



PART 2A OF FORM ADV: FIRM BROCHURE

ITEM 1. COVER PAGE

DETALUS ADVISORS, LLC

383 Marshall Avenue
St. Louis, MO 63119

Telephone: 314-997-3191
Email: clewis@detalus.com
Web Address: www.detalus.com

June 30, 2021

This Brochure provides information about the qualifications and business practices of Detalus Advisors, LLC. If you have any questions about the contents of this Brochure, please contact Clint Lewis, Chief Compliance Officer, at clewis@detalus.com or 314-997-3191. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Detalus Advisors, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by an identifying number, known as a CRD number. Our firm's CRD number is 117958.

Item 2. Material Changes

Detalus Advisors no longer provides fund management services. Since last updating this Brochure on March 22, 2021, the material changes to this document are included in the following sections:

- Item 4: Advisory Business
- Item 5: Fees and Compensation
- Item 6: Performance-Based Fees and Side-by-Side Management
- Item 7: Types of Clients
- Item 10: Other Financial Industry Activities and Affiliations

Item 3. Table of Contents

	Page
Item 1. Cover Page	1
Item 2. Material Changes	2
Item 3. Table of Contents	3
Item 4. Advisory Business	4
Item 5. Fees and Compensation	7
Item 6. Performance-Based Fees and Side-By-Side Management	8
Item 7. Types of Clients	8
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	8
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	15
Item 12. Brokerage Practices	16
Item 13. Review of Accounts	18
Item 14. Client Referrals and Other Compensation	18
Item 15. Custody	18
Item 16. Investment Discretion	18
Item 17. Voting Client Securities	19
Item 18. Financial Information	19
Item 19. Requirements for State-Registered Advisers	19

Item 4. Advisory Business

Detalus Advisors, LLC (“Adviser” or “Detalus”) is an SEC-registered investment adviser with its principal place of business located in St. Louis, Missouri. Adviser began conducting business in 2001.

Manchester Holdings, LLC, the sole owner of Adviser, is majority-owned by the following individuals: Steven M. Rull, Joseph D. Garea, and Clinton J. Lewis (the “Principals”).

Adviser offers the following services to its clients:

PORTFOLIO MANAGEMENT SERVICES FOR INDIVIDUAL INVESTORS

Wealth Management

Adviser provides financial advisory services to individuals, families, businesses, and nonprofit organizations, each with diverse investment goals and objectives. You (as the client) and your Detalus adviser collaborate throughout the investment process to work towards your financial goals. The following steps detail the typical advisory relationship process:

1. Consultation Meeting

At the beginning of the advisory relationship, your Detalus adviser holds consultation meetings to gather information needed to establish an investment strategy that best suits you, your family, and any related businesses. Topics discussed generally include your background, age, health, family situation, existing investments, financial expectations, legal, social and regulatory concerns, and your overall views on the world of investing. Your Detalus adviser walks you through the steps to ensure that you are comfortable and confident with your portfolio and investment choices throughout the process.

2. Creation of the Investment Policy Statement (IPS)

A summary of this information, as well as the proper allocation and distribution of your assets, is included in your Investment Policy Statement (“IPS”). Your IPS provides the foundation for making disciplined investment decisions. While long-term in nature, your IPS will be reviewed and modified as necessary.

3. Portfolio Implementation

Your Detalus adviser then creates a portfolio tailored to the guidelines set forth in your IPS. Adviser combines external research with internal evaluations to determine the appropriate selection of investments. Investments may include common and preferred stocks, fixed income securities (including government, municipal, mortgage-backed and corporate bonds), open- and closed-end mutual funds, exchange-traded funds (ETFs), money market funds, and alternative investments.

4. Portfolio Monitoring

Following the investment of assets, your Detalus adviser regularly monitors your portfolio for adherence to the objectives established in your IPS. Should a change in guidelines or investments be warranted, Adviser will discuss the possibility of amending your IPS or rebalancing your asset mix.

5. Portfolio Reporting

Advisory clients have access to electronic, customized portfolio summary reports on a quarterly basis. These reports can be accessed via a secure online portal or requested directly from Adviser. These reports include portfolio-specific details, including performance, holdings, asset allocation, and market value. Depending on a client's preferences, Detalus advisers are also available on a more frequent basis for portfolio and market updates.

Asset Allocation & Investment Strategies

Detalus' proprietary Asset Allocation & Investment Strategies include:

- Conservative Strategy
- Moderately Conservative Strategy
- Moderate Strategy
- Moderately Aggressive Strategy
- Aggressive Strategy

Each Strategy is an actively managed, globally diversified portfolio of 8 to 20 mutual funds and ETFs. Adviser begins with a strategic allocation to the major asset classes (cash, fixed income, U.S. equity, international equity, and real asset / alternative). Each Strategy is designed to capture capital gains and/or income in pursuit of a client's long-term investment goals. Clients may be required to complete one or more questionnaires to assist Adviser in determining the client's appropriate risk level. In managing the mutual fund portion of these strategies, Adviser will typically seek to use no-load and no transaction fee mutual funds available through the client's custodian/broker.

