



# FOURTH STREET PERFORMANCE PARTNERS

Independent Investment Consultants

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Fourth Street Performance Partners, Inc. - CRD# 107339

This brochure contains information about the qualifications and business practices of Fourth Street Performance Partners Inc. If you have any questions about the contents of this brochure, please contact us at 859-491-5556. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state security authority. Additional information about Fourth Street Performance Partners Inc. is also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 31, 2021

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## Disclosure

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 3/31/2021, is our new disclosure document prepared according to the SEC's new requirements and rules. This document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.



## **Item 2 – Material Changes**

If you are amending your brochure for your annual update and it contains material changes from your last annual update, identify and discuss those changes on the cover page of the brochure or on the page immediately following the cover page, or as a separate document accompanying the brochure. You must state clearly that you are discussing only material changes since the last annual update of your brochure, and you must provide the date of the last annual update of your brochure.

There are no material changes since the annual update of this brochure.

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## Item 4 – Advisory Business

- A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

Fourth Street Performance Partners, Inc. is an independent investment consulting firm serving institutional clients with pool of capital ranging to over a billion dollars. We are a privately held corporation incorporated in Ohio and located in Covington, KY. Fourth Street Performance Partners, Inc. was formed by the merger of Fourth Street Financial Advisors, a SEC Registered Investment Advisory firm formed in 1990 and Asset Performance Partners, a SEC Registered Investment Advisory firm formed in 1994. Our only business is independent investment consulting and we are registered with the SEC (SEC #801-41524). Ken Dorger and Neil Heppler are co-Presidents and each is a 45% owner of Fourth Street Performance Partners, Inc. Andy Dunlap and Dave King are Vice Presidents and each is a 5% owner. Ken and Neil each have over thirty years of experience in the consulting business and founded the predecessor firms that merged to form Fourth Street Performance Partners, Inc. Dave and Andy each have over fifteen years of experience in the investment consulting business.

Fourth Street Performance Partners, Inc. is an institutional investment consulting firm providing clients with information and unbiased advice concerning strategic and tactical asset allocation, investment policy and other discretionary investment advice. Fourth Street Performance Partners, Inc. may have discretionary authority to implement clients' asset allocation strategies with separate accounts managed by other discretionary investment advisers, mutual funds, exchange-traded funds, common trust funds, limited partnership, and limited liability companies.

Fourth Street Performance Partners, Inc. does not provide clients advice regarding the equity or debt securities of specific companies. We may advise clients on either a discretionary or non-discretionary basis to implement certain asset allocation strategies with separate accounts managed by other discretionary investment advisers, mutual funds, exchange-traded funds, common trust funds, limited partnership, and limited liability companies that may invest in some or all of these types of securities, as well as investing in assets that do not trade on any exchange. Fourth Street Performance Partners, Inc. is not the general partner of any partnership nor do we sponsor any investment vehicle in any form.

Fourth Street Performance Partners, Inc. is a member of the Independent Advisor Group, a division of Callan Associates, Inc. ("Callan"). As a member of Callan's Independent Advisor Group, Fourth Street Performance Partners, Inc. pays fees to Callan Associates for certain data, resources and services. As one of the largest institutional investment consultants in the country, Callan provides Fourth Street Performance Partners, Inc. with resources that allow us to deliver high quality, institutional level services to our clients in the middle market (\$1,000,000 - \$1 billion), as well as to high net worth individuals.

- B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.



Fourth Street Performance Partners, Inc. provides investment consulting services to institutional and high net worth clients. We consult to defined benefit pension plans, defined contribution plans, Trusts and Estates, tax-exempt charitable organizations, for-profit corporations and individuals.

The types of services we deliver to our clients are consultative in nature and consist of the following:

1. Strategic and tactical asset allocation advice on a discretionary or non-discretionary basis tailored to our clients' expressed risk and return expectations. Such asset allocation advice is based on Fourth Street Performance Partners, Inc.'s and Callan's expertise in the long-term characteristics of various asset classes and investment management styles, taken in conjunction with current economic developments
2. Professional, objective evaluations of money management organizations, both private account money managers and mutual fund companies and their sub-advisors. Fourth Street Performance Partners, Inc.'s investment committee utilizes information gathered on these organizations internally and from Callan
3. Investment advisor and custodial searches and fee negotiations; recapture program searches
4. Custom, in depth quarterly performance reports on clients' money managers and/or mutual funds utilizing Callan's investment performance software
5. In person meetings and attendance at client Board and oversight committee meetings
6. Special projects as deemed necessary

As members of Callan's Independent Advisor Group, Fourth Street Performance Partners, Inc. can offer its clients access to institutional-level money managers, representing several investment management styles at significant reductions in fee structure and minimum account sizes.

