

## **Wrap Fee Program Brochure**

# **Kestra Private Wealth Services, LLC**

5707 Southwest Parkway  
Building 2, Suite 400  
Austin, TX 78735  
844-553-7872 (phone)  
[www.kestrafinancial.com](http://www.kestrafinancial.com)

**Dated: March 31, 2021**

**This brochure provides information about the qualifications and business practices of our firm, Kestra Private Wealth Services, LLC (Kestra PWS). If you have any questions about the contents of this brochure, please contact us at 844-553-7872 or contact your financial advisor.**

**The U.S. Securities and Exchange Commission, as well as state securities authorities, have not approved or verified information in our brochure. Additional information about our firm is published at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References to our firm as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

**Item 2: Material Changes to Part 2A Appendix 1 (Wrap Fee Program Brochure) of Form ADV**

The last update to the Kestra Private Wealth Services, LLC Form ADV Part 2A was filed on September 18, 2020. Since then, there have been no material changes.

**Item 3: Table of Contents**

<b><u>Topic:</u></b>	<b><u>Page(s):</u></b>
Item 1: Cover Page for Part 2A Appendix 1 of Form ADV .....	1
Item 2: Material Changes to Part 2A Appendix 1 (Wrap Fee Program Brochure) of Form ADV .....	2
Item 3: Table of Contents .....	3
Item 4: Services, Fees & Compensation.....	4
Item 5: Account Requirements & Types of Clients .....	6
Item 6: Portfolio Manager Selection & Evaluation .....	6
Item 7: Client Information Provided to Portfolio Manager(s) .....	8
Item 8: Client Contact with Portfolio Manager(s).....	8
Item 9: Additional Information .....	8

#### **Item 4: Services, Fees & Compensation**

- A. Kestra Private Wealth Services, LLC ("Kestra PWS") is a Delaware Limited Liability Company formed on September 14, 2010 in the Commonwealth of Virginia. Kestra PWS became registered as an Investment Adviser Firm in October 2010. Kestra PWS is a subsidiary of Kestra Financial, Inc., which owns other registered investment advisers, broker-dealers, insurance agencies and service providers ("Kestra Affiliates"). From time to time, we may recommend that you purchase or sell products and services from or through Kestra Affiliates. A recommendation that you purchase or sell products or services by or through a Kestra Affiliate serves as a conflict of interest since it results in increased compensation to a Kestra Affiliate or our firm.

Kestra PWS offers asset management services. Kestra PWS's Investment Adviser Representatives ("IARs") emphasize continuous and regular account supervision and generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which the IARs determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, the IARs review the portfolios at least quarterly and if necessary, rebalance the portfolios based upon individual needs, stated goals, and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

The client can determine to engage Kestra PWS to provide discretionary and/or non-discretionary investment advisory services on a fee basis. Kestra PWS's annual investment advisory fee varies and may total up to 3% of the total assets placed under Kestra PWS's management/advisement. A representative range of annual investment advisory fees presently charged is from .5% to 1.5% with a maximum of 2.5%. The amount of the fees charged by Kestra PWS is based upon various objective and subjective factors. These factors include the amount of the assets placed under Kestra PWS's direct management, the amount of the assets placed under Kestra PWS's advisement, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered.

In the event a client requires planning and/or consultation services, Kestra PWS will impose a separate charge for such additional services. The amount of any such separate charge will be set forth in a separate written planning agreement with the client.

Investment advisers must act in the best interest of their clients, including the selection of appropriate mutual fund share classes, and disclose fees associated with the recommended share classes. A single mutual fund may offer more than one "class" of its shares to investors, but each class represents a similar interest in the mutual fund's portfolio. The principal difference between the classes is that the mutual fund charges different fees and expenses on the various share classes based primarily on the amount invested. Even within a share class, expenses will vary by fund and by fund company. These fees and expenses negatively impact investment returns. The brokerage or clearing platforms we utilize do not make available all mutual fund families or all share classes of all mutual funds. Certain share classes are not eligible to be managed as advisory assets. We do not allow B or C share mutual funds to be held as advisory assets.

