



**Disclosure Brochure  
(Part 2A of Form ADV)  
Optima Asset Management, Inc.  
8144 Walnut Hill Lane  
Suite 1180  
Dallas, Texas 75231**

**P: 972-726-0400**

**F: 972-726-9667**

**[info@optimaassetmgt.com](mailto:info@optimaassetmgt.com)**

**[www.optimaassetmgt.com](http://www.optimaassetmgt.com)**

This brochure provides information about the qualifications and business practices of Optima Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at: 972-726-0400, or by email at: [info@optimaassetmgt.com](mailto:info@optimaassetmgt.com). **The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.**

Additional information about Optima Asset Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 9, 2021**

# Material Changes

## Annual Update

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The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

## Item 2: Summary of Material Changes since the Last Annual Update

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Since the Firm's last annual filing, dated March 2, 2020, there have been no material changes.

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

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##### ***Firm Description***

Optima Asset Management, Inc. ("Optima" or "the Applicant"), was founded in 1995 with registration granted by the U.S. Securities and Exchange Commission on July 12, 1996. In granting registration, the U.S. Securities and Exchange Commission has not verified or approved the information contained herein.

Optima operates as a non-discretionary, fee only, master investment advisory, and consultancy service.

The term "master investment adviser" or "master investment advisory" is used to describe the "primary" client advisory relationship when one or more sub advisers are engaged, as a result of recommendations by the master investment adviser, to manage specific investment style objectives or asset classes within the framework of a client's overall portfolio.

The firm manages clients' portfolios on an individualized basis. Clients may impose restrictions or requirements to exclude or hold specific securities. The firm does not sponsor any wrap programs. As of December 31, 2020, the firm managed assets on a non-discretionary fee only basis totaling \$490,125,863 in 209 individual accounts.

##### **Investment Advisory Services**

Optima will undertake a detailed survey of each prospective investor's investment objectives including return expectation, risk tolerance, and investment horizon. The information will be used in drafting an Investment Policy setting forth the prospective investor's objectives.

The information provided in the Investment Policy will be used as the basis for the construction of a "mean efficient", statistically optimal portfolio from among the available asset classes suitable for the investor. Portfolios constructed in this manner will be designed to target the investor's expected return and risk tolerances over the specified investment horizon.

Optima employs advanced software products and proprietary models to interact with the prospective investor. These tools help facilitate an instructive process targeting the needs of the prospective investor while allowing them to view the proposed portfolio's behavioral characteristics based on their investment objectives.

Once an appropriate asset class mix has been determined and the investor has made a decision to engage the investment services of Optima, Optima will undertake the assembly and construction of a portfolio consisting of individual asset classes that most closely approximate the "allocation decision". The securities utilized and the allocation employed will be largely dependent on the client's investment objectives and the amount of the funds available for investment. A typical client's portfolio may include mutual funds, exchange traded funds (ETFs), sub advisory relationships and, in some cases, securities as may be directed by the client. Investment securities recommended for inclusion in the portfolio mix will be those which provide the highest unit of return per unit of risk assumed by the investor, and that which most closely approximates the statistical characteristics of the asset mix the client has determined appropriate.

To determine which investment securities might qualify for inclusion, Optima does extensive quantitative analysis, research, testing, and evaluations of risk and returns. Optima relies on advanced mathematical techniques such as linear regression, mean variance optimization, factor and style analysis, and performance attribution pioneered by Nobel Laureates in Economic Sciences William Sharpe, Harry Markowitz, and Eugene Fama for the identification of appropriate securities for investment. This approach is referred to as Modern Finance or Modern Portfolio Theory. The Theory holds that a portfolio diversified across multiple asset classes offers the best opportunity for an investor to achieve the highest possible return for a given level of risk.

Optima employs a low turnover, tax efficient investment strategy based on the assumption market timing has not proven successful for most investors.

As a fee-only investment advisory firm, the firm does not sell or offer annuities, insurance, stocks, bonds, mutual funds, exchange traded funds (ETFs), limited partnerships, or other investment products which might result in monetary and non-monetary compensation payable to the firm, its employees or officers.

Once the funds and/or managers to be utilized have been identified, Optima oversees all aspects of the engagement process and the investing relationship, assisting with implementation where sub advisers are involved, negotiating commissions and fees where appropriate, and in arranging custodial relationships as necessary.