- C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

We tailor our advisory consulting services to meet the individual needs of our clients. Our firm's investment philosophy is grounded in understanding the purpose for our client's investment assets. Based on this understanding, we evaluate a strategic asset allocation based on identified short-term risk tolerances or the need to meet any long-term performance objectives over an appropriate time horizon. With board designated assets we are attune to the balancing of investment strategies with the time horizon and interest rate sensitivity of debt obligations or liquidity constraints. Beyond the broad asset allocation decision, we encourage diversification among sub-asset classes, managers and the selection of appropriate investment vehicles (be it separate account, mutual fund or commingled fund).

Many of our clients are affiliated with a religious organization and have socially responsible investing goals. These goals impose restrictions on the types of investments we can recommend. Each organization has a different approach to socially responsible investing. Some have general guidelines, some use guidelines devised from other organization such as the US Conference of Catholic Bishops, the United Methodist Church or the Southern Baptist Convention. Some of our clients provide lists of securities that are prohibited

while others hold securities in a separate account to vote proxies. We are prepared to help clients develop an investment strategy that is consistent with their beliefs.

- D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

Fourth Street Performance Partners, Inc. does NOT participate in any wrap fee programs.

- E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.

As of 12/31/2020 Fourth Street Performance Partners, Inc.’s client relationships represented a combined total of \$8,871,669,104 in assets. Of this amount \$128,507,469 is managed on a discretionary basis and \$8,743,161,634 is managed on a non-discretionary basis. Of the non-discretionary assets \$4,908,209,695 are classified as assets under management and \$3,834,951,939 are assets under advisement.

## Item 5 – Fees and Compensation

- A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

Fourth Street Performance Partners, Inc. receives compensation only from its clients. We receive no compensation from third parties. Clients pay either an annual negotiated fee or an asset-based fee using the following schedule:

Consulting Services:

- 1.00% on the first \$250,000
- .75% on the next \$250,000
- .50% on the next \$250,000
- .30% on the next \$14.25 million;
- .15% on the next \$35 million; and
- .05% on assets over \$50 million.

Fees are due in arrears on a quarterly basis. Agreements may be terminated by the client upon receipt of a written termination notice delivered to the office. Fees are negotiable within reason and on a client by client basis.

- B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

Fees are billed to clients via a quarterly invoice. Some clients pay via check, some clients pay via direct deposit into our bank account and some clients direct that our fee be transferred from their account by their custodian. Clients may choose which method they prefer.

- C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

The fees described above are the only fees charged by Fourth Street Performance Partners, Inc.

- D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

Clients do not have to pre-pay fees.

- E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.

Not applicable.



## Item 6 - Performance Based Fees and Side by Side management

If you or any of your *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *supervised persons* manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *supervised persons* face by managing these accounts at the same time, including that you or your *supervised persons* have an incentive to favor accounts for which you or your *supervised persons* receive a *performance-based fee*, and describe generally how you address these conflicts.

Fourth Street Performance Partners, Inc. does not charge performance based fees.



## Item 7 – Types of Clients

Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

Fourth Street Performance Partners, Inc. provides investment consulting services to institutional and high net worth clients. We consult to defined benefit pension plans, defined contribution plans, Trusts & Estates, tax-exempt charitable organization (including religious –affiliated organizations, colleges and universities), for-profit corporations and individuals.

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

- A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that *clients* should be prepared to bear.

Fourth Street Performance Partners, Inc. provides a comprehensive, high-quality process for the investment management of fund assets, and we adhere to a procedurally prudent five-step process to insure that all aspects of a client's investment program follow a well-conceived and understandable strategy. Please be aware that investment strategies involve risk of loss that clients may have to bear.