When selecting the particular class of mutual fund shares in which clients will invest, Adviser will consider the available facts, including investment time horizon, applicable eligibility requirements such as required minimum investment amounts, and overall fees to be paid by client in order to select an appropriate class of shares for clients.

Information About All Strategies

To ensure that a particular investment Strategy remains suitable for a client and continues to be managed in a manner consistent with the client's financial circumstances, Adviser will:

- send written requests, on a quarterly basis, to participating clients requesting updated information regarding changes in the client's financial situation and investment objectives;
- contact each participating client, at least annually, to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions; and
- ensure that a portfolio manager who is knowledgeable about the management of client's portfolio is reasonably available to consult with participating clients.

WRAP FEE PROGRAM

Adviser has partnered with Marstone, LLC ("Marstone"), an SEC-registered investment adviser, to provide online financial management of client accounts through a secured internet portal (the "Program"). The Program offers discretionary account management using various model portfolio strategies that invest primarily in exchange-traded funds. In managing Program accounts, Adviser receives the entire asset-based fee paid by the account and out of this fee pays (a) Marstone for its services and (b) all of the Program account's brokerage, transaction, and custodial expenses. In contrast, in providing the portfolio

management services described in this Brochure, the client (outside of the wrap fee program) is typically responsible for paying any brokerage, transaction, and custodial expenses.

For information about the Program, please see Adviser's Wrap Fee Program Brochure (Appendix 1 to Form ADV, Part 2A), which is available for free by contacting Adviser at 314-997-3191 or clewis@detalus.com.

SELECTION OF OTHER ADVISERS

Detalus may direct clients to third-party investment advisers. Before selecting other advisers for clients, Detalus will verify that all recommended advisers are properly licensed, notice filed, or exempt in the states where Detalus is recommending the adviser to clients. This relationship will be memorialized in each contract between Detalus and the third-party adviser, as well as with the client.

AMOUNT OF MANAGED ASSETS

As of June 01, 2021, Detalus has \$1,732,627,821 of combined assets under management (AUM) and assets under advisement. This total includes \$437,119,871 of client AUM that Detalus manages on a discretionary basis and \$218,097,300 of AUM managed on a non-discretionary basis.

Item 5. Fees and Compensation

Individual Investor Investment Advisory Services (Wealth Management Clients)

Portfolio Management Services. Adviser's annual fee for its portfolio management services is based upon a percentage of assets under management, according to the following schedule:

<u>Market Value of Portfolio</u>	<u>Annual Fee</u>
Up to \$499,999	1.25%
\$500,000 - \$1,999,999	1.00%
\$2,000,000 - \$3,999,999	0.75%
\$4,000,000 - \$6,999,999	0.65%
\$7,000,000 - \$9,999,999	0.50%
\$10,000,000 and above	0.45%

Adviser's fee is based on portfolio size. Adviser's fee includes investment advice, overall asset allocation, portfolio management, and reporting related to the portfolio. Mutual funds and ETFs in which the portfolio invests will charge fees and bear expenses as set forth in the respective prospectus. Executing brokers typically charge commissions to execute trades in a client's accounts.

Variable Annuities-Advisory Services. Adviser typically charges an annual asset-based fee of 0.50% to 1.00% for services with respect to variable annuities. Adviser's fee includes monitoring the variable annuity investment and recommending allocations to the client. Variable annuities are subject to various fees assessed by the insurance company and the managers of the underlying annuity subaccounts, which are in addition to Adviser's management fee. Under most circumstances, the terms of the client's variable annuity investment will not permit Adviser to deduct its advisory fee directly from the variable annuity account. In these cases, Adviser will arrange with the client to have Adviser's fee deducted from another client account or to have the client pay the fee directly to Adviser.

ERISA Plan Advisory Services

Adviser's fee for its advisory services provided to ERISA plans may be based upon a percentage of assets under management or may be a flat fee. ERISA plans may be billed in advance or in arrears, and fees may be charged directly to the participants or to the company itself. The range of fees is typically 25 – 75 basis points annually, and Adviser retains the discretion to negotiate fees on a plan-by-plan basis.

General Fee Information

Although Adviser has established the fee schedules above, Adviser retains the discretion to negotiate fees on a client-by-client basis. Client facts, circumstances, and needs are considered in determining the appropriate fees. These include, among other things, the complexity of the client assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and required reports. The annual fee schedule applicable to each client is identified in the Investment Advisory Agreement between Adviser and the client (the "Advisory Agreement").