In an effort to ensure we recommend an appropriate mutual fund share class, we offer a subset of the mutual fund families available through our custodians. One share class is available for each fund recommended on our platform within the fund families we offer. These funds are chosen based on a set of criteria designed to offer an appropriate share class for the largest segment of our clients while still offering consistency across our platforms. The funds on our platform may not be the lowest cost share class available in the marketplace but will meet our standard criteria of analysis that includes cost, custodial availability, and average client trade volume.

The list of funds available on our platform is subject to review, and we monitor and update our available funds list at least annually. You may hold mutual funds not available for purchase in our advisory accounts and

those positions will be subject to advisory billing unless specifically excluded. While other mutual funds may be suitable to meet your needs and objectives, mutual fund recommendations will be limited to those funds we have elected to make available for purchase through our firm. This purchase limitation extends to funds you may hold in your account.

As of December 31, 2020, we managed approximately \$2,998,016,363 in assets for approximately 8,688 clients. Approximately \$359,138 is managed on a discretionary basis, and approximately \$2,997,657,225 is managed on a non-discretionary basis.

**Non-Investment Consulting/Implementation Services** If requested by the client, Kestra PWS may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. However, neither Kestra PWS, nor any of its representatives, acts for any client in the capacity of the client's attorney or accountant. No service provided by Kestra PWS or any of its representatives constitute legal or accounting services. To the extent requested by a client, Kestra PWS may recommend the services of other professionals for certain non-investment implementation purposes (e.g., attorneys, accountants and insurance agents), including representatives of Kestra PWS in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation regarding use of a third party received from Kestra PWS.

**Non-Discretionary Service Limitations** Clients that determine to engage Kestra PWS on a non-discretionary investment advisory basis must be willing to accept that Kestra PWS through its IARs cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, Kestra PWS will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

- B. A wrap fee program allows clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and/or advice concerning selection of other advisers, and the fee is not based directly upon transactions in your account. Your fee is bundled with the costs for executing transactions in your account(s). This results in a higher advisory fee to you. Kestra PWS does not charge its clients higher advisory fees based on their trading activity, but you should be aware that Kestra PWS may have an incentive to limit its trading activities in your account(s) because it is charged for executed trades. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.
- C. Separate from the wrap fee charged, you may pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by Kestra PWS.
- D. IARs receive a portion of the advisory fee that you pay to Kestra PWS. As they are paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, the IARs may stand to earn more compensation from advisory fees paid to Kestra PWS through a wrap fee program arrangement if your account is not actively traded.

## **Item 5: Account Requirements & Types of Clients**

Kestra PWS's clients are comprised primarily of individuals, business entities, trusts, estates and charitable organizations located in the United States. Kestra PWS may also have clients located outside of the United States. Kestra PWS does not generally require an annual minimum fee or asset level for investment advisory services.

Kestra PWS does not generally require an annual minimum fee but or asset level for investment advisory services. Kestra PWS, in its sole discretion, may charge a reduced investment management fee and/or require an annual minimum fee or asset level in some circumstances. For example, Kestra PWS may charge reduced fees or require a reduced asset level in cases of anticipated changes in earnings capacity, the addition of substantial assets to a client account, substantial increases in the dollar amount of assets of the client to be managed by Kestra PWS, the opening by the client of additional accounts, certain changes in a client's account composition and individual negotiations with a client.

## **Item 6: Portfolio Manager Selection & Evaluation**

A. Kestra PWS may utilize portfolio managers both inside and outside the firm. A conflict of interest with accounts being managed by in-house professionals may be created in that other investment advisory firms may charge the same or lower fees than Kestra PWS for similar services. Kestra PWS's in-house portfolio managers are not subject to the same selection and review as outside portfolio managers that participate in the wrap fee program.