Optima provides ongoing due diligence and performance evaluations on all investments on behalf of the client. Performance is compared to the asset class benchmark it is intended to represent in the model portfolio representing the client's targeted asset mix. Recommendations for changes are made when the performance of the fund and/or sub adviser varies statistically with the asset class benchmark. The determination of a significant statistical variance triggering a recommendation for liquidation or replacement of a fund, or the termination of a sub adviser relationship is determined by the Investment Committee and may vary from one asset class to the next. In addition, Optima provides rebalancing recommendations to ensure the portfolio performs as expected.

Clients are provided detailed performance reports following the close of each calendar quarter comparing their individual total portfolio's returns to a range of asset class benchmarks.

#### Financial Planning Services

The Adviser offers limited financial planning services, as an additional service to our clients. Any financial planning services provided to investment management service clients will be included in this advisory fee. The type of planning and level of detail varies depending on the client's objectives. In general, the financial plan may address any or all of the following areas of concern:

- Personal: Review family records, budgeting and debt management, personal liability, estate planning and financial goals.
- Tax and Cash Flow: Analyze the client's income tax and spending and planning for past, current and future years. The impact of various investments on the client's current income tax and future tax liability may be illustrated.
- Investments: Analyze investment alternatives and their effect on a client's portfolio.
- Death and Disability: Review the cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.

- College Planning: Review of escalating college costs and analysis of alternative strategies to best help the client accomplish his plans for college funding.
- Retirement: Analysis of current strategies and investment plans to help the client achieve his retirement goals.

Adviser gathers required information through in-depth personal interviews. Information gathered includes client's current financial status, future goals and attitudes towards risk. Adviser is not required to verify any information received from the client or the client's other professionals. It is the responsibility of the client to promptly notify the Adviser if there is ever any change in their financial situation or investment objectives. Adviser will rely on this information when preparing a written report for the client. Implementation of the plan recommendations is entirely at the client's discretion.

Clients are encouraged to engage other professionals such as attorneys, accountants, insurance agents, and others in their area specialization as appropriate to assist them.

### ***Principal Owners***

Paul Lightfoot and Archie Ponce are the principal owners. Paul Lightfoot is President and Chief Executive Officer of the firm and Archie Ponce is Executive Vice President and Chief Compliance Officer. The firm is not publicly owned or traded. There are no indirect owners or intermediaries who have any ownership interest in the firm.

### **Item 5: Advisory Services and Fees**

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#### ***Applicant's Basic Fee Schedule When Compensation Is Payable***

Optima provides investment supervisory services for a fee. It is estimated that 100% of advisory revenues will be attributable solely to investment advisory services provided.

The fees for Optima's investment management services will be expressed as a fractional percentage of assets based on the average daily balance during the previous calendar quarter and billed quarterly between the 1<sup>st</sup> and the 25<sup>th</sup> of the month following the end of each calendar quarter. All management fees are billed pro rata, in arrears for the period covered. Clients may terminate Optima's management at any time by delivering five-day written notice to our principal business address. Clients terminating mid-quarter are billed pro rata, in arrears for the period covered during the quarter. Any financial planning services provided to investment management service clients will be included in this advisory fee.

<b>Portfolio Size</b>	<b>Fee Rate (Annualized)</b>
Under \$3 million	.75% (75 basis points)
\$3 million - \$10 million	.65% (65 basis points)
Over \$10 million	.50% (50 basis points)

Some clients may pay a negotiated fee that is different than the scheduled fee structure. Optima may from time to time enter into fixed fee asset management agreements when acting as a consultancy.

### ***Fee Billing***

Optima sends all clients with fees due a fee billing statement within 25 days following the close of the calendar quarter. The statement reflects the amounts and methods used for fee calculations. Clients can either sign the billing statement or verbally authorize the fees to be debited from their accounts. If approval is not received within 60 days following the distribution of the initial billing statement and in accordance with Optima's Asset Management Agreement (section 9), management fees will be debited from their accounts. At the client's request, and as an added convenience, client may opt to sign a standing letter of authority in lieu authorizing fees each quarter. Clients electing to do so will receive the same fee billing statement but are not requested to sign. As an alternative to debiting the accounts, clients may submit checks for the management fees.

In addition to asset management fees charged by and paid to Optima in accordance with the schedule indicated, clients shall pay a separate, second, additional asset management fee to each mutual fund, exchange traded funds (ETFs), limited partnership, investment trust, limited liability corporation and sub adviser relationship recommended by Optima. The amount of these fees will vary from each organizational entity, asset class and sub advisor, based on the size of the funds to be managed and other factors. These amounts shall be fully disclosed in the prospectus, offering circular, offering memorandum, ADV or other similar type disclosure document appropriate for each organizational entity.