For individual investor clients, Adviser's advisory fees are billed quarterly in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value) of the client's account at the end of the previous quarter. Any account contributions and/or withdrawals exceeding \$25,000 throughout the prior quarter will also be billed or reimbursed to the client's account. Fees will be debited from clients' accounts in accordance with their authorization in the Advisory

Agreement.

Termination of the Advisory Relationship. An Advisory Agreement may be canceled by either party, for any reason, upon written notice (generally with 30 days advanced notice). Please see your Advisory Agreement for any advanced notice requirements that may apply. Upon termination of any client's account, any prepaid, unearned fees will be promptly refunded by Adviser. When calculating a client's reimbursement, Adviser will prorate fees owed through the effective date of termination.

Fees of Other Investment Companies. All fees paid to Adviser for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, closed-end funds and ETFs in which a client's assets may be invested. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution (12b-1) fee. Certain mutual funds may also charge initial or deferred sales charges. Clients should review both the fees charged by the funds in which the client's assets are invested and Adviser's advisory fees to fully understand the total amount of fees paid in connection with the advisory services Adviser provides.

Brokerage, Transaction and other Additional Fees and Expenses. In addition to Adviser's advisory fees, clients are also responsible for the fees and expenses charged by custodians and securities transaction fees, IRA custodial fees, and ticket and/or transaction and clearing charges imposed by broker-dealers. Please see "Item 12. Brokerage Practices" for additional information.

The Funds are generally required to pay all expenses related to their organization, operation, and offering of interests. Please see each Fund's Governing Documents for additional information.

Item 6. Performance-Based Fees and Side-By-Side Management

Adviser does not charge performance-based fees.

Item 7. Types of Clients

Adviser typically provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Charitable, non-profit organizations
- Insurance companies
- Corporations or other businesses not listed above

There is no minimum account size requirement for traditional Wealth Management advisory services.

There is a \$5,000 minimum account size requirement for Detalus Digital clients, which Adviser may waive at its discretion (see "Wrap Fee Program" language previously referenced).

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

METHODS OF ANALYSIS

Adviser uses the following methods of analysis in formulating its investment advice and/or managing client assets:

Charting. In this type of technical analysis, Adviser reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

Fundamental Analysis. Adviser attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial

condition and management of the company itself) to determine if a company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis. Adviser analyzes past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Quantitative Analysis. Adviser uses mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis. Adviser subjectively evaluates non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement and predicts changes to share price based on that data. A risk in using qualitative analysis is that Adviser's subjective judgments may prove incorrect.

Asset Allocation. Rather than focusing primarily on securities selection, Adviser attempts to identify an appropriate ratio of securities, fixed income, and cash 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 securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Risks for All Forms of Analysis. Adviser's securities analysis methods rely on the assumption that the companies whose securities Adviser recommends, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. There is always a risk that Adviser's analysis may be compromised by inaccurate or misleading information. Investing in securities involves risk of loss that clients should be prepared to bear.

Fixed Income Analysis. In recommending fixed income securities to financial institution clients, Adviser typically considers the fixed income sectors represented in the Barclays Capital Aggregate Bond Index. Adviser may recommend securities in those areas of the bond market that Adviser believes to be relatively undervalued, based on quality, sector, coupon or maturity. Adviser seeks to identify fixed income sectors that it believes are favorable to clients and have favorable prospects for future performance, based on recent performance, monetary policy, investor sentiment, market momentum, business fundamentals, business cycles, and/or market cycles. Once Adviser identifies a sector that is outperforming or has the potential to outperform the market as a whole, Adviser seeks individual fixed income securities based on its review of the issuer's current and historical spreads to comparable Treasury securities, and fundamental analysis of issuer's future prospects.

Adviser may recommend non-investment grade fixed income securities, private placements, and private debt or other interests in regional and community banks.

Reliance on Third Party Ratings. Adviser's securities analysis methods rely on the assumption that the companies whose securities Adviser recommends, the rating agencies that review these securities, and other publicly-available sources of information about these securities are providing accurate and unbiased data. Adviser recognizes that these data may be incorrect, and that there is always a risk that Adviser's analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

Adviser may use the following strategies to manage client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. Adviser purchases securities with the view to hold them in a client's account for a year or longer. Typically, Adviser employs this strategy when:

- it believes the securities are currently undervalued, and/or
- it is seeking exposure to a particular asset class over time, regardless of the current projection for this class.

The risk of a long-term purchase strategy is that by holding the security for the long-term, Adviser may not take advantage of short-term gains that could be profitable to a client. Moreover, if Adviser's predictions are incorrect, a security may decline sharply in value before Adviser makes the decision to sell.

Short-term purchases. When utilizing this strategy, Adviser purchases securities with the view to sell them within a relatively short time (typically a year or less). Adviser employs this strategy to take advantage of conditions that it believes will soon result in a price swing in the securities Adviser purchases.