Kestra PWS may select and reviews outside portfolio managers based on the following factors:

- past performance;
- investment philosophy;
- market outlook;
- experience of portfolio managers and executive team;
- disciplinary, legal and regulatory histories of the firm and its associates;
- whether established compliance procedures are in place to address at a minimum, insider trading, conflicts of interest, anti-money laundering.

In the case of outside portfolio managers, Kestra PWS does not calculate portfolio manager performance. Instead, it relies upon the performance figures based on client's monthly or quarterly statements or reports provided by third party portfolio managers. Kestra PWS may review performance information or hire third parties to do so, in order to determine or verify its accuracy or compliance with presentation standards. Accounts managed in house are reviewed with the same fiduciary concerns as those managed outside.

### **(1) Advisory Business:**

See Item 4 for information about the wrap fee advisory program.

### **(2) Individual Tailoring of Advice to Clients:**

Kestra PWS offers individualized investment advice to clients utilizing the wrap asset management service.

### **(3) Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities:**

Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions would be limited to the asset management service. Kestra PWS does not manage assets through any other service.

(4) Participation in Wrap Fee Programs.

Wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. Management of wrap fee accounts are done in a similar fashion as non-wrap fee accounts.

(5) Performance-Based Fees & Side-By-Side Management.

Kestra PWS does not charge performance fees to its clients.

(6) Methods of Analysis, Investment Strategies & Risk of Loss

Advisors perform their own research on securities and programs through third-party resources available to the public, and employ various forms of analysis such as charting, fundamental analysis, technical analysis and cyclical analysis. Sources of information we and our Advisors use include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases. Performance reports vary and may use a Modified Dietz, Money Weighted Rate of Return, Time Weighted Rate of Return, or Internal Rate of Return for performance calculations.

While we do not have a firm-wide investment strategy, many of our Advisors recommend various forms of strategic asset allocation. An investment strategy is based upon objectives you define in consultation with your Advisor. Other strategies an Advisor may use include long-term buy and hold, short-term purchases, trading, short sales, margin transactions and option writing (including covered options, uncovered options or spreading strategies).

The list of funds available on our platform is subject to review, and we monitor and update our available funds list at least annually. You may hold mutual funds not available for purchase in our advisory accounts and those positions will be subject to advisory billing unless specifically excluded. While other mutual funds may be suitable to meet your needs and objectives, mutual fund recommendations will be limited to those funds we have elected to make available for purchase through our firm. This purchase limitation extends to funds you may hold in your account.

A margin transaction occurs when you borrow against your invested assets to make additional investments. The securities used as collateral on the margin loan are subject to sale if the loan becomes past due. Because of the effect of the leverage of borrowing, gains or losses from the security you purchased on margin can be magnified.

Any investment or investment strategy involves risk of loss you should be prepared to bear. Examples of risks you could face are:

- *Interest rate Risk:* Fluctuations in interest rates generally cause investment values to fluctuate. For example, market values of bonds typically decline when interest rates rise, because the rising rate makes the existing bond yields less attractive.
- *Market Risk:* External factors independent of a security's particular underlying circumstances may impact its value. The value of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions, such as a political or social event or an economic condition.
- *Inflation Risk:* Inflation means a dollar today buys more than a dollar next year. When inflation is present, your purchasing power typically decreases at the rate of inflation.

- *Currency Risk*: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. Also known as exchange rate risk, these risks may be present in international mutual funds for example.
- *Reinvestment Risk*: The risk that future proceeds from investments may be reinvested at a potentially lower rate of return is reinvestment risk. This risk primarily relates to fixed income securities.
- *Business Risk*: Risks associated with a particular industry or a specific company may impact the value of investments. For example, oil-drilling companies typically have more business risk than electric companies since they depend on finding oil and then refining it efficiently before they generate a profit. An electric company generates income from customers who buy electricity regardless of economic conditions.
- *Liquidity Risk*: Liquidity means the ability to readily convert an investment into cash. Assets with many purchasers are generally more liquid. For example, Treasury Bills are highly liquid, while real estate properties are less so.
- *Financial Risk*: A company with excessive borrowing or that takes significant business risks to generate profit is typically at a greater risk of financial difficulty or failure.

