

## **Item 1. Cover Page**

### **OPTIMAL PORTFOLIO, LLC**

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An SEC-Registered Advisory Firm<sup>1</sup>

### **FIRM BROCHURE, November 2021**

This brochure provides information about the qualifications and business practices of Optimal Portfolio, LLC (“Optimal Portfolio”). If you have any questions about the content of this brochure, please contact us at (609) 799-3040. 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 Optimal Portfolio is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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<sup>1</sup> SEC registration does not and should not imply any certain level of skill or training.

## **Item 2. Material Changes**

The information contained in this section relates only to material changes that have occurred since the last annual amendment to this brochure in March 2021:

- At Item 5 to revise Optimal Portfolio's fee schedule and related disclosures
- At Items 5 and 7 to revise Optimal Portfolio's minimum annual fee and minimum account size requirements
- At Item 8 to incorporate disclosure regarding the use of collateralized loans

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## Item 4. Advisory Business

Optimal Portfolio is a fee-only investment adviser that has been in business since 2010. Optimal Portfolio is 100% owned by its only principal owner, Yu Oen.

### **Investment Management Services:**

Optimal Portfolio provides investment management services according to the unique investment objectives of each client and in accordance with the terms and conditions of the Investment Advisory Agreement between Optimal Portfolio and the client. Optimal Portfolio tailors its services to the individual profile and needs of each client, focusing on his/her respective goals, objectives, risk tolerance and time horizon. Optimal Portfolio's advisory services are primarily offered on a discretionary basis, whereby clients authorize Optimal Portfolio to select securities and execute transactions without pre-approval prior to each transaction. Clients may request that their accounts be restricted from investing in certain securities or types of securities.

Optimal Portfolio may also accept accounts on a non-discretionary basis. Non-discretionary account clients, which may include

participants of certain types of employee benefit plans, retain absolute discretion over investment decisions and are free to accept or reject any recommendation from Optimal Portfolio.

Optimal Portfolio constructs client accounts in certain percentages primarily amongst a select grouping of actively managed and index mutual funds, Exchange Traded Funds ("ETF"), stocks and bonds, seeking diversification amongst numerous asset classes (e.g. stocks, corporate and government bonds), in order to potentially maximize client's investment returns with lower volatility within pre-determined risk parameters.

To the extent requested by a client, Optimal Portfolio also provides financial planning and consulting services regarding investment and non-investment related matters, including estate planning, insurance planning, etc. Financial planning and consulting services are generally provided inclusive of Optimal Portfolio's Investment Management fee as set forth in Item 5 below. For clients who have extraordinary financial planning needs (to be determined in the sole discretion of Optimal Portfolio), Optimal Portfolio may determine to charge a separately agreed upon hourly fee. Unless otherwise agreed, in writing, Optimal Portfolio's financial planning and consulting services do not include implementation, nor the ongoing monitoring of any financial planning and consulting recommendations. If requested by the client, Optimal Portfolio may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professionals. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Optimal Portfolio. **Please Note:** If the client engages any professional, recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Optimal Portfolio, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify Optimal Portfolio if there is ever any change in his/her/its financial situation or

investment objectives for the purpose of reviewing/evaluating/revising Optimal Portfolio's previous recommendations and/or services.

**Other Terms & Conditions:**

Prior to engaging Optimal Portfolio to provide any investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* setting forth the terms and conditions under which Optimal Portfolio shall manage the client's assets. The Investment Advisory Agreement between Optimal Portfolio and the client will continue in effect until terminated by either party. Please refer to Item 5 for information on Fees and Compensation.

Optimal Portfolio does not participate in any wrap programs.

As of September 1, 2021, Optimal Portfolio had discretionary assets under management of approximately \$109,022,293.

**Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (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) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Optimal Portfolio recommends that a client roll over their retirement plan assets into an account to be managed by Optimal Portfolio, such a recommendation creates a conflict of interest if Optimal Portfolio will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Optimal Portfolio. Optimal Portfolio's Chief Compliance Officer, Yu Oen, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended by Optimal Portfolio) will be profitable or equal any specific performance level(s).

**Non-Discretionary Services Limitations.** Optimal Portfolio primarily manages client assets on a discretionary basis. Clients that determine to engage Optimal Portfolio on a non-discretionary basis must be willing to accept that Optimal Portfolio cannot complete any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Optimal Portfolio would like to make a transaction for a client's account, and client is unavailable, Optimal Portfolio will be unable to complete the account transaction (as it would for its discretionary clients) without first obtaining the client's consent.