Option writing. Adviser's Strategies may involve the use of options. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the owner the right to buy a security at a certain price within a specific period of time. Adviser may buy a call if it believes that the stock will increase substantially before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. Adviser may buy a put if it believes that the price of the stock will fall before the option expires.

Adviser may use options to "hedge" the purchase of an underlying security in a client's portfolio by limiting the potential upside (and downside) of a security.

Adviser may seek to reduce the volatility of clients' portfolios by selling covered call options. Adviser's options strategy is commonly referred to as "hedging." When a client sells a covered call option, the purchaser of the option has the right to buy that stock at a predetermined price (exercise price) during the life of the option. If the purchaser exercises the option, the client must sell the stock to the purchaser at the exercise price. The option is "covered" because the client owns the stock at the time it sells the option. As the seller of the option, the client receives a premium from the purchaser of the call option, which may provide additional income to the client. The selling of covered call options may tend to reduce volatility of the client's portfolio because the premiums received from selling the options will reduce any losses on the underlying securities, but only by the amount of the premiums. However, selling the options will also limit the potential for gain on the underlying securities.

RISK OF LOSS

Investing in securities involves risk of loss that clients should be prepared to bear, including the risk that the entire amount invested may be lost. Based on certain of the specific securities that Adviser may recommend, below are some more specific risks of investing:

- **Equity Risk.** Equity securities tend to be more volatile than other investment choices. The value of

an individual security can be more volatile than the market as a whole. This volatility affects the value of the client's overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies.

- ***Investment Company Risk.*** Mutual funds, closed-end funds, and ETFs ("funds") invest in a broad range of equity and fixed income securities, including foreign securities and securities of issuers located in emerging markets. Funds may also invest in equity securities of any market capitalization including micro-, small-, and mid-cap companies, real estate, commodities-related assets, fixed income securities of any maturity or credit quality, including high-yield, high-risk debt securities, and may engage in leveraged or derivative transactions. An investment in a fund is subject to the same risks as the underlying securities held by the fund in addition to management risk. Adviser has no control over the investment strategies, policies or decisions of the underlying funds and, in the event of dissatisfaction with such a fund, Adviser's only option would be to liquidate clients' investments in that fund. Client accounts invested in funds will indirectly bear the fees and expenses payable by the fund, which may be duplicative. ETFs and closed-end funds are subject to additional risks, including the risk that the market price of the shares of the ETF or closed-end fund may be above or below the fund's net asset value.
- ***Foreign Securities Risk.*** Funds in which clients invest may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- ***Municipal Securities.*** Municipal securities carry different risks than those of corporate government and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer are domiciled.
- ***Alternative Investments in Private Funds.*** Hedge funds, as well as private equity, venture capital, private real estate, private debt and other private partnerships typically engage in highly speculative trading strategies. These private funds are illiquid, their assets may also be illiquid and their performance results can be extremely volatile. Alternative funds may rely substantially on fair valuation techniques, which are subjective, and there is no guarantee that the client would realize proceeds equal to fair value upon the sale of a security. Investments in alternative funds are illiquid, and the assets of the funds also may be illiquid. Private funds typically charge higher management fees and performance fees, and these funds also incur their own operating expenses, which may be substantial.
- ***Fixed Income Risks***

Credit Risk. The issuer of a fixed income security may not be able or willing to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation.

Change in Rating Risk. If a rating agency gives a debt security a lower rating, the value of the debt security will typically decline because investors will demand a higher rate of return.

Interest Rate Risk. As nominal interest rates rise, the value of fixed income securities held by a client is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate. Inflation-indexed securities, including Treasury Inflation-Protected Securities (“TIPS”), decline in value when real interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, inflation-indexed securities may experience greater losses than other fixed income securities with similar duration.

Duration Risk; Illiquidity. Prices of fixed income securities with longer effective maturities and durations are more sensitive to interest rate changes than those with shorter effective maturities and durations. Fixed income securities may be illiquid and the valuation of fixed income securities is subjective. It is possible that a client could lose its entire investment in such securities.

Prepayment and Extension Risk. As interest rates decline, the issuers of securities held by a client may prepay principal earlier than scheduled, forcing the client to reinvest in lower yielding securities. As interest rates increase, slower than expected principal payments may extend the average life of fixed income securities, locking in below-market interest rates and reducing the value of these securities. To the extent that a client invests in mortgage-backed securities, there is a greater risk that the client will lose money due to prepayment and extension risks associated with these securities.

Premium/Discount Risk. When a client buys a fixed-income security at a premium to its face value, it will be subject to the risk that the entire coupon (interest rate) may be paid out as a dividend. Over time the value of the client’s portfolio may decline, because the premium on the fixed income security declines as it approaches maturity (at maturity the market price of a fixed income equals its face value). The declining premium lowers the value of the security in the client’s portfolio. Thus the client may have attained a higher payout over the life of the fixed income, but at the expense of an erosion in the value of such security over time. Premium erosion is most frequent among government and investment-grade corporate bond funds.