**(1) Analyze current position**

- (a) Conduct analysis of current investment activities
- (b) Review actuarial and accounting assumptions on contributions and disbursements
- (c) Review current investment strategies and policies
- (d) Review legal and legislative constraints

**(2) Design Optimal Portfolio**

- (a) Propose optimal asset allocation strategies
- (b) Address strategic and tactical investment strategies against the back drop of capital markets
- (c) Advise on investment alternatives and modern portfolio concepts

**(3) Formalize Investment Policy**

- (a) Prepare written Investment Policy Statement to include
  - 1. investment objectives
    - a. investment guidelines
    - b. procedures for selecting money managers or mutual funds
    - c. securities guidelines
    - d. procedures for monitoring money managers and mutual funds

**(4) Implement Policy**

- (a) Propose a variety of alternative money manager structures
- (b) Negotiate favorable account size minimums and fees with appropriate money managers and mutual funds
- (c) Coordinate custody and brokerage services

**(5) Monitor and Supervise**

- (a) Provide ongoing supervision of investment program
- (b) Prepare a detailed monthly appraisal of consolidated holdings and portfolio transactions
- (c) Prepare quarterly performance attribution reports comparing the performance of the portfolio against market indices, stated investment objectives and managers of similar style



(d) Rebalance – revisit steps 3 and 4 – as needed

For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Asset Allocation**

Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of equity, fixed income, and cash securities suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equity, fixed income, and cash securities will change over time due to market price movements and, if not corrected, will no longer be appropriate for the client's goals. Therefore a disciplined rebalancing strategy must be incorporated to bring the portfolio risk back in line with client objectives.

**Tactical Allocation**

Various asset classes, styles, and capitalization may be evaluated by mean reversion and valuation at a period of time as to its overvalued or undervalued state. Portfolios can be underweighted or overweighed in certain asset classes, styles or capitalization based upon our research. This is typically done within the constraints of the overall strategic asset allocation.

A risk of tactical allocation is that the client may not participate in sharp increases in a particular security, industry or market sector because of the underweight and may fully participate in overweighed sector of the markets.

**Active Manager Risk**

Clients typically use other investment advisors to implement the broad strategies defined in their asset allocation strategies. These investment advisors take specific security risk within their asset class that can result in significant tracking error from the broad market that they are attempting to add value against.

- B. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

Fourth Street Performance Partners, Inc. does not primarily recommend a particular type of security. We believe in diversified portfolios typically utilizing numerous asset classes, styles, sectors, capitalizations and globalization to diminish the risk of a portfolio.



## Item 9 – Disciplinary Information

- A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a *management person*
1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any *felony*; (b) a *misdemeanor* that *involved* investments or an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
  2. is the named subject of a pending criminal *proceeding* that involves an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
  3. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation; or
  4. Was the subject of any *order*, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a *management person* from engaging in any *investment-related* activity, or from violating any *investment-related* statute, rule, or *order*.
- B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a management person
1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or
  2. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation and was the subject of an *order* by the agency or authority
    - a) denying, suspending, or revoking the authorization of your firm or a *management person* to act in an *investment-related* business;
    - b) barring or suspending your firm’s or a *management person’s* association with an *investment-related* business;
    - c) otherwise significantly limiting your firm’s or a *management person’s investment-related* activities; or

Fourth Street Performance Partners, Inc. and our management personnel have no reportable disciplinary events to disclose.

## Item 10 – Other Financial Industry Activities and Affiliations

- A. If you or any of your *management persons* are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

Not applicable

- B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

Not applicable

- C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker;
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund);
3. other investment adviser or financial planner;
4. futures commission merchant, commodity pool operator, or commodity trading advisor;
5. banking or thrift institution;
6. accountant or accounting firm;
7. lawyer or law firm;
8. insurance company or agency;
9. pension consultant;
10. real estate broker or dealer;
11. sponsor or syndicator of limited partnerships.

Items 6 and 9 are applicable as follows:

- (6) Paul Neltner is a CPA and shareholder with Munninghoff, Lange and Company, an accounting firm
- (9) Fourth Street Performance Partners, Inc. is a member of the Independent Advisor Group, a division of Callan Associates. As a member of Callan's Independent Advisor Group, Fourth Street Performance Partners, Inc. pays fees to Callan for certain data, resources and services. As one of the largest institutional investment consultants in the country, Callan provides Fourth Street Performance Partners, Inc. with resources that allow us to deliver high quality, institutional level services to our clients as well as to high net worth individuals.