**Client Obligations.** In performing its services, Optimal Portfolio shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Optimal Portfolio if there is ever any change in their financial situation or

investment objectives for the purpose of reviewing, evaluating or revising Optimal Portfolio's previous recommendations and/or services.

**Portfolio Activity.** Optimal Portfolio has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Optimal Portfolio will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Optimal Portfolio determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, there can be no assurance that investment decisions made by Optimal Portfolio will be profitable or equal any specific performance level(s).

**Cash Positions.** Depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Optimal Portfolio may maintain cash and cash equivalent positions (such as money market funds, etc.) for defensive, liquidity, or other purposes. Unless otherwise agreed in writing, all such cash positions are included as part of assets under management for purposes of calculating Optimal Portfolio's advisory fee. Clients are advised that cash and cash equivalent positions may miss market advances and there may be periods of time where the fee charged by Optimal Portfolio exceeds the yield on cash and cash equivalent positions.

**eMoney Advisor Platform.** Optimal Portfolio may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view their complete asset allocation, including those assets that Optimal Portfolio does not manage (the "Excluded Assets"). Optimal Portfolio does not provide investment management, monitoring, or implementation services for the Excluded Assets. Unless otherwise specifically agreed to, in writing, Optimal Portfolio's service relative to the Excluded Assets is limited to reporting only. Therefore, Optimal Portfolio shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets, and not Optimal Portfolio, shall be exclusively responsible for such investment performance. Without limiting the above, Optimal Portfolio shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. The client may choose to engage Optimal Portfolio to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between Optimal Portfolio and the client. The eMoney platform also provides access to other types of information and applications including financial planning concepts and functionality, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Optimal Portfolio. Finally, Optimal Portfolio shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Optimal Portfolio's assistance or oversight.

## **Item 5. Fees and Compensation**

### **Investment Management Engagement (Non-Cash Balance Plans):**

Optimal Portfolio's investment management fee schedule ("Advisory Fees") for accounts managed by Optimal Portfolio is based on a percentage of assets (generally net of any debit balances) and is set forth below.

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$0 - \$1 million	0.95%
\$1 million - \$2 million	0.85%
\$2 million - \$3 million	0.75%
\$3 million - \$10 million	0.65%*
\$10 million - \$20 million	0.50%
\$20 million - \$30 million	0.40%
\$30 million - \$40 million	0.35%
\$40 million - \$50 million	0.30%
Over \$50 million	0.25%

The above is a blended fee schedule. Assets under Optimal Portfolio's management will be assessed a tiered fee rate. To illustrate how Optimal Portfolio Investment Management fees are calculated, please see the example provided below:

- A client placing \$1,500,000 under Optimal Portfolio's management would incur an annual fee of 0.95% on the first \$1,000,000 and 0.85% on the remaining \$500,000.

\* Managed assets in excess of \$10,000,000 will be assessed a special tiered fee rate in which the first \$10,000,000 would incur a flat annual fee of 0.65% and the amount above \$10,000,000 would incur the tiered fee rate reflected on the above schedule. Please see the example provided below:

- A client placing \$15,000,000 under Optimal Portfolio's management would incur an annual fee of 0.65% on the first \$10,000,000 and 0.50% on the remaining \$5,000,000.

Optimal Portfolio has a minimum investment management fee of \$9,500 per relationship, per year. Optimal Portfolio's Advisory Fees shall also be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter.

The above reflects Optimal Portfolio's standard fee schedule. Certain clients may be subject to legacy fee schedules that are no longer offered to new clients and are not described herein. Clients are advised to refer to their services agreement with Optimal Portfolio for specific information regarding their fee arrangement. In addition, in some cases, and at the full discretion of Optimal Portfolio, fees may be negotiable depending upon various objective and subjective factors, including but not limited to: the amount of assets to be managed; account composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; and anticipated future additional assets. To the extent Optimal Portfolio and the client agree to a fee schedule that does not correspond to the above, such fee arrangement shall be set forth in a separate writing between the client and Optimal Portfolio. A client, therefore, may pay more or less than similar clients depending on the particular circumstances of the client, which may include considerations described above.

**Cash Balance Plan Investment Management Engagement:**

Optimal Portfolio's investment management fee schedule ("Cash Balance Advisory Fees") for Cash Balance Plan accounts managed by Optimal Portfolio is based on a percentage of assets (generally net of any debit balances) and is set forth below.