Subordination Risk. Certain fixed-income securities are subordinated or may be subordinated in right of payment and rank junior to other securities issued by, or loans made by obligors. If an obligor experiences financial difficulty, holders of its more senior securities will be entitled to payments in prior to a client.

Lack of Public Information. There may be less readily available and reliable information about private debt than is the case for many other types of securities, including securities issued in transactions registered under the Securities Act of 1933, as amended or the Securities Exchange Act of 1934, as amended.

- **U.S. Government and Agency Securities.** Adviser may invest in U.S. Government securities. U.S. Government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. Government securities may be supported by the full faith and credit of the United States. If a U.S. Government agency or instrumentality defaults and the U.S. Government does not stand behind the obligation, the securities could decline in value. Securities of U.S. Government-sponsored entities, such as Freddie Mac or Fannie Mae, are neither issued nor guaranteed by the U.S. Government.
- **Mortgage- and Asset-Backed Securities Risk.** Mortgage-related securities include pass-through securities, collateralized mortgage obligations (“CMOs”), commercial mortgage-backed securities, mortgage dollar rolls, CMO residuals and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The value of some mortgage- or asset-backed securities may be particularly sensitive to changes in prevailing

interest rates. Early repayment of principal on some mortgage-related securities may expose a client to a lower rate of return upon reinvestment of principal. When interest rates rise, the value of a mortgage-related security generally will decline; however, when interest rates are declining, the value of mortgage-related securities with prepayment features may not increase as much as other fixed income securities. The value of these securities may fluctuate in response to the market's perception of the creditworthiness of the issuers. Asset-backed securities typically are supported by some form of credit enhancement, such as a letter of credit, surety bond, limited guaranty or senior subordination. The degree of credit enhancement varies, but generally amounts to only a fraction of the asset-backed security's par value until exhausted. If the credit enhancement is exhausted, certificate holders may experience losses or delays in payment if the required payments of principal and interest are not made to the trust with respect to the underlying loans. The value of these securities also may change because of changes in the market's perception of the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing the credit enhancement. In addition, these securities also may be subject to prepayments which may shorten the securities' weighted average life and may lower their returns.

- **Junk Bond Risk.** A client may be subject to greater levels of credit risk as a result of investing in high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds"). These securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce a client's ability to sell these securities (liquidity risk). If the issuer of a security is in default with respect to interest or principal payments, the client may lose its entire investment.

Item 9. Disciplinary Information

Adviser is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of Adviser's advisory business or the integrity of Adviser's management. The Adviser has no legal or disciplinary events to report.

Item 10. Other Financial Industry Activities and Affiliations

Adviser is under common control with the following entities:

Detalus Insurance Services, LLC. Management personnel and related persons of Adviser are separately licensed as insurance representatives of Detalus Insurance Services, LLC (Adviser's affiliate).

As such, Detalus Insurance Services and Adviser's personnel who are licensed insurance agents are eligible to receive commissions for the sale of insurance products, including those recommended to Adviser's clients. This presents certain conflicts of interest for Adviser and its personnel who are licensed to sell insurance products. Because Adviser's affiliate and certain of its personnel receive commission for the sale of insurance products, they have an incentive to recommend the purchase of insurance products that pay them commissions over other investments and insurance products that pay no (or lower) commissions. Adviser addresses this conflict by fully disclosing to clients that Adviser's personnel and/or Adviser's affiliate will receive a commission from the sale of insurance products. Commissions from insurance products are separate from investment advisory fees.

Clients may purchase insurance products recommended by Adviser, its personnel or Detalus Insurance Services through other agents that are not affiliated with Adviser. Other insurance agents and agencies may charge more or less for these insurance products and services. Clients are under no obligation to purchase insurance products through Detalus Insurance Services or Adviser's personnel in order to receive Adviser's advisory services. Adviser's advisory fees will not be reduced to offset the payment of insurance commissions paid to Detalus Insurance Services or Adviser's personnel.

Manchester Holdings, LLC. From time to time, Adviser's parent company provides consulting services to

banks, financial institutions, start-ups, and small companies related to issues such as regulatory matters, corporate governance, business planning, and risk management. Adviser may have clients who invest in these institutions. Adviser addresses these conflicts by disclosing the relationship to clients.