- D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

Fourth Street Performance Partners, Inc. receives no compensation from money managers it engages for clients and has no conflicts of interest.



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

- A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any *client* or prospective *client* upon request.

Fourth Street Performance Partners, Inc. code of ethics was updated in 2019 and is distributed to all employees annually. The Code of Ethics sets forth conduct standards to be followed by all employees of Fourth Street Performance Partners, Inc. It is in compliance with the Investment Advisor Act of 1940, New Rule 201A. Compliance with the Code of Ethics and applicable Federal Securities Laws is a condition of employment with Fourth Street Performance Partners, Inc. Fourth Street Performance Partners, Inc. will provide clients and prospective clients with a copy of our code of ethics upon request.

- B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Examples: (1) You or a related person, as principal, buys securities from (or sells securities to) your clients; (2) you or a related person acts as general partner in a partnership in which you solicit client investments; or (3) you or a related person acts as an investment adviser to an investment company that you recommend to clients.

Not Applicable

- C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

Not Applicable

- D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Not Applicable

## Item 12 – Brokerage Practices

- A. Describe the factors that you consider in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

For the majority of our clients, we do not recommend broker-dealers. The investment advisors hired by our clients to implement their investment strategies handle this aspect of the client's investment program. In the event that we do engage a broker-dealer, we use Charles Schwab or TD Ameritrade. We receive no incentives, commissions or soft dollars as a result of this relationship. For this reason, items 1 and 2 below are not applicable.

1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.

**Note:** Your disclosure and discussion must include all soft dollar benefits you receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

- a. Explain that when you use *client* brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.
- b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your *clients'* interest in receiving most favorable execution.
- c. If you may cause *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.
- d. Disclose whether you use soft dollar benefits to service all of your *clients'* accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate.
- e. Describe the types of products and services you or any of your *related persons* acquired with *client* brokerage commissions (or markups or markdowns) within your last fiscal year.

**Note:** This description must be specific enough for your *clients* to understand the types of products or services that you are acquiring and to permit them to evaluate possible conflicts of interest. Your description must be more detailed for products or services that do not qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution. Merely disclosing that you obtain various research reports and products is not specific enough.

- f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

Not Applicable

- 2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a *related person* receives *client* referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.
  - a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving *client* referrals, rather than on your *clients'* interest in receiving most favorable execution.
  - b. Explain the procedures you used during your last fiscal year to direct *client* transactions to a particular broker-dealer in return for *client* referrals.

Not Applicable

- 3. Directed Brokerage.

Fourth Street Performance Partners, Inc. clients utilize over 18 different custodial relationships and over 100 different separately managed private accounts overseen by several unrelated investment advisory firms who have discretion to utilize brokerage services at firms of their choice consistent with best execution. Fourth Street Performance Partners, Inc. may recommend that clients establish brokerage accounts with FINRA registered broker-dealers, member SIPC, Schwab Advisor Services (Schwab), the Institutional division of Charles Schwab & Co., Inc. ("Schwab"), or TD Ameritrade Institutional (TD Ameritrade), to maintain custody of clients' assets and to affect trades for their accounts. Although we recommend that clients establish accounts at Schwab or TD Ameritrade, it is the client's decision to custody assets with them. Fourth Street Performance Partners, Inc. is independently owned and operated and not affiliated with either Schwab or TD Ameritrade.

Schwab and TD Ameritrade provide Fourth Street Performance Partners, Inc. with access to its institutional trading and custody services, which are typically not available to their retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab or TD Ameritrade. These services are not contingent upon our firm committing any specific amount of business (assets in custody or trading commissions). 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.

For our client accounts maintained in custody at Schwab or TD Ameritrade, there is generally no separate charge for custody services. They are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the broker dealers or that settle into the broker dealers' accounts.

Schwab and TD Ameritrade also makes available to our firm other products and services that benefit Fourth Street Performance Partners, Inc. but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- a. provides access to client account data (such as trade confirmations and account statements);
- b. facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- c. provides research, pricing and other market data;
- d. facilitates payment of our fees from clients' accounts;
- e. assists with back-office functions, recordkeeping and client reporting, and
- f. provides access to an electronic communications network for client order entry and account information.