The fees charged by mutual funds, exchange traded funds (ETFs), limited partnerships, investment trusts, limited liability corporations, and sub advisers may, in some cases, be higher or lower than fees charged by similar entities investing in similar securities.

Net fees paid by clients will vary depending on the asset classes used for the construction of his or her portfolio, the nature, and number of mutual funds, exchange traded funds (ETFs), limited partnerships, investment trusts, limited liability corporations and sub advisers engaged and the amount of funds available for investment in each.

No fees charged by Optima or any sub advisor will be performance based on capital gains or capital appreciation of assets managed.

No fees paid by clients or billed by Optima will be for services in advance.

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

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None. This item is not applicable.

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

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Individuals, high net worth individuals (qualified investors), pension plans, profit sharing plans, trusts, estates, charitable organizations, corporations, and other similar type business entities.

Optima has a minimum aggregate account size of \$1,000,000 but may waive this requirement at its sole discretion.

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

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### ***Applicant's Security Analysis Methods***

The applicant relies heavily on a body of research referred to as "modern portfolio" finance. It holds that as much as 91% of a well-diversified portfolio's return may be attributed to the underlying asset classes in which it was invested. The applicant places primary emphasis on a top down, asset class approach to portfolio construction. This method involves seeking out investment advisers, mutual funds, and exchange traded funds (ETFs) whose management styles most closely approximate those of the targeted asset class. To accomplish this, the applicant employs sophisticated, statistical screening techniques. The performance of each candidate for investment is closely examined and compared statistically to the asset class it is intended to represent in the portfolio. The purpose is to identify those managers and funds that offer the best statistical fit to the asset class being considered and which "attribute" the best individual security selection relative to the asset class in which they are invested. Once the managers and/or funds have been identified, additional due diligence of the fund and manager is conducted by Optima.

We also may employ the use of sub advisers ("third-party money managers"). Third-party money manager analysis involves the examination of the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

### ***Investment Strategies***

Each investment product (mutual fund, exchange traded funds (ETFs), sub adviser, or portfolio of individual securities under Optima's direction) is combined in a mix appropriate for the investor's objectives including expected return, risk tolerance, and investment horizon. The individual's portfolio components and composite returns are monitored and statistically compared to that of the "bogie" or benchmark that it is intended to represent in the portfolio. The asset mix is rebalanced when appropriate. Note: Applicant does not endorse or recommend the use of margin debt or leveraging in managed investment portfolios. It does acknowledge margin may provide a ready, cost effective source of funds to meet client's short-term borrowing needs from time to time.

### ***Types of Risk and Loss***

Investing in securities carries with it a risk of loss which clients must be prepared to bear. Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.



Market Risk: Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

Strategy Risk: The Adviser's investment strategies and/or investment techniques may not work as intended.

Small and Medium Cap Company Risk: Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

Turnover Risk: At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

Limited Markets: Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable or find buyers at any price.

Concentration Risk: Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

Interest Rate Risk: Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

Legal or Legislative Risk: Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

Inflation: Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

### ***Risks Associated with Securities***

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

Common stocks may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring, could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

Bank Obligations including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

Investment Company Risk. When a client invests in open end mutual funds or exchange traded funds (ETFs), the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). Exchange traded funds (ETFs) are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which clients invest.

#### **Item 9: Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Optima Asset Management, Inc., or the integrity of our management. We have no information applicable to this Item.

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

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Employees and management persons of Optima Asset Management, Inc., do not participate in other financial industry activities and are not affiliated with other financial firms.

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

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Applicant is in full compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. Furthermore, Optima monitors the personal securities transactions of all access persons. In addition, Optima hereby discloses that it has adopted a written Code of Ethics in compliance with SEC Rule 204A-1. The Chief Compliance Officer of the firm carries out all compliance related mandates as set forth by the Code of Ethics. A copy of the Code of Ethics is available upon request by all clients and prospective clients.

Optima or individuals associated with Optima may buy and sell securities identical to those recommended to customers for their personal accounts.

It is the expressed policy of Optima that no person employed by Optima may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employee from benefiting from transactions placed on behalf of advisory accounts.

Applicant or any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

As these situations may represent a conflict of interest, applicant has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) A director, officer or employee of applicant shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by any reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No associated person of applicant shall prefer his or her own interest to that of the advisory client.
- 2) Applicant maintains a list of all securities holdings for itself, and anyone associated with this advisory practice. The holdings are reviewed on a regular basis by the Chief Compliance Officer.
- 3) Applicant requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- 4) Any individual not in observance of the above will be subject to termination.