Potential Conflicts of Interest. Where appropriate, Adviser and its employees may recommend affiliated companies to provide services to advisory clients, and affiliated companies may recommend Adviser. Adviser's Principals and employees may be entitled to receive salaries, bonuses, referral fees, and equity distributions from Adviser and one or more of its affiliated companies. Clients should be aware that the receipt of additional compensation by Adviser and its Principals or employees creates a conflict of interest that may impair the objectivity of Adviser and these individuals when making advisory recommendations. Adviser strives to put the interest of its clients first as part of its fiduciary duty as a registered investment adviser and to provide disclosure of conflicts of interest where they exist.

From time to time, Adviser's employees may purchase securities for their own personal accounts and accounts of family members, which securities are also purchased on behalf of clients. Generally, Adviser's employee accounts may be invested in similar investment strategies as clients. In these instances, block trading is used, which means that orders are aggregated and securities are allocated among clients' and employees' accounts on a pro rata, average price per share basis.

Principals Serving as Directors of Banks and Bank Holding Companies. Steven Rull, Principal of Adviser, serves on the board of directors of Byline Bancorp, Inc., a publicly-traded bank holding company, and of Byline Bank, a commercial bank owned by Byline Bancorp, Inc. Joseph Garea, Principal of Adviser, is a director of Mackinac Financial Corporation, a publicly-traded bank holding company, and of mBank, a commercial bank owned by Mackinac Financial Corporation. Certain of Adviser's advisory clients have invested in Byline Bancorp, Inc. and/or Mackinac Financial Corporation.

In their roles as directors, Messrs. Rull and Garea may at times come into possession of material, non-public information about these banks and bank holding companies. To the extent required by applicable law, Adviser's ability to trade or to recommend transactions in securities of these bank holding companies on behalf of clients could potentially be limited by Messrs. Rull's or Garea's possession of such information. These limitations on Adviser's ability to trade or recommend trades could have an adverse effect on a client by, for example, preventing Adviser from selling or recommending the sale of the bank holding company's securities that are experiencing a material decline in value. In some instances, these limitations on Adviser's ability to trade or recommend trades in securities issued by these bank holding companies could continue in effect for a substantial period of time.

Outside Business Activities. From time to time, Adviser's Principals organize and/or invest in outside businesses. Advisory clients of Adviser or its affiliates also invest in certain of these businesses which include, but are not limited to, the following:

OA Finance, LLC ("OA Finance"). Adviser's affiliated company (affiliated by common ownership), OA Finance, provides loans to outdoor amusement companies. Adviser's Principals, as well as clients of Adviser or its affiliates, own equity interests of, and have provided subordinated debt financing to, OA Finance. In addition, advisory clients of Adviser and its affiliates may purchase loans originated by OA Finance, although no advisory fees would be charged on clients' assets invested in these loans.

Adviser will not charge an advisory fee on clients' assets invested in OA Finance loans and will not act as investment adviser or provide investment advice with respect to clients' assets invested in OA Finance or loans originated by OA Finance. Adviser, OA Finance and Manchester Holdings make no representations about the credit quality, appropriateness of the interest rate, or fair values of OA Finance loans. Clients must independently review and evaluate OA Finance loans using their own tax, legal and other professional advisers. Due to the receipt of fees by affiliated companies, Adviser has a conflict of interest in referring its advisory clients to OA Finance. Clients will be

asked to sign a separate loan purchase agreement and conflict acknowledgement in connection with any purchase of loans originated by OA Finance.

Real Estate and Other Assets. Adviser's Principals have formed several partnerships and limited liability companies to own and manage real estate, develop property, or own companies or private funds, in which certain clients of Adviser or its affiliates also invest.

Potential Conflicts of Interest. In making investment decisions with respect to these outside businesses, clients must rely upon independent investigations by their own tax, legal and other professional advisers and confirm that they are not relying on Adviser or its affiliates for investment advice. Adviser, its Principals and other affiliates of Adviser and their respective officers and employees will not act as investment adviser or serve as a fiduciary with respect to clients' investments in outside businesses. Adviser does not serve as investment adviser or provide investment advice to any outside business.

Prior to investing in an outside business with Adviser's Principals, clients should consider potential conflicts of interest. Adviser charges its advisory clients an investment advisory fee based upon a percentage of assets under management, although no advisory fees are charged on client assets invested in outside businesses. Adviser's Principals may act as manager or managing partner of an outside business and, in this capacity, may receive additional benefits with respect to a client's investment in the business due to their receipt of some or all of the following types of compensation: executive or management compensation, payment or reimbursement of expenses incurred on behalf of the business, and loan brokerage, referral servicing fees paid with respect to the outside business.

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

Adviser has adopted a Code of Ethics which sets forth ethical standards of business conduct that Adviser requires of its employees, including compliance with applicable federal securities laws. Adviser and its personnel owe a duty of loyalty, fairness and good faith toward clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to its guiding principles.

Adviser's Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by Adviser's access persons. The Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. It also contains oversight, enforcement and recordkeeping provisions.