Schwab and TD Ameritrade also offer other services intended to help us manage and further develop our business enterprise. These services may include:

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

Schwab and TD Ameritrade may make available, arrange and/or pay third-party vendors for the types of services rendered to Fourth Street Performance Partners, Inc. They may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab and TD Ameritrade may also provide other benefits such as educational events or occasional business entertainment of our personnel.

Both Schwab and T. D. Ameritrade provide Fourth Street Performance Partners, Inc.'s clients access to every major family of no-load mutual funds, as well as many loaded funds on a no-load basis. Fourth Street Performance Partners, Inc. may be able to provide clients with access to institutional mutual funds at greatly reduced minimums. These services are derived from our association with Schwab and T.D. Ameritrade; major mutual fund clearinghouses.

- a. If you permit a *client* to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of *client* transactions. Explain that directing brokerage may cost *clients* more money. For example, in a directed brokerage account, the *client*

may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the *client* may receive less favorable prices.

Clients are free to choose their own custodian and brokerage firm. These may provide a commission recapture program or assistance with account liquidations. Any savings or recaptured commission goes to the client's account and not to Fourth Street Performance Partners, Inc. The client may pay higher brokerage commissions because orders cannot be aggregated in an effort to reduce transaction costs or commissions or the client may receive less favorable prices. Money managers hired by clients are subject to best execution standards for their clients' accounts.



## Item 13 – Review of Accounts

- A. Indicate whether you periodically review *client* accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the *supervised persons* who conduct the review.

Fourth Street Performance Partners, Inc. reviews and reconciles clients' accounts monthly. The consultants perform this review with the assistance of the firm's associate consultants and monthly reports are prepared. More in-depth reviews are done quarterly in conjunction with the preparation of the quarterly performance evaluation reports.

- B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

See above.

- C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

Fourth Street Performance Partners, Inc. delivers quarterly performance reports that are customized to each client's needs. In general the reports include market overview, investment performance analysis, asset allocations, sources of growth, cash flow projections and asset allocation recommendations.

## Item 14 – Client Referrals and Other Compensation

- A. If someone who is not a *client* provides an economic benefit to you for providing investment advice or other advisory services to your *clients*, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

Fourth Street Performance Partners, Inc. does offer compensation in the form of a Business Development Bonus to employees for referring business to Fourth Street. This bonus is only for employees of Fourth Street. We do not pay anyone outside the firm for referrals.

- B. If you or a *related person* directly or indirectly compensates any *person* who is not your *supervised person* for *client* referrals, describe the arrangement and the compensation.

Not applicable

## Item 15 – Custody

If you have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.

Fourth Street Performance Partners, Inc. does not take custody of client assets. All accounts are held by qualified custodian such as a bank or brokerage firm. Separate monthly statements are prepared by the custodian and online access to review accounts daily are available to clients. Fourth Street Performance Partners, Inc. may request online access or other electronic feeds to download transactions and holdings data to our portfolio management system to help oversee client investment programs. These downloads provide for more timely and more accurate performance measurement information for the client and Fourth Street Performance Partners, Inc. They also help with managing cash flows of the accounts.





## Item 16 – Investment Discretion

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

Fourth Street Performance Partners, Inc. may have discretionary authority to implement clients' asset allocation strategies with exchange-traded funds, mutual funds, common trust funds, limited partnership, limited liability companies and separate accounts managed by other discretionary investment advisors. Discretion is granted through a separate agreement with the client and usually has a set asset allocation strategy that will be followed. Fourth Street Performance Partners, Inc. has the discretion to implement the strategies outlined in the client's Investment Policy Statement and act in the best interest of the client.



## Item 17 – Voting Client Securities

- A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request. Form ADV: Part 2A Page 9

Fourth Street Performance Partners, Inc., as a matter of policy, does not offer proxy voting of portfolio securities as a standard service to clients. At the request of clients, we may vote proxies on their behalf. When performing this service, we do so in a manner consistent with the best economic interests of the clients and utilize a proxy voting service, ProxyEdge. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

- B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.



## Item 18 – Financial Information

- A. If you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, include a balance sheet for your most recent fiscal year. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.
1. Show parenthetically the market or fair value of securities included at cost.
  2. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.

Fourth Street Performance Partners, Inc. does not require or solicit prepayment of fees.

- B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

Fourth Street Performance Partners, Inc. does not require or solicit prepayment of fees.