

**Item 1 – Cover Page**

# **PIONEER ADMINISTRATIVE SERVICES LTD**

**8 Hasadnaot St.  
Amzur House , 4th floor,  
Herzliya Pituach  
Israel 4610302  
Telephone: 972-9-9611300**

**Web site: [www.piowealth.com](http://www.piowealth.com)**

Date of Brochure: July 12, 2021

This Brochure provides information about the qualifications and business practices of Pioneer Administrative Services Ltd (hereinafter referred to as “PASL,” the “Firm,” or “we”). If you have any questions about the content of this Brochure, please contact the Firm’s Chief Compliance Officer at the number set forth above or email us at [pearlaa@piowealth.com](mailto:pearlaa@piowealth.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”), by any state securities authority, or by any other securities regulatory authority.

PASL is registered as an investment adviser with the SEC. The fact that PASL is “registered” does not imply any level of skill or training. You should not make a determination to hire or retain any adviser based solely on the fact that the adviser is registered.

Additional information about PASL is available on the SEC’s Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s Web site also provides information about any persons affiliated with PASL who are registered as investment adviser representatives of the Firm.

## **Item 2 – Material Changes**

This Item 2 summarizes only the material changes that were made since the Brochure issued on March 30, 2021. Since that date, the following material changes were made to the Brochure:

- We added Item 10F to describe our sub-advisory relationship with our affiliated company Pioneer Family Office LLC

You may obtain a copy of our current Brochure any time by contacting our Firm's Chief Compliance Officer at the telephone number listed on the cover page of this Brochure.

### Item 3 – Table of Contents

ITEM 1 – COVER PAGE .....	1
ITEM 2 – MATERIAL CHANGES .....	2
ITEM 4 – ADVISORY BUSINESS .....	4
A. <u>SERVICES</u> .....	4
B. <u>ASSETS UNDER MANAGEMENT</u> .....	5
ITEM 5 – FEES AND COMPENSATION .....	5
A. <u>FEES</u> .....	5
B. <u>OTHER FEES</u> .....	6
C. <u>TERMINATION OF SERVICE</u> .....	7
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	7
ITEM 7 – TYPES OF CLIENTS .....	7
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	7
A. <u>METHODS OF ANALYSIS</u> .....	7
B. <u>INVESTMENT STRATEGIES</u> .....	8
C. <u>RISKS</u> .....	9
1. <i>General Risks</i> .....	9
2. <i>Special Risks</i> .....	9
ITEM 9 – DISCIPLINARY INFORMATION .....	14
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	14
ITEM 11 – CODE OF ETHICS .....	15
ITEM 12 – BROKERAGE PRACTICES .....	16
A. <u>SELECTION OF BROKER/DEALER</u> .....	16
B. <u>ORDER AGGREGATION</u> .....	17
C. <u>TRADE ERROR POLICY</u> .....	17
ITEM 13 – REVIEW OF ACCOUNTS .....	18
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION .....	18
ITEM 15 – CUSTODY .....	19
ITEM 16 – INVESTMENT DISCRETION .....	19
ITEM 17 – VOTING CLIENT SECURITIES .....	19
ITEM 18 – FINANCIAL INFORMATION .....	20

## Item 4 – Advisory Business

### The Firm

Pioneer Administrative Services Limited (PASL) is a limited company established under the laws of Israel. It was established in June 1988 and is wholly owned by Pioneer International Limited, which in turn is wholly owned by the Indigo International Group Limited.

PASL is an independent multi-family office. Pioneer's Private Wealth Management team provides investment advisory services for a select niche of high net worth families around the world. The service offers clients an integrated approach to their financial well-being by addressing their needs holistically: we provide one point of contact to coordinate and integrate all family financial matters looking at the asset allocation as well as the role of estate and tax planning. We specialize in cross-platform portfolios, being able to collate information from multiple bank accounts and coordinate unified reporting for all investments.

### A. Services

PASL manages both discretionary and non-discretionary accounts. For each client relationship, these services include, but are not limited to, asset allocation analysis, portfolio monitoring, consolidated reporting, and selection of securities and fund managers. It is important to understand that the consolidated statements we prepare may contain information and data about accounts for which we do not provide investment management services or advise the client. Thus, no inference should be drawn that we serve as the adviser on all securities and assets listed on the consolidated financial summaries.