<u>Assets Under Management (Marginal)</u>	<u>Annual Fee</u>
Assets Below \$500,000	0.75%
\$500,001 - \$1,500,000	0.65%
\$1,500,001 - \$3,000,000	0.55%
\$3,000,001 - \$5,000,000	0.45%
Assets Over \$5 million	0.40%

Optimal Portfolio has a minimum investment management fee of \$3,000 per Cash Balance Plan relationship, per year. Optimal Portfolio's Cash Balance Advisory Fees shall also be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. Optimal Portfolio's actual fees may be negotiated and a client may pay more or less than similar clients depending on the particular circumstances of the client, which may include considerations related to size of the client's account, additional and/or differing levels of service or as negotiated. Note Cash Balance Fee Schedule is marginal, unlike the tiered general wealth management fee schedule, which means that the applicable fee rate will be applied across the entire account value.

**Investment Management Fee Payment/Deduction**

Optimal Portfolio's management fees are generally deducted from a client's custodial account, but a client may also select to be billed outside of his or her custody account. Both Optimal Portfolio's Management Agreement and the custodial/clearing agreement authorize the custodian to debit the account for the amount of Optimal Portfolio's management fee and to directly remit that fee to Optimal Portfolio in compliance with regulatory procedures.

In addition to the investment management fee, the client may incur brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual securities transactions). In addition, the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). To the extent utilized, clients may also incur additional fees with respect to the use of sub-advisers, separate account managers, independent investment managers, and other third-party investment managers, as well as fees and expenses imposed by certain investment management platforms. Each of these fees are exclusive of, and in addition to, Optimal Portfolio's fees.

Please refer to Item 12 for additional information on Brokerage Services.

Optimal Portfolio's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Investment Advisory Agreement between Optimal Portfolio and the client will



continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, Optimal Portfolio shall deduct the final quarterly fee from the client's account, prorated through the date of termination.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

Optimal Portfolio does not charge performance-based fees.

## **Item 7. Types of Clients**

Optimal Portfolio provides investment advisory services to the following clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates, Charitable Organizations;
- Corporations, Pension Plans & 401(k) Plans

The minimum investment management fee is generally \$9,500 per family wealth management relationship and \$3,000 per Cash Balance Plan relationship. A minimum of \$1 million must be placed under Optimal Portfolio's management for family wealth management services. These minimum annual fee and minimum asset under management requirements may be waived or reduced at the sole discretion of Optimal Portfolio. Please note that, if a client is accepted with less than \$1 million in assets under management, and is subject to Optimal Portfolio's \$9,500 minimum annual fee, such client will pay an annual fee rate that exceeds the 0.95% reflected in Optimal Portfolio's standard fee schedule.

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

As previously set forth, Optimal Portfolio's investment management focuses on designing a model portfolio on behalf of clients seeking to achieve appropriate risk adjusted returns while avoiding market timing or short-term betting. Optimal Portfolio's model portfolio will invest client's accounts in certain percentages primarily amongst a select grouping of actively managed and index mutual funds, Exchange Traded Funds ("ETF") and stocks and bonds, seeking diversification amongst numerous asset classes (e.g. stocks, corporate and government bonds) in order to potentially maximize client's investment returns with lower volatility according to the individual profile and needs of each client, focusing on his/her respective goals, objectives, risk tolerance and time horizon.

Specific security analysis methods include fundamental, valuation-based assessments, looking at factors that may include, but are not limited to, companies' cash-flow, competitive advantages and position vs. its peers, among others. Optimal Portfolio will evaluate mutual funds and ETFs on factors that include historical performance, investment strategy and security selection, manager tenure and history, annual expense ratio, among other factors.

Optimal Portfolio will use a combination of financial publications, research reports, company

filings, press releases, annual and semi-annual reports, and other sources to further its investment analysis and process.

Optimal Portfolio does not guarantee the future performance of any account or any specific level of performance, the success of any investment decision or strategy that Optimal Portfolio may use, or the success of Optimal Portfolio's overall investment management. All investment decisions are subject to various risks as described further below. Optimal Portfolio's advisory services are primarily offered on a discretionary basis, whereby clients authorize Optimal Portfolio to select securities and execute transactions without their permission prior to each transaction. Clients may request that their accounts be restricted from investing in certain securities or types of securities. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Optimal Portfolio if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Optimal Portfolio's previous recommendations and/or services.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors may face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding 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. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times

and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**Digital Assets.** Cryptocurrencies (including, but not limited to, Bitcoin), often referred to as “virtual currency,” “digital currency,” or “digital assets,” operate as decentralized, peer-to-peer financial exchanges and value storages that can be used like money. Optimal Portfolio generally does not recommend or engage in the use of digital assets in its management of client accounts and will generally only obtain digital assets at the specific direction of the client. Although Optimal Portfolio does not directly engage in the use of digital assets, clients may be indirectly exposed to digital assets in instances where issuers maintain digital assets on their balance sheets or use digital assets as a reserve currency.