Adviser's Code of Ethics includes Adviser's policy prohibiting the use of material non-public information. While Adviser does not believe that it has any particular access to non-public information, all employees are reminded that this information may not be used in a personal or professional capacity. A copy of Adviser's Code of Ethics is available to its advisory clients and prospective clients. You may request a copy by email sent to clewis@detalus.com or by calling Adviser at 314-997-3191.

Adviser's Code of Ethics is designed to assure that the personal securities transactions, activities and interests of Adviser's employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Adviser and/or individuals associated with Adviser may buy or sell for their personal accounts securities identical to or different from those recommended to clients. Such transactions may create a conflict of interest. When similar securities are being bought or sold, Adviser's employees will either transact clients' transactions before their own or will transact alongside clients' transactions in block or bunch trades. Adviser is not obligated to buy, sell or recommend to a client any security or other investment that Adviser may buy, sell or recommend for any other client or for our own accounts. In addition, related access persons

of Adviser may have an interest or position in certain securities which may also be recommended to a client. Adviser's affiliated companies may receive compensation for originating and servicing private loans offered to advisory clients. Please see Item 10. *Other Financial Industry Activities and Affiliations* above for a detailed explanation of these relationships and important conflict of interest disclosures.

Item 12. Brokerage Practices

Wealth Management

Recommendation of Custodian and Broker

For wealth management clients, Adviser recommends Pershing Advisor Solutions, LLC as broker-dealer and Pershing, LLC as custodian (together, "Pershing") to serve as qualified custodian for the clients' assets and to execute securities transactions. Adviser has chosen to establish a relationship with Pershing and to recommend Pershing to wealth management clients based on a number of factors, including:

- the quality of Pershing's transaction execution and asset custody services;
- Pershing's capability to execute, clear and settle trades;
- the breadth of investment products made available through Pershing;
- the availability of investment research/tools through Pershing that assist Adviser in making investment decisions for client accounts;
- the competitiveness of the price Pershing charges clients for its services;
- Pershing's reputation, financial strength, and stability;
- the access Pershing provides to certain mutual funds and mutual fund share classes that generally require higher initial minimum investments or are generally available only to institutional investors;
- Pershing's prior services to Adviser's clients; and
- the availability of other products and services from Pershing that benefit Adviser, as discussed below.

Adviser does not require wealth management clients to use Pershing, and clients are free to engage a different custodian or broker. However, Adviser may not be able to adequately provide services to or obtain best execution for a wealth management client through the client's preferred custodian. In addition, Adviser will generally not be able to "block" or "aggregate" purchase or sale transactions for clients that have not engaged Pershing. Clients engaging their preferred custodian may receive less favorable execution and pay higher transactional costs. In addition, clients are responsible for negotiating the commission rates with their preferred custodian.

Adviser may refuse to manage a client's account custodied at a different custodian or broker for various reasons, including if Adviser determines that it is unable to adequately or efficiently provide services to the client through that broker or custodian.

Clients who engage Pershing to provide custodial, brokerage, and other services will enter into appropriate agreements directly with Pershing, and Pershing will directly charge its own fees to the client.

Research and Other Soft Dollar Benefits

Advisor has access to research, products, or other services from its broker/dealer in connection with client securities transactions ("soft dollar benefits") consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended, and may consider these benefits in recommending brokers. There can be no assurance that any particular client will benefit from any particular soft dollar research or other benefits. The Advisor benefits by not having to produce or pay for the research, products or services, and the Advisor will have an incentive to recommend a broker dealer based on receiving research or services. Clients should be aware that the Advisor's acceptance of soft dollar benefits may result in higher commissions charged to the client.

Custody and Brokerage Costs

Pershing provides both custodial and brokerage services. Pershing generally does not charge a separate fee for custody services, but is instead compensated by charging commissions or other fees for executing trades. In addition, Pershing typically charges an additional fee to execute trades through a different broker but where the securities purchased or funds from the securities sold are deposited (settled) into the client's Pershing account. Each client will be provided with a copy of Pershing's fee schedule prior to or at the time of entering into an agreement with Pershing.

Products and Services Available to Adviser and Clients

Pershing provides Adviser with access to certain products and services that are intended to support Adviser in managing and servicing client accounts, as described more fully below. These services are available to Adviser at no charge to Adviser so long as a certain dollar value of Adviser-client assets is maintained with Pershing. None of the products or services described in this Item 12 are provided by Pershing in consideration of brokerage commissions directed to Pershing.

Services that Benefit Clients. Pershing's services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Pershing include some that clients may not otherwise have access to or that would require a higher minimum initial investment.

Services and Monetary Payments that Do Not Directly Benefit Clients. Pershing also makes available to Adviser other products and services that benefit Adviser but may not directly benefit clients or client accounts. These products and services are intended to support Adviser in managing and servicing client accounts.