Managing accounts on a discretionary basis means that we manage securities accounts on behalf of clients without asking for the client's permission for each transaction. Once we meet with a client and determine their investment objectives and risk tolerances, among other factors, and have drafted an appropriate investment policy statement, PASL chooses the securities that we believe are suited for the client's portfolio and trade in the client's account on their behalf.

We also will manage accounts on a non-discretionary basis. In other words, we monitor and review an account and make securities recommendations to the client, but it is up to the client to decide whether to accept or reject our recommendations. If the client accepts our recommendations, we will place the trades with the custodian, who will settle those trades. In these cases, we can also monitor and report on these accounts to the client.

From time to time, PASL may recommend using a sub-advisor to provide certain portfolio management services for clients. Clients will choose a sub-advisor based on their preference and then PASL will manage the investment mandate provided by PASL to that

sub-advisor on behalf of the client. PASL is responsible for modifying the investment mandate if necessary and has the authority to terminate the investment mandate with sub-advisors. In the event that a new sub-advisor is selected to manage a portion of the client's assets, the client will be notified by PASL. PASL performs a due diligence review on each sub-advisor it selects. Where a sub-advisor is used, PASL remains responsible for determining suitability of the managed assets and for determining the investment strategies employed. PASL has the discretion to terminate the services of the sub-advisor with thirty days' advance notice in writing.

Clients are free to select the financial institutions that custody their assets. PASL will recommend custodians to clients upon request; however, the Firm does not receive any compensation from these financial institutions for recommendations made.

PASL blends its own portfolio management services with outsourced services in an effort to ensure that clients' interests are best served and that the clients are diversified across asset managers.

**Investment Instruments:** Generally, the Firm's investment advice is confined to the following universe of securities and products:

- Exchange listed securities
- Securities traded over-the-counter
- Securities issued by foreign issuers, including foreign sovereign debt instruments
- Corporate debt securities, including commercial paper
- U.S. government securities
- Municipal Securities
- Mutual funds (foreign and domestic)
- Exchange-traded funds
- Structured products, including principal-protected notes
- Private equity funds
- Hedge funds
- Non-registered real estate-related funds

#### **B. Assets Under Management**

As of December 31, 2020, we were managing \$4,522,855 of client assets on a discretionary basis.

### **Item 5 – Fees and Compensation**

#### **A. Fees**

PASL charges its clients an advisory fee for services provided. Each client has a written investment advisory agreement specifying the exact amount fees and the manner in

which they will be charged. The advisory fee is expressed as a percentage of assets under care by PASL.

The standard advisory fee is 1% per annum for discretionary and non-discretionary accounts.

Fees are based on the assets under the management of PASL for the particular account. Generally, fees will be calculated monthly based on the market value of all assets held within the client's account during each month: We calculate the AUM at the beginning and end of the month and then take an average of the AUM for the month. The fees are payable quarterly and in arrears.

Lower advisory fees may be negotiated on an individual account basis and PASL retains the discretion to negotiate alternative fees on a client-by-client basis. When determining a negotiated fee schedule, PASL will consider client circumstances, portfolio complexity, anticipated future additional assets, and related accounts. As a result, clients with similar assets may have differing fee schedules and pay different fees. All management fees may be amended by PASL upon thirty days' written notice to the client. The client may be charged a *pro rata* fee in the event the client's service is terminated on a day other than the last business day of the calendar quarter. In that event, the *pro rata* fee will be due and payable upon termination of the service.

The advisory fee will be deducted by PASL from an account identified by the client for fee deduction. We collect the fees from the amount of any contribution or transfer, from available cash in the client's account, or by liquidating the client's assets held in the client's designated account in an amount equal to the fees that are due.

LOWER FEE DISCLOSURE. Lower fees for comparable management, investment recommendation, consolidation, or concierge services may be available from other sources.