Cryptocurrency is also not legal tender. Federal, state or foreign governments may restrict the use and exchange of cryptocurrency, and regulation in the U.S. is still developing. The SEC has issued a public report stating U.S. federal securities laws require treating some digital assets as securities. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware. Due to its relatively recent launch, Bitcoin has a limited trading history, making it difficult for investors to evaluate investments in this cryptocurrency. It is also possible that a cryptocurrency other than Bitcoin could become materially popular and have a negative impact on the demand for and price of Bitcoin. It is possible that another entity could manipulate the blockchain in a manner that is detrimental to the Bitcoin network. Bitcoin transactions are irreversible such that an improper transfer can only be undone by the receiver of the Bitcoin agreeing to return the Bitcoin to the original sender. Digital assets are highly dependent on their developers and there is no guarantee that development will continue or that developers will not abandon a project with little or no notice. Third parties may assert intellectual property claims relating to the holding and transfer of digital assets, including cryptocurrencies, and their source code. Any threatened action that reduces confidence in a network’s long-term ability to hold and transfer cryptocurrency may affect investments in cryptocurrencies.

**Collateralized Loans.** Optimal Portfolio does not generally recommend the use of margin loans, collateralized loans, securities-based loans, and/or pledged asset lines (collectively, “Loans”) as an investment strategy, in which the client would leverage borrowed assets as collateral for the purchase of additional securities. However, Optimal Portfolio may recommend the use of Loans for other purposes, such as personal cash flow management, or may otherwise assist a client in establishing a Loan account with the client’s broker-dealer/custodian or their affiliated banks, as directed by the client. The terms and conditions of each Loan are contained in a separate agreement between the client and the Loan lender selected by the client, which terms and conditions may vary from client to client.

Borrowing funds on Loan is not suitable for all clients and is subject to certain risks, including but not limited to those summarized below:

- **Increased Portfolio Risk:** Borrowing money on Loan to pay bills or other expenses increases a client’s level of exposure to market risk and volatility. This is especially true in the event of a significant downturn in the value of the assets used to collateralize the Loan. In some circumstances, clients may lose more money than they originally invested and

borrowed.

- **Maintenance Calls:** A Loan typically requires a certain minimum value of collateral to continue service of the Loan. If the value of the Loan collateral declines to an amount where it is no longer sufficient to support the borrower's line of credit or loan, the lender will issue a "Maintenance Call" (also referred to as a "margin call"). In that event, the client would be required to post additional collateral or repay the loan within a specified period of time. Maintenance Call requirements vary by lender and are subject to change without prior notice to the client or Optimal Portfolio.
- **Liquidation Risk:** The lender commonly reserves the right to render the borrower's repayment immediately due, and/or terminate the Loan at any time without cause, at which point, the outstanding loan balance would become immediately due and payable. However, if the borrower is unable to repay the loan with readily available cash, the lender can typically liquidate the borrower's securities and keep the cash to satisfy the Maintenance Call.
- **Liquidity Risk:** Loans also have a significant effect on the liquidity of a client's portfolio. Namely, a security (whether an equity, mutual fund or ETF) that is used as collateral for a Loan loses its liquidity as long as the Loan is outstanding.

You should carefully consider the appropriateness of a Loan for your individual circumstances, and you should take time to review and understand the features, benefits, and risks associated with establishing a Loan prior to engaging in such a transaction.

To the extent that a client authorizes the use of Loans, and the proceeds of any Loan are maintained in the investment accounts and/or are used to purchase securities that are managed by Optimal Portfolio in the client's investment account, the market value of the client's account and corresponding fee payable by the client to Optimal Portfolio may be increased. When calculating a client's asset-based fee, Optimal Portfolio does not reduce the client's asset base by the amount owed pursuant to any Loan. As a result, in addition to understanding and assuming the risks associated with the Loans, clients authorizing the use of Loans are advised of the conflict of interest whereby the client's decision to employ the Loans may correspondingly increase the management fee payable to Optimal Portfolio. Accordingly, as stated above, Optimal Portfolio does not use Loans for investment purposes, and the decision as to whether to employ Loans is left totally to the discretion of client.