#### **(7) Voting Client Securities**

Kestra PWS does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Kestra PWS to discuss any questions they may have with a particular solicitation.

#### **Item 7: Client Information Provided to Portfolio Manager(s)**

Kestra PWS is required to describe the information about you that Kestra PWS communicates to your portfolio manager(s), and how often or under what circumstances Kestra PWS provides updated information. Kestra PWS communicates with your portfolio manager(s) on a regular basis as needed (daily, weekly, monthly, etc.) to ensure your most current investment goals and objectives are understood by your portfolio manager(s). In most cases, Kestra PWS will communicate such information as part of regular investment management duties. Nevertheless, Kestra PWS will also communicate information to your portfolio manager(s) when you ask them to, when market or economic conditions make it prudent to do so, etc.

#### **Item 8: Client Contact with Portfolio Manager(s)**

Clients are always free to directly contact their portfolio manager(s) with any questions or concerns they have about their portfolios or other matters.

#### **Item 9: Additional Information**

A. Kestra PWS is required to respond to: 1. Item 9 (Disciplinary Information); and 2. Item 10 (Other Financial Industry Activities and Affiliations) of Part 2A of Form ADV.

##### **1. Item 9 (Disciplinary Information)**

- a. On March 11 2019, Kestra PWS entered into an order by the U.S. Securities and Exchange Commission related to the recommendation of mutual fund share classes generating compensation to Kestra PWS's affiliated broker-dealer without adequate



disclosure of such compensation and the additional expenses associated with the share classes in violation of Sections 206(2) and 207 of the Advisers Act. Without admitting or denying the underlying findings, Kestra PWS offered to accept a censure and pay eligible customers an estimated \$502,703.66 in disgorgement and \$46,299.36 in interest.

- b. On July 11, 2016, Kestra PWS agreed to pay the U.S. Securities and Exchange Commission an administrative fine of \$50,000 for failing to disclose in a timely fashion an alleged conflict of interest arising from the firm's receipt of loans from a third party Kestra PWS had engaged to provide brokerage and custodial services to its clients.

**2. Registered Representatives of Broker-Dealers.** Certain representatives of Kestra PWS are registered representatives of Kestra Investment Services, LLC ("Kestra IS"), which is a FINRA member broker-dealer. Clients may choose to engage these representatives in their capacities as registered representatives of Kestra IS to implement investment recommendations on a commission basis. This recommendation serves to increase compensation to our affiliate, which serves as a conflict of interest for us.

**Licensed Insurance Agents.** Certain representatives of Kestra PWS are licensed insurance agents, and they may recommend the purchase of certain insurance-related products on a commission basis. Clients are under no obligation to use Kestra PWS's representatives to effect insurance transactions on a commission basis.

**Conflicts of Interest.** Establishing multiple accounts with a representative may mean that a given client has brokerage and advisory accounts. Brokerage accounts are subject to a best interest standard, advisory accounts are subject to a fiduciary standard. Please review Form CRS carefully to understand more. A fiduciary standard creates a duty of care that requires the adviser to always act in the client's best interest in all phases of the relationship. Additionally, the recommendation by representatives of Kestra PWS who are also representatives of broker-dealers or insurance agents that a client purchase a security or an insurance product may also present a conflict of interest, because the receipt of commissions by such representatives may provide the representative with an incentive to recommend investment products based on commissions they may receive, rather than on a particular client's need. However, no client is under any obligation to purchase any product the sale of which would pay a commission to representatives of Kestra PWS. Clients are reminded that they may purchase securities and/or insurance products recommended by Kestra PWS through other, non-affiliated broker/dealers and/or insurance agents. Kestra PWS's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

**Brokerage Practices.** We place most transactions in Advisor Managed Accounts through our affiliated broker-dealer, Kestra IS, and its unaffiliated clearing broker-dealer and custodian, National Financial Services, LLC (NFS), however, we sometimes designate Pershing, Fidelity Institutional Wealth Services (IWS), Schwab, TD Ameritrade or other alternative clearing and custody companies. You will enter into separate custodial/clearing agreements with the applicable custodian for your account. Your funds and securities are held with those custodial firms, and not by us or your Advisor. We may also, at our discretion, accommodate your request to use an alternative custodian.