## **B. Other Fees**

In addition to the advisory fees charged by the Firm, clients are also responsible for any management fees and other fees and expenses charged by sub-advisors, custodians, funds (including the underlying fund's management and performance fees, if any) and imposed by brokers, dealers or banks relating to the client's account. Mutual funds and certain exchange-traded funds ("ETFs") pay management fees to their investment advisers, which reduce their respective assets. To the extent that the client's portfolio has investments in mutual funds or ETFs, the client may pay two levels of advisory fees for the management of their assets: one directly to the Firm, and the other indirectly to the managers of those mutual funds and ETFs held in their portfolios. Neither the Firm nor any of its personnel receive any portion of the other fees charged. Where a sub-advisor is selected, there can be levels of advisory fee on the same asset. One is paid to

PASL and the other to the sub-advisor. Value-added taxes may also be charged based on country of residence.

#### **C. Termination of Service**

A client may terminate the advisory services agreement with PASL for any reason upon thirty days' prior written notice to PASL.

PASL may terminate the advisory services agreement with a client upon thirty days' prior written notice to the client.

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

PASL does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

PASL offers its advisory services to individuals, high net worth individuals, trusts, estates, charitable organizations, or corporations or other business entities domiciled or residing in the United States or abroad.

When subscribing to the advisory services offered by PASL, generally, the minimum account value is US\$3,000,000. If the value of a client's account declines below the minimum during the advisory relationship, we reserve the right to require the client to deposit additional monies or securities to bring the account value up to the minimum amount. In some special cases, account minimums may be waived or negotiated.

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

#### **A. Methods of Analysis**

PASL believes in a "top down" Strategic Asset Allocation approach with a focus on risk management. The Firm's business model with its clients is designed to minimize conflicts of interest between the Firm and the investor.

PASL has an established Investment Advisory Committee that designs and reviews the Firm's overall asset allocation process and universe, which informs the initial portfolio design for all clients. Portfolios are then tailored to meet each client's unique circumstances.

When formulating investment advice, PASL may utilize any one or more of the following security analysis methods:

- Fundamental Analysis. Fundamental analysis is a method of attempting to measure a security's underlying value and potential for future growth (its intrinsic value) by examining economic, financial and other qualitative and quantitative factors directly related to the issuer/company as well as company-specific factors (like financial condition, management, and competition). The adviser compares the intrinsic value with the security's current price, with the aim of determining what position to take with the security (i.e., buy, sell or hold).
- Technical Analysis. Technical analysis is a method of evaluating securities by researching the demand and supply based on recent trading volume, price studies, as well as the buying and selling behavior of investors. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts or computer programs to identify and project price trends.

PASL may also utilize the services of third-party service providers or investment advisory firms in the formulation of asset allocation signals to the model portfolios.

PASL does not represent, warrant, or imply that any analysis method employed by the Firm can or will successfully identify market tops or bottoms. No analysis method has been proven to insulate clients from losses due to market fluctuations, corrections or declines.

## **B. Investment Strategies**

Investment strategies may include long-term and short-term purchases, short selling, frequent trading, buying on margin, and option writing, including covered options, uncovered options or spreading strategies. The particular strategies employed will depend upon the individual needs and risk tolerance of the client. A short description of each of these strategies follows:

- Buy and Hold. Generally, a long-term purchase is a purchase of a security or investment product with a view to holding the security or product for more than one year. Trade commissions are reduced by buying and selling less often and taxes are often reduced or deferred by holding positions longer. We typically will follow a buy and hold strategy when pursuing a global fixed income strategy, emerging markets investment strategy, or value investment strategy.
  - A global fixed income strategy involves participating in the broad global movement of fixed income markets through purchasing investment grade fixed-income securities that are listed or traded on recognized markets. The objective of this strategy is to generate current income and capital growth.



- An emerging markets strategy involves investing in stocks or bonds issued by companies and government entities in developing countries, such as in Latin America, Eastern Europe, Africa and Asia. Typically, there is a medium- to long-term holding period and there can be high volatility.
- A value investment strategy involves recommending securities that we believe are priced below their intrinsic values but are still fundamentally solid.
- Short-term purchases. A short-term purchase is a purchase of a security or investment product with the intent of possibly selling it within one year of its purchase.