## Item 9. Disciplinary Information

Optimal Portfolio and its personnel **have not been** convicted, pled guilty or nolo contendere ("no contest"), been named, charged or been the subject of any order or judgment by any court of competent jurisdictions, SEC or any Self-Regulatory Organization (e.g., FINRA) for the any of the following offenses:

- investments or investment related business;
- fraud, false statements or omissions;

- violation of any investment related statute or regulation or SRO rules;
- wrongful taking of property, bribery, perjury, forgery, counterfeiting;
- extortion or conspiracy to commit any of these offenses.

In addition, Optimal Portfolio and its personnel **are not** the subject of any pending matters in connection with any of the above-identified offenses.

## **Item 10. Other Financial Industry Affiliations**

Neither Optimal Portfolio, nor its representatives, are registered or have an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or as a representative of any of the foregoing. Optimal Portfolio does not have any other relationship or arrangement that is material to its advisory business or to its clients with any related person. In addition, Optimal Portfolio does not currently receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

Notwithstanding the above, Optimal Portfolio has entered into a succession agreement with an unaffiliated investment adviser, whereby the unaffiliated adviser has agreed to acquire Optimal Portfolio's client relationships in the event of the death, disability, or incompetency of Optimal Portfolio's Principal. If a client is introduced to the unaffiliated adviser by virtue of this arrangement, Optimal Portfolio (or, depending on the nature of the succession, Optimal Portfolio's Principal's beneficiaries) will be entitled to receive a fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities law requirements. Any such fee shall be paid solely from the unaffiliated adviser's investment advisory fee and shall not result in any additional charge to the client. An Optimal Portfolio representative shall disclose the nature of this relationship to any client referred to the unaffiliated adviser pursuant to this arrangement, and shall provide each such client with a copy of the unaffiliated adviser's written disclosure brochure, as well as a written disclosure statement describing the terms of the arrangement between Optimal Portfolio and the unaffiliated adviser, including the compensation to be received by Optimal Portfolio or its related party(ies).

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

Optimal Portfolio or related persons may own an interest in, or buy and sell for their own account, the same securities that may also be held, purchased or sold in client accounts. In all cases, clients' orders are given priority. In some cases, the adviser may buy or sell a specific security for their own account, which the adviser does not consider appropriate for client accounts.

In order to avoid potential conflicts of interest with securities transactions in client accounts, Optimal Portfolio and personnel trades are subject to a pre-clearance that seeks to make personal trading consistent with its fiduciary duty to clients. However, Optimal Portfolio and personnel are not required to pre-clear transactions in open-end investment companies (mutual

funds) and ETFs and private investments that would not adversely affect client interests. Individual bonds, equities, options on equities are required to be pre-cleared prior to investment personnel buy or sell transactions.

The personal trading reviews ensure that the personal trading does not affect the markets, and that clients of Optimal Portfolio receive priority. Since most employee trades are in products such as mutual funds, government securities, bonds, equities or are small in size, they do not impact the securities markets

Optimal Portfolio has implemented an investment policy relative to personal securities transactions. This investment policy is part of Optimal Portfolio's overall Code of Ethics which serves to establish a standard of business conduct for all of Optimal Portfolio's Associated Persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Optimal Portfolio also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Optimal Portfolio or any person associated with Optimal Portfolio.

Optimal Portfolio has adopted procedures to implement the firm's policy on personal securities transactions and reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate.

## **Item 12. Brokerage Practices**

In the event that the client requests that Optimal Portfolio recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Optimal Portfolio to use a specific broker-dealer/custodian), Optimal Portfolio generally recommends that investment management accounts be maintained at Fidelity. Prior to engaging Optimal Portfolio to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Optimal Portfolio setting forth the terms and conditions under which Optimal Portfolio shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Optimal Portfolio considers in recommending Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with Optimal Portfolio, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Optimal Portfolio's clients shall comply with Optimal Portfolio's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Optimal Portfolio determines, in good faith, that the commission/transaction fee is reasonable. 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. Accordingly, although Optimal Portfolio will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated

broker-dealer/custodian are exclusive of, and in addition to, Optimal Portfolio's investment management fee. Optimal Portfolio's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

**Non-Soft Dollar Research and Benefits:** Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Optimal Portfolio can receive from Fidelity (or another broker-dealer/custodian investment platform, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Optimal Portfolio to better monitor and service client accounts maintained at such institutions. Included within the support services that can be obtained by Optimal Portfolio may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Optimal Portfolio in furtherance of its investment advisory business operations.