Generally, if your investment advisor representative is appropriately licensed to offer brokerage services, you may purchase alternative investments on a commission basis through your Advisor in their capacity as a registered representative of our affiliated broker-dealer, Kestra Investment Services, LLC (Kestra IS) or purchase such investments at net asset value (NAV) in an advisory account, in which case your Advisor will charge an ongoing advisory fee as a percentage of the investment's value. There are different costs associated with purchasing these investments by commission or at NAV. You and your Advisor must evaluate and determine which option is most appropriate based on the services being provided and

how long you anticipate holding the investment, among other factors. If you choose to purchase an alternative investment on a commission basis, we will not charge an advisory fee on the value of that investment. Note that you will likely pay more in advisory fees versus up-front commissions over the typical holding period of these investments.

Illiquid alternative investments subject to fee billing in advisory accounts are required by Kestra PWS to be valued at net asset value (NAV). This valuation serves as the basis for fee calculations for advisory accounts where fees are assessed based on assets under management (AUM). NAV for illiquid alternative investments may be calculated as often as quarterly but no less frequently than annually. In the case where an alternative investment is valued annually, the underlying value of the asset may fluctuate, but the NAV will continue to serve as the basis for the AUM calculation. This could result in you experiencing higher or lower fees than if the NAV were calculated more frequently.

Kestra PWS does not effect agency-cross transactions for you as an advisory client in accounts custodied at TD Ameritrade.

- B. Kestra PWS is required to respond to: 1. Items 11 (Code of Ethics or Interest in Client Transactions and Personal Trading); 2. Item 13 (Review of Accounts); 3. Item 14 (Client Referrals and Other Compensation); and 4. Item 18 (Financial Information) of Part 2A of Form ADV, as applicable to wrap fee clients.

**1. Code of Ethics, Participation or Interest in  
Client Transactions & Personal Trading.**

- a) Kestra PWS maintains an investment policy concerning personal securities transactions. This investment policy is part of Kestra PWS's Code of Ethics. The Code of Ethics serves to establish a standard of business conduct for all of Kestra PWS's representatives that is based upon fundamental principles of openness, integrity, honesty and trust. A copy of the Code of Ethics will be provided to clients upon request. In accordance with Section 204A of the Investment Advisers Act of 1940, Kestra PWS also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Kestra PWS or any person associated with Kestra PWS.
- b) Neither Kestra PWS nor any related person of Kestra PWS recommends, buys, or sells for client accounts, securities in which Kestra PWS or any related person of Kestra PWS has a material financial interest.
- c) Kestra PWS and/or representatives of Kestra PWS may buy or sell securities that are also recommended to clients. This practice may create a situation where Kestra PWS and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Kestra PWS did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Kestra PWS's clients) and other potentially abusive practices.

Kestra PWS has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Kestra PWS's "Access Persons." Kestra PWS's securities policy requires that Access Persons of Kestra PWS must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Kestra PWS selects; provided, however that at any time that Kestra PWS has only one Access Person, he or she shall not be required to submit any securities report described above.

- d) Kestra PWS and/or representatives of Kestra PWS may buy or sell securities, at or around the same time as when those securities are recommended to clients. This practice creates a situation where Kestra PWS and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Kestra PWS has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Kestra PWS's Access Persons.

## **2. Review of Accounts.**

- a) For those clients to whom Kestra PWS provides investment advisory services, account reviews are conducted on an ongoing basis by Kestra PWS's Principals and Chief Compliance Officer. All investment advisory clients are advised that it remains their responsibility to advise Kestra PWS of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Kestra PWS on an annual basis.
- b) Kestra PWS may conduct account reviews separate from a periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- c) Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Kestra PWS may also provide a written periodic report summarizing account activity and performance.