It is further noted that applicant is in and shall continue to be in total compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. Specifically, applicant has adopted a firm wide policy statement outlining insider trading compliance by applicant and its associated persons and other employees. This statement has been distributed to all employees of Optima and has been signed and dated by each such person. A copy of such firm wide policy is left with such person and the original is maintained in a master file. Further, Optima has adopted a written supervisory procedures statement highlighting the steps which shall be taken to implement the firm wide policy. These materials are also distributed to all associated persons and other employees of Optima, are signed, dated, and filed with the insider trading compliance materials.

There are provisions adopted for (1) restricting access to files, (2) providing continuing education, (3) restricting and/or monitoring trading on those securities of which Optima's employees may have non-public information, (4) requiring all of Optima's employees to conduct their trading through a specified broker or reporting all transactions promptly to applicant, and (5) monitoring the securities trading of the firm and its employees and associated persons.

#### **Item 12: Brokerage Practices**

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Optima recommends that clients establish brokerage accounts with 1) the institutional division of Charles Schwab & Co., Inc., (Schwab), an unaffiliated SEC-registered broker dealer and FINRA member, or 2) the institutional division of TD Ameritrade Inc., (TD Ameritrade) member FINRA/SIPC, an unaffiliated SEC-registered broker dealer and FINRA member, to maintain custody of clients' assets and to effect trades for their accounts.

Although Optima may recommend that clients establish accounts at Schwab or TD Ameritrade, it is the client's decision to custody with either custodian.

Schwab and TD Ameritrade provides Optima with access to its institutional trading and custody services, which are typically not available to Schwab and TD Ameritrade retail investors. At Schwab, these services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's client's assets are maintained in accounts at Schwab Institutional. TD Ameritrade does not require a minimum amount. These services are not contingent upon Optima committing to Schwab and TD Ameritrade any specific amount of business

(assets in custody or trading commissions). Schwab and TD Ameritrade brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Optima client accounts maintained in Schwab's and TD Ameritrade's custody, Schwab and TD Ameritrade does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees from securities trades that are executed through Schwab and TD Ameritrade or that settle into Schwab and TD Ameritrade accounts.

Optima may have negotiated favorable rates for its clients' accounts in custody at Schwab and TD Ameritrade. Under this arrangement clients are charged cents per share for each trade involving the purchase or sale of individual securities traded on an exchange subject to a minimum ticket charge. In addition, clients may receive favorable commission rates for all mutual funds or exchanged traded funds (ETFs) purchased or sold on their behalf, for their accounts, at Schwab or TD Ameritrade. In some instances, the funds may be purchased directly from Schwab and TD Ameritrade, the fund family or on larger dollar amounts without the imposition of any fees, or commission charges. In other instances, they cannot be purchased from the fund family without the imposition of fees and commissions similar or greater than those charged by Schwab or TD Ameritrade.

For clients directing Optima to use broker-dealers other than Schwab or TD Ameritrade, commissions, fees and other related account expenses will be borne solely by the client and may be substantially higher than those with Schwab or TD Ameritrade. It is also possible that in some instances they may be lower.

Schwab Institutional and TD Ameritrade Institutional also makes available to Optima other products and services that benefit Optima but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or a substantial number of Optima accounts, including accounts not maintained at Schwab and TD Ameritrade.

Schwab's and TD Ameritrade's products and services that assist Optima in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmation and account statements); (ii) facilitate trade execution and allocate aggregate trade orders for multiple client accounts; (iii) provide pricing and other market data; (iv) facilitate payment of Optima's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional and TD Ameritrade Institutional also offers other services intended to help Optima manage and further develop its business enterprise. These services may include (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab and TD Ameritrade may make available, arrange, and/or pay third party vendors for the types of services rendered to Optima. Schwab Institutional and TD Ameritrade Institutional may also provide other benefits such as educational events or occasional business entertainment. In evaluating whether to recommend that client's custody their assets at Schwab or TD Ameritrade, Optima may take into account some of the foregoing products and services and other arrangements as part of the total mix of factors

and not solely the nature, cost or quality of custody and brokerage services provided by Schwab and TD Ameritrade Institutional, which may create a potential conflict of interest.