The concept of asset allocation, or spreading investments among a number of asset classes (e.g., large cap stocks vs. small cap stocks; corporate bonds vs. government debt instruments), plays a prominent role in executing an investment strategy. Asset allocation seeks to achieve diversification of assets in order to reduce the risk associated with investing all or a significant portion of a client's portfolio in one asset class. We believe that risk reduction is a key element to long-term investment success.

## C. Risks

### 1. *General Risks*

Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment or investment strategy will either be suitable or profitable for a client's investment portfolio. Past performance is not indicative of future results. A client should not assume that the future performance of any specific investment, investment strategy, or product will be profitable or equal to past or current performance levels. PASL cannot assure that the investment objectives of any client will be realized.

### 2. *Special Risks*

While investing in any security involves risk, investing in some types of securities carries special risks. A summary of the special risks associated with some types of securities we may recommend is provided below. Please note that the following summaries are general in nature and do not include an explanation of all risks associated with a given security type.

- a. Bonds. Bonds are subject to credit risk, which is the risk of default associated with the issuer. Bonds are also subject to interest rate risk or the risk that changes in interest rates during the term of the bond might affect the market value of the bond prior to the call or maturity date. Investors should also consider inflation risk, which is the risk that the rate of the yield to call or maturity will not provide

a positive return over the rate of inflation for the period of the investment.

b. Foreign-Issued Securities. Debt and equity investments associated with foreign countries may involve increased volatility and risk due to, without limitation:

- Political Risk. Many foreign countries are undergoing, or have undergone in recent years, significant political change that has affected government policy, including changes in the regulation of industry, trade, financial markets, and foreign and domestic investment. The relative instability of these political systems leaves these countries more vulnerable to economic hardship, public unrest or popular dissatisfaction with reform, political or diplomatic changes, social instability, or changes in government policies. For investors, the results may include confiscatory taxation, exchange controls, compulsory reacquisition, nationalization or expropriation of foreign-owned assets without adequate compensation, or the restructuring of certain industry sectors in a way that could adversely affect investments in those sectors.
- Sovereign Risk. Strikes, the imposition of exchange controls, or declarations of war may prevent or impede repayment of funds due from a particular country.
- Economic Risk. The economies of these countries may be more vulnerable to rising interest rates and inflation. Investments may be negatively affected by rates of economic growth, corporate profits, domestic and international flows of funds, external and sovereign debt, dependence on international trade, and sensitivity to world commodity prices. Additionally, a change in tax regime may result in the sudden imposition of arbitrary or additional taxes.
- Currency Risk. The weakening of a country's currency relative to the U.S. dollar or to other benchmark currencies will negatively affect the dollar value of an instrument denominated in that currency.
- Credit Risk. Issuers and obligors of sovereign and corporate debt may be unable to make timely coupon or principal payments, thereby causing the underlying debt or loan to enter into default.
- Liquidity Risk. Natural disasters as well as economic, social, and political developments in a country may cause a decrease in the liquidity of investments related to that country, making it difficult to sell quickly, and/or subjecting the seller to substantial price discounts.

The nature and extent of these risks vary from country to country, among investment instruments, and over time.

- c. Emerging Market Securities. Investments and transactions in products linked to issuers and obligors incorporated, based, or principally engaged in business in emerging markets countries carry increased risk and volatility. In addition to the political, sovereign, economic, currency, credit, and liquidity risks described above, emerging market securities can be subject to the following risks:
- Market Risk. The financial markets can lack transparency, liquidity, efficiency.
  - Regulatory Risk. There may be less government supervision and regulation of business. The supervision that may be in place may be subject to manipulation or control. Disclosure and reporting requirements may be minimal or non-existent.
  - Legal Risk. The process of legal reform may not proceed at the same pace as market developments, which could result in uncertainty. Legislation to safeguard the rights of private ownership may not yet be in place.
  - Settlement and Clearing Risk. The registration, recordkeeping and transfer of instruments may be carried out manually, which may cause delays.
- d. Mutual Funds. Most mutual funds fall into one of three main categories — money market funds, bond funds (also called "fixed income" funds), and stock funds (also called "equity" funds). Generally, the higher the potential return, the higher the risk of loss. A fund's investment objective and its holdings are influential factors in determining risk. Past performance is not a reliable indicator of future performance. Reading the prospectus will help you to understand the risk associated with that particular fund.