## **3. Client Referrals & Other Compensation.**

- a) Our advisors may act in a solicitor capacity for Loring Ward, a third-party money manager. Buckingham Strategic Partners offers all advisors with assets on their platform a basic subscription to MoneyGuidePro at no cost to the advisor. Furthermore, advisors can pay \$660 to receive an upgraded version of MoneyGuidePro with Buckingham Strategic Partners' data integrated into the software. Those advisors who place at least \$10MM on Buckingham Strategic Partners' platform receive the upgrade at no cost. This creates a conflict interest because it may incentivize an advisor to place business with Loring Ward in exchange for software access.
- b) Kestra PWS pays more for the provision of advisory services than Kestra IS pays for the provision of brokerage services. There is a conflict of interest serves as an incentive for Advisor to recommend advisory products or services over brokerage products or services.
- c) If your IAR is also a registered representative of a broker/dealer, he/she may receive, or may have already received, compensation in connection with products or services purchased for you in addition to any advisory fees you pay us. Similarly, many of our IARs are independent insurance agents that sell insurance through our Kestra Affiliates. As such, the IAR and Kestra Affiliates may receive compensation in connection with your purchase of securities or insurance in addition to any advisory fees you pay to Kestra PWS. These relationships create a conflict of interest as they result in increased compensation to Kestra PWS, your IAR or Kestra Affiliates.
- d) In order to help cover or defray the costs of transitioning from another firm to Kestra PWS, our IARs may receive various forms and amounts of recruitment compensation and transition assistance. Such transition assistance may include a promissory note loan, rent, technology services and equipment, legal expenses, administrative support, termination fees associated with moving accounts and regulatory services, payments based on production, reimbursement of fees, free or reduced-cost marketing material, attendance to conferences and events, and access to preferred pricing.

We may issue payments in the form of loans to Advisors which may be forgivable based on years of service with Kestra PWS or the extent of their production with Kestra PWS. This practice creates a conflict of interest in that the Advisor has a financial incentive to recommend a client engage Kestra PWS for advisory services in order for the loan to be forgiven. However, if you engage Kestra PWS for an Advisor Managed Account, your Advisor will obtain the necessary financial data from you, assist you in determining the suitability for the Advisor Managed Account and help you set appropriate investment objectives. Your Advisor will then be able to purchase and sell securities in accordance with your investment objectives. Kestra PWS periodically reviews advisory accounts to ensure suitability and adherence to investment objectives. Please ask your advisor whether they have received such a loan.

- e) In the event that the client requests that Kestra PWS recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Kestra PWS to use a specific broker-dealer/custodian), Kestra PWS may recommend that investment management accounts be maintained at any of the following qualified custodians: National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity"), Charles Schwab & Co., Inc. ("Schwab"), TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA or Pershing LLC, member FINRA, NYSE, SIPC ("Pershing").
- f) Our Advisors also provide services to clients' retirement accounts, such as individual retirement accounts (IRAs) and retirement plans (Plans). Please note: A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in the former employer's plan, if permitted, ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, iii) rollover to an IRA, or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences).

Our Advisors may recommend an investor roll over plan assets to an IRA which our Advisor would manage. As a result, we may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer, or roll the assets to a plan sponsored by a new employer will generally result in no compensation to us (unless we are engaged to monitor and/or consult on the account while maintained at the existing plan). Therefore, our Advisors may have an economic incentive to encourage an investor to roll plan assets into an IRA that we will manage, or encourage an investor to engage us to monitor and/or consult on the account maintained at the existing plan.

There are various factors that we may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus ours, iv) strategies for the protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. The following exception to the early withdrawal penalty applies only to distributions from a qualified retirement plan other than an IRA: Distributions made to you after you separated from service with your employer if the separation occurred in or after the year you reached age 55. No client is under any obligation to rollover plan assets to an IRA managed by us or to engage our Advisors to monitor and/or consult on an account maintained at an existing plan. Please note that a recommendation to roll assets out of an employer-sponsored plan into an IRA will most likely result in more expenses and charges than if the assets were to remain in the plan.