Optima receives no financial compensation from any professional relationships and reimburses Schwab and TD Ameritrade the fair market value of all (i) compliance, legal and business consulting; (ii) conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers which is strictly limited to client account administration. Optima does not accept offers for business entertainment from any client or professional relationships. Optima does not accept gifts with a value in excess of \$25.00 from any client or professional relationships.

***Research and Other Soft-Dollar Benefits***

We currently do not receive soft dollar benefits.

***Best Execution***

On an annual basis, we will conduct an assessment of our recommended custodian(s) to determine that they remain a "good fit" for our firm and our clients. This assessment will consist of a review of overall execution, clearance and settlement, broker quality, and any other items that we deem to be important to the custodial and brokerage relationship.

***Aggregating (Block) Trading for Multiple Client Accounts***

Optima generally invests in the institutional class of mutual fund shares. However, should we recommend the purchase or sale of exchange traded funds, stocks and/or bonds across multiple clients' accounts, we may combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding particular circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm are not permitted to participate in block trading with client accounts and will not be given preferential treatment.

**Item 13: Review of Accounts**

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The Investment Policy Committee (the "committee") is composed of the firm's senior managers Paul Lightfoot and Archie Ponce. The committee reviews the individual performance of each asset class and the individual investment products that have been selected to represent them within each portfolio. Close attention is paid to any statistical variance versus the selected benchmark. The review is conducted daily for securities for which daily pricing is available. A more comprehensive review is conducted at month end. The purpose of this daily review is to provide a constant, ongoing evaluation of each investment product (sub adviser, mutual fund, exchange traded funds (ETFs) or portfolio of individual securities under the supervision of Optima) being utilized. The purpose of the monthly reviews is to evaluate statistical variations over a more meaningful time frame. Each investment is compared statistically with the asset classes they are intended to represent. If the sub adviser, fund, or portfolio of individual securities, under the supervision of Optima, fails to maintain a tight statistical "fit", an attempt is made to isolate the reasons accounting for the variance. Sub advisers, mutual funds, exchange traded

funds (ETFs) and individual securities that significantly vary may be liquidated. There are currently two reviewers, Paul Lightfoot and Archie Ponce. Each has responsibility for reviewing approximately 75 client relationships.

Optima will provide its clients with detailed quarterly reports covering all assets managed by Optima (except where Optima acts as a consultant).

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

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None. However, please see item 12, above.

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**Item 15: Custody**

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Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or reports provided by Optima. Optima's quarterly statements and other reports may vary from custodial statements based on accounting procedures, accounting methods, reporting dates, or valuation methodologies of certain securities.

***Standing Letters of Authorization:*** Optima does maintain a standing letter of authorization (SLOA) where the funds or securities are being sent to a third party, and the following conditions are met:

- 1) The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- 2) The client authorizes Optima, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- 3) The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- 4) The client has the ability to terminate or change the instruction to the client's qualified custodian.
- 5) Optima has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- 6) The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- 7) Optima maintains records showing that the third party is not a related party of Optima or located at the same address as Optima.

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**Item 16: Investment Discretion**

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We do not have investment discretion over clients' assets.

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**Item 17: Voting Client Securities**

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Optima has adopted policies governing the voting of proxy statements on behalf of the non-discretionary client accounts. It has or will arrange for the sub advisers to vote client proxies on sub accounts. Clients

may request Optima to vote the proxy statements on their behalf, or the client may retain such voting responsibilities for non-discretionary and sub advised accounts. Clients may also provide guidelines to Optima or may allow Optima and/or sub advisers to use their respective proxy voting guidelines.

## **Item 18: Financial Information**

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Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

### **Additional Information**

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#### ***Business Continuity Plan***

##### General

Optima has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or loss of key people.

##### Disasters

The Business Continuity Plan covers natural and man-made disasters. Optima has taken reasonable precautions with respect to electronic data survival.

##### Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

##### Loss of Key Personnel

Optima has an experienced executive and advisory staff capable of filling key roles in the event of unforeseen key personnel loss issues.

#### ***Information Security Program***

##### Information Security

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

##### Privacy Notice

Optima is committed to maintaining the confidentiality, integrity and security of the personal information entrusted to us. All financial companies need to share customer's personal information to run their everyday business. The types of personal information we collect, and share depend on the product or service you have with us. This information can include:

- Social Security or Tax ID number
- Your name and address
- Employment status
- Investment objectives and experience
- Financial standing

- Account balance and account transactions

We use this information to help you meet your personal financial goals. With your permission, we disclose limited information to your attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions and facilitate other services on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment. We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, landlord, IT service companies and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law. Personally, identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information will be destroyed. We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.