Adviser's Interest in Pershing's Services and Benefits

The availability of these services and support from Pershing benefit Adviser because Adviser does not have to produce or purchase these services itself. Adviser is not required to pay Pershing for these services. However, Adviser's receipt of these services and benefits is contingent on a certain dollar value of Adviser-client assets being maintained with Pershing. Therefore, Adviser faces a conflict of interest because it has an incentive to recommend that clients maintain their accounts with Pershing based on Adviser's interest in continuing to receive Pershing's services and support that benefit Adviser's business rather based on the interests of clients in receiving the best value in custody services and the most favorable execution of transactions. Adviser believes, however, that its recommendation of Pershing to serve as custodian and broker for wealth management clients is in the best interests of wealth management clients. Adviser's belief is primarily supported and based on the scope, quality and price of Pershing's services (based on the factors discussed above), and not on the services and support that benefit only Adviser. Adviser's receipt of these services and benefits from Pershing is not contingent on Adviser directing a certain amount of brokerage commissions to Pershing.

Best Execution

For accounts custodied with Pershing, wealth management clients typically direct Adviser to have Pershing execute trades for the client's account. Given the general nature of the arrangements with Pershing—including (1) pre-negotiated brokerage costs; (2) operational methodologies that must be employed to trade accounts custodied with Pershing; and (3) additional trade-away or other charges for trades executed through a different broker-dealer—it is often infeasible or impracticable for Adviser to trade an account custodied with Pershing with a broker-dealer other than Pershing.

Block Trading

Adviser will block trades where practicable and when advantageous to clients. This blocking of trades permits the trading of aggregated blocks of securities on behalf of multiple client accounts, so long as

transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading may allow Adviser to execute equity trades in a timelier, more equitable manner, at an average share price. For example, Adviser may block trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Block trades remain subject to minimum commissions or ticket charges, which may be higher than the actual transaction cost. For a free copy of Adviser's block trading policy, please contact Adviser.

Item 13. Review of Accounts

Reviews. Client portfolios are monitored on a regular basis, typically quarterly. Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio as well as any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Client accounts are reviewed by Clinton Lewis, Adviser's Chief Compliance Officer; Betsy Ross, Vice President; and/or the client's Advisor(s).

Reports. In addition to the monthly statements and confirmations of transactions that clients receive from their custodian, Adviser provides quarterly reports summarizing account performance, balances and holdings. These reports will also remind the client to notify Adviser if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

Item 14. Client Referrals and Other Compensation

Adviser may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to Adviser. Whenever Adviser pays a referral fee, Adviser requires the Solicitor to provide the prospective client with a copy of Adviser's Brochure and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with Adviser;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the referral fee; and
- whether the fee paid to Adviser by the client will be increased above Adviser's normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to Adviser by clients referred by Solicitors are not increased as a result of any referral.

Item 15. Custody

Adviser does not have actual or constructive custody of client accounts, funds, or securities, except that Adviser may deduct advisory fees directly from clients' accounts with the clients' prior written consent. Each client receives periodic account statements directly from the client's custodian. Adviser urges clients to carefully review the information provided in these reports to ensure that all account transactions, holdings and advisory fees deducted are correct and current, and to compare them to any reports received from Adviser.

Item 16. Investment Discretion

Clients may hire Adviser to provide discretionary or non-discretionary asset management services.

For discretionary clients, the client grants Adviser authority to place all trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Adviser's discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell;
- determine the amount of the security to buy or sell; and/or
- determine the broker-dealer to be used for the purchase or sale of securities for a client's account.

Adviser's authority is typically set forth in the client's written advisory agreement with Adviser. If required by the client's custodian or broker, Adviser may also require the client to execute a limited power of attorney granting Adviser authority to execute transactions in the client's account. Clients may place limitations on Adviser's discretionary authority, which would be included in the written advisory agreement or other written agreement with Adviser.

For non-discretionary clients, the client must review and approve our investment recommendations prior to implementation. With the client's consent, Adviser directs the custodian or other executing broker chosen by the client to place approved trades in the client's accounts. To facilitate the execution of these trades, non-discretionary clients grant Adviser a limited power of attorney for trading purposes only over their custodial accounts.

Item 17. Voting Client Securities

Adviser currently does not vote proxies on behalf of clients. Clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Each client is responsible for instructing its custodian(s) to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Adviser may provide clients with consulting assistance regarding proxy issues upon request.

Item 18. Financial Information

Adviser does not require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, Adviser is not required to include a financial statement.

As an advisory firm that maintains discretionary authority for certain client accounts, Adviser is required to disclose any financial condition that is reasonable likely to impair Adviser's ability to meet its contractual obligations. Adviser has no adverse financial circumstances to report.

Item 19. Requirements for State-Registered Advisers

Because Adviser is registered with the SEC, this Item does not apply.