Different mutual fund categories have inherently different risk characteristics. For example, a bond fund faces credit risk, interest rate risk, and prepayment risk. Bond values are inversely related to interest rates. If interest rates rise, bond values will go down and vice versa.

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons — such as the overall strength of the economy or demand for particular products or services. A sector stock fund (which invests in a single industry, such as telecommunications) is at risk that its price will decline due to developments in its industry. A stock fund that invests across many industries is more sheltered from this risk.

For most funds, investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. And, depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive.

- e. Exchange-traded Funds. Investing in an exchange traded fund (“ETF”) often involves the same risks as investing in the underlying securities the ETF is tracking. ETF prices may vary significantly from the Net Asset Value due to market conditions. Certain exchange traded funds, such as inverse funds, may not track underlying benchmarks as expected. We do not expect to invest in inverse ETFs. We do not usually invest in leveraged ETFs.
- f. Principal-protected Notes. The principal guarantee is subject to the credit-worthiness of the guarantor. In addition, principal protection levels can vary. While some products guarantee 100 percent return of principal, others guarantee as little as 10 percent. In most cases, the principal guarantee only applies to notes that are held to maturity. Issuers may (but are not obligated to) provide a secondary market for certain notes but, depending on demand, the notes may trade at significant discounts to their purchase price and might not return all of the guaranteed amount. Some principal-protected notes have complicated pay-out structures that can make it hard for an adviser to accurately assess their risk and potential for growth.
- g. Structured Products. “Structured Products” are broadly defined as investments whose cash flows and investment characteristics are derived and structured from the performance and cash flows of an underlying or reference pool of assets, which in turn could be bonds or loans or other forms of assets or contracts. There are many types of securities that fall within the “structured products” category. These products often involve a significant amount of risk as they are often based on derivatives. Structured products are intended to be “buy and hold” investments and are not liquid instruments.
- h. Private Equity Funds. Private Equity Funds may be affected by various forms of risk, including:
  - Long-term Investment. Unlike mutual funds, which generally invest in publicly-traded securities that are relatively liquid, private equity funds generally invest in large amounts of illiquid securities from private companies. Depending on the strategy used, private real estate funds will have illiquid underlying investments that may not be easily sold and investors may have to wait for improvements or development before redemptions are permitted. Given the illiquid nature of the underlying purchases made by private equity and private real estate managers, private equity and private real estate funds are considered long-term investments. Private equity funds are generally set up as ten- to fifteen-year investments with little or no provision for investor redemptions. Private real estate funds are generally seven- to ten-year investments and also have limited provisions for redemptions. With long-term investments, you should consider your financial ability to bear large fluctuations in value and hold these investments over a number of years.

- *Difficult Valuation Assessment.* The portfolio holdings in private equity and private real estate funds may be difficult to value, because they are not usually quoted or traded on any financial market or exchange. Consequently, no easily available market prices for most of a fund's holdings are available. Additionally, it may be hard to quantify the impact a manager has had on the underlying investments until those investments are sold.
- *Lack of Liquidity.* Private equity and private real estate funds are not "liquid" (they cannot be sold or exchanged for cash quickly or easily), and the interests are typically non-transferable without the consent of a fund's managing member. As a result, private equity and private real estate funds are generally only suitable for sophisticated investors who have carefully considered their financial ability to hold these investments for the long term.
- *Capital Call Default Consequences.* Answering capital calls to provide managers with the pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a timely manner could result in significant adverse consequences, including, without limitation, the forfeiture of the defaulting investor's interest in the fund.
- *Leverage.* Private equity and private real estate funds may use leverage in connection with certain investments or participate in investments with highly leveraged capital structures. Although the use of leverage may enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and may increase the exposure of such investments to risks such as rising interest rates, downturns in the economy, or deterioration in the condition of the underlying assets.
- *Lack of Transparency.* Private equity and private real estate funds are not required to provide investors with information about their underlying holdings or provide periodic pricing and valuation information. This lack of information may make it more difficult for investors to evaluate the risks associated with the funds.
- *Manager Risk.* Private equity and private real estate fund managers have absolute investment authority over their funds. The fund's investment returns are due, in large part, to the managers' skill and expertise. If a key manager departs, the returns of the fund may be adversely affected.
- *Regulation.* Private equity and private real estate funds are subject to fewer regulatory requirements than mutual funds and other registered investment company products and thus may offer fewer legal protections than you would have if you invested in more traditional investments.

