourly basis or up to \$2,000 on a fixed fee basis, depending

upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

#### **Variable Annuity Management**

As noted above at Item 4, the Registrant offers management services relative to the investment sub-divisions that comprise a variable annuity product owned by the client. The Registrant charges an ongoing advisory fee equal to 0.50% of the variable annuity assets payable quarterly, in advance, based upon the market value of the assets on the last business day of the previous billing quarter. The insurance company that issues the variable annuity or its outside custodian will maintain custody of the client's funds and securities at all times.

**Please Note:** As discussed in Item 4 above, Registrant's annual fees shall be based upon various objective and subjective factors, including but not limited to: the amount of the assets placed under Registrant's direct management, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered. Before engaging Registrant to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement, setting forth the terms and conditions of the engagement (including termination), which describes the fees and services to be provided.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *Fidelity*, *Wells Fargo*, and/or *Ameritrade* serve as the broker-dealer/custodian for client investment advisory assets. Broker-dealers such as *Fidelity*, *Wells Fargo*, and/or *Ameritrade* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain mutual funds). In addition to Registrant's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by the *Fidelity*, *Wells Fargo*, or *Ameritrade*).

- D. In most instances, Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance. In rare instances, primarily for Registrant's sub-advisory engagements, fees may be collected on a quarterly basis, in arrears. Registrant's fees are not adjusted for account deposits and withdrawals during the course of a billing period. The fee shall be based upon the market value of the assets on the last business day of the



previous quarter. The Registrant generally requires a minimum annual fee of \$2,500 and/or a minimum asset level of \$750,000 for investment advisory services. The Registrant, in its sole discretion, may waive or reduce its minimum annual fee or minimum asset level requirements based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). **Please Note:** In the event Registrant accepts a client with an asset level below \$200,000 and that client is subject to Registrant's \$2,500 minimum annual fee, that client's fee will exceed the 1.25% shown above.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by, which generally requires thirty days (30) prior written notice, in accordance with the terms of the *Investment Advisory Agreement*. For fees collected in advance, Registrant shall refund a portion of any prepaid advisory fees, prorated based upon the number of days remaining in the billing quarter from the effective date of termination. Alternatively, if fees are collected in arrears, Registrant's shall assess a final fee, prorated for the number of days in the billing quarter until the effective date of termination.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

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

- A. The Registrant's clients shall generally include individuals, business entities, trusts, estates, pension and profit-sharing plans and charitable organizations. The Registrant generally requires a minimum annual fee of \$2,500 and/or a minimum asset level of \$750,000. The Registrant, in its sole discretion, may charge a lesser investment advisory fee or waive an annual minimum fee based upon certain criteria based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). **Please Note:** In the event Registrant accepts a client with an asset level below \$200,000 and that client is subject to Registrant's \$2,500 minimum annual fee, that client's fee will exceed the 1.25% shown above. **Please Also Note:** Similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Andrew Wang, remains available to address any questions that a client may have regarding its advisory fee schedule.

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

- A. The Registrant shall utilize the following methods of security analysis:
- **Charting** - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - **Technical** – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases or Short Term Purchases- are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equities (stocks), individual bond issues, and ETFs on a discretionary basis in accordance with the client's designated investment objective(s).

Risks associated with these asset types include:

1. **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
2. **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

3. Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
4. Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
5. Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
6. Market Risk (Systematic Risk): Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of your portfolio will fluctuate, there is a risk that you will lose money.
7. Unsystematic Risk: Unsystematic risk is the company-specific or industry-specific risk in a portfolio. The combination of systematic (market risk) and unsystematic risk is defined as the portfolio risk that the investor bears. While the investor can do little to reduce systematic risk, he or she can affect unsystematic risk. Unsystematic risk may be significantly reduced through diversification. However, even a portfolio of well-diversified assets cannot escape all risk.
8. Credit Risk: Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact performance. Credit risk is greater for fixed income securities with ratings below investment grade (BB or below by Standard & Poor's Rating Group or Ba or below by Moody's Investors Service, Inc.). Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.
9. Income Risk: Income risk is the risk that falling interest rates will cause the investment's income to decline.
10. Call Risk: Call risk is the risk that during periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.
11. Purchasing Power Risk: Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply. Rising inflation means that if you have \$1,000 and inflation rises 5 percent in a year, your \$1,000 has lost 5 percent of its value, as it cannot buy what it could buy a year previous.
12. Political Risks: Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
13. Regulatory Risk: Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain

industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.

14. Risks Related to Investment Term: Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not what we believe it is truly worth. If you require us to liquidate your portfolio during one of these periods, you will not realize as much value as you would have had the investment had the opportunity to regain its value.

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as ETFs and mutual funds are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. As such, a mutual fund or ETF client or investor may incur substantial tax liabilities even when the fund underperforms.

Shares of mutual funds are distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per-share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes in the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Mutual funds are funds that are operated by an investment company that raises money from shareholders and invests it in stocks, bonds, and/or other types of securities. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. The mutual funds charge a separate management fee for their services. The returns on mutual funds can be reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro-rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. While clients and investors may be able to sell their ETF shares on an exchange, ETFs generally only redeem shares directly from shareholders when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

**Inverse/Enhanced Market Strategies.** The Registrant may utilize long and short mutual funds, exchange traded funds, or exchange traded notes that are designed to perform in an: (1) inverse relationship to certain market indices at a rate of 1 or more times the inverse

result of the corresponding index; and (2) enhanced relationship to certain market indices at a rate of 1 or more times the actual result of the corresponding index. There can be no assurance that any such strategy will prove profitable or successful or that the selected security will perform consistent with its prospectus. In light of these enhanced risks and rewards, a client may direct the Registrant, in writing, not to employ any or all inverse or enhanced strategies for their account.

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.
- D. The Registrant does not recommend or select other investment advisors for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades

executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment advisory accounts be maintained at *Fidelity*, *Wells Fargo*, and/or *Ameritrade*. Prior to engaging Registrant to provide investment advisory services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Fidelity*, *Wells Fargo*, and/or *Ameritrade* (or any other broker-dealer/custodian, investment platform and/or mutual fund sponsor) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment advisory fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Non-Soft Dollar Research and Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant can receive from *Fidelity*, *Wells Fargo*, and/or *Ameritrade* (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Registrant can be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

Certain of the above support services and/or products assist Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity*, *Wells Fargo*, and/or *Ameritrade* as a result of this arrangement. There is no corresponding commitment made by Registrant to *Fidelity*, *Wells Fargo*, and/or *Ameritrade*, or any other any entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Andrew Wang, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant's Chief Compliance Officer, Andrew Wang, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment advisory services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Fidelity*, *Wells Fargo*, and/or *Ameritrade*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Fidelity*, *Wells Fargo*, and/or *Ameritrade*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity*, *Wells Fargo*, and/or *Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Fidelity*, *Wells Fargo*, and/or *Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.



**The Registrant's Chief Compliance Officer, Andrew Wang, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. The Registrant continues to maintain a legacy referral arrangement with several clients, pursuant to which the Registrant continues to pay referral compensation to a legacy solicitor for clients introduced to the Registrant in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such legacy referral fee is paid solely from the Registrant's investment advisory fee, and shall not result in any additional charge to the client.

## **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

The Registrant provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from the Registrant to transfer client funds to "third parties." In accordance with the guidance provided in the SEC Staff's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

**The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

## **Item 16      Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to

purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

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

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

#### **Item 18      Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Registrant's Chief Compliance Officer, Andrew Wang, remains available to address any questions that a client or prospective may have regarding this Form ADV Part 2A Disclosure Brochure.**