Certain of the above support services and/or products assist Optimal Portfolio in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Optimal Portfolio to manage and further develop its business enterprise.

Optimal Portfolio's clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as a result of this arrangement. There is no corresponding commitment made by Optimal Portfolio to Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. Receipt of these benefits nevertheless presents a conflict of interest, as Optimal Portfolio is incentivized to recommend Fidelity as the client's broker-dealer/custodian based on the benefits received from Fidelity, rather than basing such recommendation on a particular client's needs.

**Brokerage for Client Referrals:** Optimal Portfolio does not receive referrals from broker-dealers.

**Directed Brokerage:** Optimal Portfolio 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 Optimal Portfolio 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 Optimal Portfolio. 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. **Please Note:** In the event that the client directs Optimal Portfolio 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 Optimal Portfolio. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Order Aggregation:** To the extent that Optimal Portfolio provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Optimal Portfolio decides to purchase or sell the same securities for several clients at approximately the same time. Optimal Portfolio may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Optimal Portfolio’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Optimal Portfolio shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13. Review of Accounts**

Account reviews are conducted on an ongoing basis by Optimal Portfolio’s principal, Yu Oen. All investment management clients are required to discuss their investment objectives, needs and goals and to inform Mr. Oen of any changes. All clients are encouraged to meet at least annually with Mr. Oen to comprehensively review financial planning issues, including investment objectives and performance. All investment supervisory clients are advised that it remains their responsibility to advise Optimal Portfolio of any changes in their investment objectives and/or financial situation. Optimal Portfolio may conduct account reviews on another than 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.

Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the broker-dealer/custodian, at least quarterly. Optimal Portfolio may also provide a written periodic report summarizing account activity and performance.

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

As referenced in Item 12 above, Optimal Portfolio receives indirect economic benefits from Fidelity. Optimal Portfolio, without cost (and/or at a discount), may receive support services and/or products from Fidelity. Optimal Portfolio’s clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as a result of this arrangement. There is no corresponding commitment made by Optimal Portfolio to Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Optimal Portfolio does not have any contractual engagement with any solicitors or pay any compensation for the receipt of client referrals. However, please see Item 10 above for discussion of referral payments that may be received by Optimal Portfolio, pursuant to a



succession agreement.

## **Item 15. Custody**

Optimal Portfolio does not custody client funds or securities. We are deemed to have custody as defined by the Investment Advisers Act of 1940 only to the extent that we have authorization to deduct advisory fees directly from client accounts. Client assets (securities and funds) are to be maintained with a “qualified” custodian (U.S.-based banks and registered broker-dealers are among those defined as qualified as custodians under the Investment Advisers Act of 1940). Clients receive account statements from their custodian at least quarterly. These statements are considered the official record of your account and require careful review. Optimal Portfolio urges clients to review official custodial records.

## **Item 16. Investment Discretion**

Optimal Portfolio primarily provides advisory services on a discretionary basis. As such, prior to engaging Optimal Portfolio to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* naming Optimal Portfolio as the client’s attorney and agent in fact, granting Optimal Portfolio full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client’s name found in the discretionary account.

Clients who engage Optimal Portfolio on a discretionary basis may, at any time, impose restrictions, in writing, on Optimal Portfolio’s discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Optimal Portfolio’s use of margin, etc.).

## **Item 17. Voting Client Securities**

Optimal Portfolio does not vote client proxies. Optimal Portfolio’s 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 proxy materials and other solicitations directly from their Custodian. If clients have any issues or concerns they can contact Optimal Portfolio directly to discuss further.

With respect to shareholder class action litigation and similar matters, Optimal Portfolio generally will not make any filings in connection with any shareholder class action lawsuits involving securities currently or previously held in clients’ accounts. Optimal Portfolio recommends that its clients promptly review these materials, as they identify important deadlines and may require action in the client’s part. Optimal Portfolio will not be required to notify third

party custodians or clients who utilize third party custodians of shareholder class action lawsuits and similar matters.

## **Item 18. Financial Information**

Based upon Optimal Portfolio' business practices and advisory fee procedures, the Securities and Exchange Commission does not require the disclosure of financial information. Please be advised that there are no known financial conditions that would impair Optimal Portfolio' ability to meet contractual commitments to clients.

A balance sheet is not required to be provided because Optimal Portfolio does not serve as a custodian for client funds or securities and does not require prepayment of fees. Optimal Portfolio has not been subject to any bankruptcy petition or filing.