- i. Hedge Funds. Hedge funds often engage in leveraging and other speculative investment practices that may increase the risk of investment loss. A hedge fund's performance can be volatile. An investor could lose all or a substantial portion of his or her investment. There may be no secondary market for the investor's interest in the fund. The hedge fund can be highly illiquid and there may be restrictions on transferring interests in the fund. Hedge funds are not required to provide periodic pricing or valuation information to investors. Hedge funds may have complex tax structures. There may be delays in distributing important tax information. Hedge funds are not subject to the same regulatory requirements as mutual funds. Hedge funds often charge high fees. The fund's high fees and expenses may offset the fund's trading profits.

Additional risks are described in the appendices to the advisory agreement. Prior to entering into an investment advisory agreement with PASL, a client should carefully consider: (i) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis; (ii) that volatility from investing in the market can occur; and (iii) that, over time, the value of the client's portfolio may fluctuate and may, at any time, be worth more or less than the amount originally invested.

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding certain legal or disciplinary events related to the adviser or the adviser's management. Neither PASL nor any of its management personnel has been subject to any such legal or disciplinary events.

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

- A. The Firm is neither registered nor has an application pending to register as a securities broker/dealer.
- B. Neither the Firm nor any management person of the Firm is registered or has an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of the foregoing entities.
- C. If we refer a client to our subsidiary company, Pioneer Family Office, LLC, which is also a registered investment adviser, Pioneer Family Office may pay us a referral fee based on the assets under management for the referred account. In the event that we receive a referral fee, the amount and nature of the referral fee will be communicated in writing to the referred client at the time of the referral.
- D. We do not recommend or select other investment advisers for our clients.

- E. We have a service agreement with Group Company, Pioneer Family Office LLC ("PFO"), which is a US registered investment advisor. Under this agreement, PASL provides PFO with services including investment analysis, strategies, marketing and software system maintenance in exchange for a percentage of advisory fees they receive for various accounts. In regard to some accounts, PASL relays investment instructions, as directed by PFO, to the clients' custodian and in exchange PFO remits a percentage of the fees collected for those particular accounts.
- F. We also have a sub-advisory agreement with our affiliate, Pioneer Family Office LLC ("PFO"), which is a US registered investment advisor, whereby PFO provides us, on an ongoing basis, with non-binding investment recommendations. The subset of client accounts for which we receive investment recommendations from PFO consists solely of clients who have accounts at Swiss institutions. Recommendations must be based upon the investment guidelines and restrictions that we communicate to PFO for said accounts. We require PFO to protect the nonpublic client information that we share from unauthorized disclosure or use.

We provide continuous and regular supervisory services for these accounts and, upon acceptance of the recommendation, arrange for the transactions in the accounts. We remain fully responsible for the accounts from a legal and contractual perspective. Although we determine whether to implement the investment recommendations communicated to us by PFO, we give great weight to the recommendations by PFO.

For the sub-advisory services, we pay PFO a significant portion of the fees we collect from the accounts for which PFO provides recommendations. We do not charge our clients any additional fees for the affiliate's services. Due to the common ownership of PASL and PFO and the fact that we have at least one investment professional associated with both entities, there is an inherent economic interest in utilizing PFO as a sub-adviser as opposed to an unaffiliated entity. We do not have sub-advisory arrangements with any other person or entity.

## **Item 11 – Code of Ethics**

U.S. securities regulations require that advisory firms provide their clients with a general description of the advisory firm's Code of Ethics. We have adopted a Code of Ethics that sets forth the governing ethical standards and principles of the Firm. It also describes PASL's policies regarding the following: the protection of confidential information, including the client's nonpublic personal information; the review of the personal securities accounts of certain personnel of the Firm for evidence of manipulative trading, trading ahead of clients, and insider

trading; trading restrictions; training of personnel; and, recordkeeping. All supervised persons at PASL must acknowledge the terms of the Code of Ethics upon hire and as amended.