Please speak to your Advisor to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

## **Fidelity**

Fidelity makes certain research and brokerage services available at no additional cost to Kestra PWS. These services include certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Kestra PWS (within specific parameters). Research products and services provided by Fidelity to Kestra PWS may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Fidelity to Kestra PWS in the performance of investment decision-making responsibilities. The aforementioned research and brokerage services are used by Kestra PWS to manage accounts for which we have investment discretion. Without this arrangement, Kestra PWS might be compelled to purchase the same or similar services at the expense of Kestra PWS.

As indicated above, certain of the support services and/or products that may be received may assist Kestra PWS in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Kestra PWS to manage and further develop its business enterprise.

We have entered, through our affiliate broker-dealer, into a custodial support services agreement with National Financial and Fidelity Brokerage Services, LLC in connection with our participation in their Fidelity Registered Investment Advisor Group (FRIAG) platform. We provide back-office, administrative, custodial support and clerical services in connection with your accounts on the FRIAG platform. For these services, we receive an amount up to 0.28 percent based upon our client assets on the FRIAG Platform. We may receive compensation from our custodians to offset the cost of transitioning assets.

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

1. Although not a material consideration when determining whether to recommend that a client utilize the services of Fidelity, Kestra PWS may receive client referrals from Fidelity. Because Kestra PWS would receive an indirect economic benefit from any such referral, Kestra PWS may have an incentive to recommend Fidelity based upon its interest in receiving client referrals. Therefore, Kestra PWS has a conflict of interest in recommending to clients that they use Fidelity as custodian.

Before recommending the brokerage/custody services of Fidelity, Kestra PWS first considers its duty to obtain best execution. Kestra PWS may recommend the brokerage/custody services of Fidelity even if a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Kestra PWS determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Kestra PWS's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as result of this arrangement.

Kestra PWS's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above arrangement.

2. Kestra PWS does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Kestra

PWS will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by Kestra PWS. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Kestra PWS to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Kestra PWS.

Kestra PWS’s Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above arrangement.

3. Where Kestra PWS or its Investment Adviser Representatives absorb the cost of transaction fees for trading as a service to their clients Kestra PWS or its Investment Adviser Representatives have a financial incentive to recommend less frequent trading than is appropriate for a client.

Kestra PWS’s Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above arrangement.

#### **TD Ameritrade**

Kestra PWS participates in TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (“TD Ameritrade”) member FINRA/SIPC/NFA, customer program and Kestra PWS may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Kestra PWS’s participation in the program and the investment advice given to clients, although Kestra PWS receives economic benefits through participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Kestra PWS’s participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Kestra PWS’s related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Kestra PWS but may not benefit client accounts. These products or services may assist in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help to manage and further develop Kestra PWS’s business enterprise. The benefits received by Kestra PWS or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of the fiduciary duties to clients, Kestra PWS endeavors at all times to put the interests of the clients first. Clients should be aware, however, that the receipt of economic benefits by Kestra PWS or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Kestra PWS’s choice of TD Ameritrade for custody and brokerage services.

If a client is introduced to Kestra PWS by either an unaffiliated or an affiliated solicitor, Kestra PWS will generally pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Kestra PWS’s investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Kestra PWS by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each

prospective client with a copy of Kestra PWS's written brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Kestra PWS and the solicitor, including the compensation to be received by the solicitor from Kestra PWS.

Kestra PWS may also enter into arrangements wherein Kestra PWS refers you to affiliated and unaffiliated investment advisers that will provide advisory services to you. When Kestra PWS make such a referral, we and our Advisor will typically receive a portion of the total fee the investment adviser charges you for so long as they provide you services. We and your Advisor may also receive a transaction fee for such services as a solicitor. Any such arrangements will be designed to comply with the Advisers Act.

#### **4. Financial Information.**

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