Subject to satisfying the Firm's policies and applicable laws, Firm personnel may trade for their own accounts in securities that are recommended to and/or purchased for Firm's clients. The Code of Ethics is designed to permit personnel to invest for their own accounts while assuring that their personal transaction activity does not interfere with making decisions in the best interest of advisory clients or implementing those decisions. Neither the Firm nor any associated person of the Firm who (a) has access to nonpublic information regarding clients' securities transactions, (b) is involved in making securities recommendations to clients, or (c) has access to securities recommendations that are not public (collectively, the "Access Persons") is permitted to trade in or engage in a securities transaction to his or her advantage over that of a client. Access Persons are prohibited from buying or selling securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public upon reasonable inquiry. Access Persons may not execute transactions in their personal accounts ahead of a client's transaction in the same security unless certain circumstances exist. Because the Code of Ethics in some circumstances permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored by the Firm's Chief Compliance Officer in an effort to prevent conflicts of interest between PASL and its clients.

Our clients or prospective clients may obtain a copy of the Firm's Code of Ethics by contacting the Chief Compliance Officer at the address or telephone number specified on the cover page and requesting a copy.

## **Item 12 – Brokerage Practices**

### **A. Selection of Broker/Dealer**

When a client retains PASL to manage his/her account on a discretionary basis, the client usually determines which custodian his assets will be placed with. That custodian will select one or more broker/dealers for execution. In the event that a client requests PASL to select the broker/dealer, the client will grant PASL the authority to select the broker/dealer(s) that will be used to place and execute the transactions in the advisory accounts. It is the policy and practice of PASL to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In selecting a broker, dealer or other intermediary, PASL will consider such factors that in good faith and judgment it deems reasonable under the circumstances.

1. General Selection Factors. Factors that PASL evaluates when selecting the broker/dealer or other financial intermediary follow:
  - Expertise in the markets and types of securities desired.



- Ability to execute in the desired markets.
  - Costs, including commission rates, ticket charges, and other service charges.
  - Speed, efficiency, and accuracy of executions.
  - Whether clearance and settlement is generally efficient and accurate.
  - Whether the customer service team is responsive.
  - Whether there is a commitment to technology and the security of confidential information.
  - Whether there is any indication that the institution would be unable to fulfill its financial responsibilities or is at risk for financial insolvency.
2. “Soft Dollar” Considerations. A “soft dollar” arrangement occurs when a firm directs its brokerage to a particular broker/dealer that charges brokerage commissions that are higher than they would be for an “execution only” trading relationship in exchange for products or services, such as research. PASL does not participate in any such arrangement. PASL uses research provided by different ETF and fund companies and other providers; however, there is no additional cost to the client for this.

Clients may pay commissions higher than those obtainable from other brokers for the same services rendered by the broker/dealer selected or recommended to the client by the Firm.

In observance of its fiduciary duty, the Firm will, at least annually, conduct a survey to determine whether the Firm is meeting its duty of best execution.

#### **B. Order Aggregation**

The Firm does not aggregate orders.

#### **C. Trade Error Policy**

From time to time, errors may occur in the trading process, including (1) overbuying or overselling of securities, into or out of an account, caused by clerical errors made by our personnel, or (2) buying or selling of securities, into or out of an account, which is in violation of a client's stated investment guidelines that had been previously communicated to PASL in writing.

In all cases of a trade error caused by us, it is our policy to endeavor to resolve the error in the best interest of the client and adjust the trade as needed in order to put the client account in such a position as if the error had not occurred. In the event of a gain resulting from a trade error where such gain is not credited to the client's account by the broker/dealer, we will reduce the amount of advisory fees in the following quarter by the same amount of the gain. Where a trade error results in a gain and the client is unable or restricted from receiving that gain for any reason, we will donate the gain to charity.

### **Item 13 – Review of Accounts**

Client portfolios are reviewed on an ongoing basis by the wealth advisor representative and the portfolio manager assigned that that account. Also, reviews will be conducted upon a client's specific request or upon the occurrence of any agreed-upon triggering events (such as upon a 10 percent decline in the portfolio's value). For discretionary accounts, the allocation of each portfolio is adjusted at the Investment Committee's discretion or at the discretion of the PASL advisor representative in accordance with the client's investment objectives, risk tolerance, and financial needs.

The executing broker/dealers and/or custodians who maintain the client accounts will notify the client of any account activity by delivering a confirmation of the transaction to the client. The executing broker/dealer(s) or the custodian(s) will also furnish the client with a monthly or quarterly account activity and position statement. PASL may provide performance or other reports regarding the client's account(s) on a periodic basis.

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

#### **A. Economic Benefits**

Neither PASL, nor any of its employees, receives any economic benefit, sales awards or other prizes from any outside parties for providing investment advice to our clients. However, certain persons who provide investment advice on behalf of the Firm direct the Firm, through an agreement, to pay any compensation due him to one or more entities the person owns. Certain other persons who provide services to the Firm will likewise, through an agreement with the Firm, direct the Firm to pay compensation due them to another entity that employs the person rather than paying the person directly. We do not monitor the use of the payments made to entities designated by our employees or independent contractors. We do not believe that any material conflict of interest arises as a result of these payment arrangements. These entities are not affiliates of the Firm and we do not enter into any joint marketing arrangements with these entities.

#### **B. Referral Fees**

At this time, we do not pay referral fees to non-affiliated persons or entities for the referral or introduction of advisory clients to the Firm. We do pay referral fees to affiliated entities that introduce advisory accounts to us. The referral fee is based on the assets under management for the account(s) referred and is paid during the life of the advisory account. There is no differential in the fees charged to the client by us attributable to the arrangement between the referring party and us. In other words, we will not charge a client who is referred by another party any fees other than the fees typically charged to other clients for the same services. In all such cases where a referral fee is paid, the client will receive a document identifying the referring party and describing the fee arrangement..

### **Item 15 – Custody**

PASL does not obtain custody of client's monies or securities. Clients should receive, on at least a quarterly basis, statements from the broker/dealer, bank or other qualified custodian that holds and maintains the client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

PASL generally receives discretionary (or non-discretionary) investment authority from the client at the outset of the relationship. When a client elects PASL's discretionary management services, the client will sign an agreement that provides PASL with the discretionary authority. PASL is then authorized to select the securities and the quantities or amounts of securities to be purchased, leveraged, transferred, exchanged, traded and sold consistent with the selected investment mandate and portfolio objectives or, as applicable, the stated investment objectives, risk profile, and investment restrictions adopted by the client. PASL's discretionary authority is limited by (a) any reasonable restrictions that the client places on the management of the account, and (b) the investing parameters set forth by PASL and the client, if any. If PASL deems a proposed restriction unreasonable, PASL may discontinue the advisory service. Reasonability is based on whether the restriction(s) will impose a significant time burden on PASL to comply with such restrictions. PASL also reserves the right not to accept and/or terminate management of a client's account if it feels that the client-imposed restrictions would limit or prevent it from meeting and/or maintaining its overall investment strategy.

As described above, PASL also obtains the authority to designate the broker/dealers or other financial intermediaries through whom transactions in the accounts will be executed, cleared or settled (see Item 12 above).

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

PASL does not vote proxies on behalf of its clients. Therefore, although PASL may provide investment advisory services with regards to client assets, it is the client that retains the exclusive responsibility for the receipt of all the proxy voting materials from the broker or custodian. Clients are responsible for: a) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and b) making all the elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or any other events that may pertain to the client's assets.

In very limited circumstances, if the issue is deemed critical, PASL may contact clients and suggest a particular vote.

## **Item 18 – Financial Information**

We are required in this Item to provide you with certain information or disclosures regarding our financial condition. Following is the information responsive to this Item:

- The Firm does not require prepayment of more than \$500 in fees six months or more in advance.
- There are no financial conditions or commitments that are likely to impair the Firm's ability to meet any contractual or fiduciary commitment to our clients.
- The Firm has not been the subject of a bankruptcy petition.