



PORTFOLIO  
STRATEGIES

# PORTFOLIO STRATEGIES, INC.

**FORM ADV PART 2A**

**BROCHURE**

**ITEM 1 – COVER PAGE**

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This brochure provides information about the qualifications and business practices of Portfolio Strategies, Inc. If you have any questions regarding the contents of this brochure, please contact our office by telephone at the number listed above, or our Chief Compliance Officer, Madeline Hedges, by telephone at (513) 832-5467 or by email at [madeline.hedges@dinsmorecomplianceservices.com](mailto:madeline.hedges@dinsmorecomplianceservices.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Portfolio Strategies, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training. Additional information about Portfolio Strategies, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 10, 2023

## ITEM 2 – MATERIAL CHANGES

Form ADV Part 2A requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the last annual amendment filing made in March 2022, the following changes were made to this brochure:

Item 14 was updated to reflect the possibility of entering into client referral arrangements.

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## ITEM 4 - ADVISORY BUSINESS

### **Description of the Advisory Firm**

Portfolio Strategies, Inc. ("PSI" or the "Firm") is a company organized in the State of New York. PSI is an investment advisory firm registered with the United States Securities and Exchange Commission ("SEC"). PSI has been providing investment advisory services to a varied clientele since 1993. PSI is majority owned by Mr. Paul S. Kirshenbaum. PSI offers services both from Monsey, NY and Montvale, NJ.

### **Types of Advisory Services**

PSI provides holistic and personalized discretionary and non-discretionary investment advisory services to individuals, including high net worth individuals, and entities, including, but not limited to, trusts, estates, private foundations, and qualified retirement plans.

#### **Investment Management Services**

PSI offers investment management services on a discretionary basis. All investment advice provided is customized to each client's investment objectives and financial needs. The information provided by the client, together with any other information relating to the client's overall financial circumstances, will be used by PSI to determine the appropriate portfolio asset allocation and investment strategy for the client. Account supervision is guided by the stated objectives (i.e., growth, growth with some current income, current income with some growth) and risk tolerance of the client. PSI's basic investment approach is to achieve capital appreciation (i.e., growth), with variations on the approach that take into consideration the client's objectives and risk tolerance. The securities utilized by PSI for investment in client accounts primarily consist of equity securities, registered mutual funds and exchange traded funds (ETFs), but we may also invest in corporate bonds, REITS, unit investment trusts, and alternative investments, among others, if we determine such investments fit within a client's objectives and are in the best interest of our clients. Client portfolios may also include private investment funds, which are offered only to clients who are accredited investors, and when the investment is consistent with the client's stated investment objectives and risk tolerance.

#### **Investment Management Services to Retirement Plans**

PSI offers discretionary and non-discretionary advisory services to qualified plans, including 401k and pension plans. These services include, depending upon the needs of the plan client, recommending, or for discretionary clients selecting, investment options for plans to offer to participants, ongoing monitoring of a plan's investment options, assisting plan fiduciaries in creating and/or updating the plan's written investment policy statements, working with plan service providers, and providing general investment education to plan participants.

PSI cannot provide any guarantees or promises that a client's financial goals and objectives will be met.

### **Client-Tailored Advisory Services**

We want clients to have a thorough understanding of PSI's investment approach. If a client requests securities other than mutual funds or ETFs in his/her portfolio the client will be accommodated, if possible. Clients may impose reasonable restrictions on the management of their accounts if PSI determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for PSI's management efforts.

### **Information Received From Clients**

PSI will not assume any responsibility for the accuracy of the information provided by clients. PSI is not obligated to verify any information received from a client or other professionals (e.g., attorney, accountant) designated by a client, and PSI is expressly authorized by the client to rely on such information provided. Under all circumstances, clients are responsible for promptly notifying PSI in writing of any material changes to the client's financial situation, investment objectives, time horizon, or risk tolerance.

### **Fiduciary Acknowledgment**

When PSI provides investment advice to you regarding your retirement plan account or individual retirement account, PSI is a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way PSI makes money creates some conflicts with your interests, so PSI operates under a special rule that requires the Firm to act in your best interest and not put our interest ahead of yours.

### **Wrap Fee Program**

PSI does not participate in a wrap fee program.

### **Assets Under Management**

As of December 31, 2022, PSI has approximately \$594,833,763 in discretionary client assets under management.

## **ITEM 5 - FEES AND COMPENSATION**

PSI charges fees based on a percentage of assets under management. The specific fees charged by PSI for services provided will be set forth in each client's Agreement.

### **Investment Management Services**

#### **Fees for Investment Management Services**

PSI charges an annual advisory fee that is agreed upon with each client and set forth in an agreement executed by PSI and the client. The advisory fee will be specified on the fee schedule as set forth in the agreement executed by PSI and the client. The fee

is based on a percentage of the value of assets under management and the advisory fee for the initial quarter shall be paid, on a pro rata basis, in arrears, based on the value of the net billable assets under management at the time the account becomes subject to the management of PSI. For subsequent quarters, the advisory fee shall be paid, in arrears, based on the average asset value of the client's accounts. The average balance is defined as the average of the first business day of the quarter and the last business day of the preceding quarter as provided by third-party sources, such as pricing services, custodians, fund administrators, and client-provided sources. PSI's annual investment advisory fee for investment management services is generally based upon a percentage of the market value of the assets under management, and ranges up to 0.98%, annually, and is billed quarterly. If new money is deposited into a portfolio within the quarter, it will be billed only for the portion of the quarter that it was in the portfolio. Similarly, money withdrawn from a portfolio within the quarter will not be billed for the portion of the quarter during which it was out of the portfolio.

#### **Fees for Investment Management Services to Retirement Plans**

For the provision of discretionary services for retirement plans PSI is compensated based on a percentage of assets under management, which includes all assets that are assets of any retirement plan client. In addition, the other services that may be provided by PSI to retirement plan clients described above are included within the percentage of assets under management fee. There is no separate fee charged by PSI for these other services.

The annualized fee for the discretionary and non-discretionary advisory services provided by PSI, which is inclusive of other services for retirement plan clients, is outlined above. Generally, PSI's fees shall be paid, in arrears, based on the average asset value of the client's accounts. The average balance is defined as the average of the first business day of the quarter and the last business day of the preceding quarter as provided by third-party sources, such as pricing services, custodians, fund administrators, and client-provided sources. A plan and/or its participants will also be subject to fees charged by the administrator for a plan, which may include an asset based charge at a plan client level, specific fees for services such as plan loans and withdrawals, transaction based fees and such other fees and expenses as agreed to by a plan and the administrator for a plan. PSI does not receive any portion of these fees.

#### **Fees for Private Investment Funds**

PSI may upon occasion enter into arrangements with qualified investors in private investment funds, as discussed below in Item 10 of this brochure. At its discretion, PSI may charge its standard investment advisory fee for managing investments by advisory clients that have been invested in these private funds, however, clients who invest in private investment funds through PSI may also be responsible for expenses related to the fund, as specified in the Offering Memorandum for that fund, that should be reviewed by the client.

Notwithstanding the foregoing, PSI and the client may choose to negotiate an annual advisory fee that varies from the schedule set forth above. Factors upon which a different annual advisory fee may be based include, but are not limited to, the size and nature of the relationship, the services rendered, the nature and complexity of the products and investments involved, time commitments, and travel requirements. The advisory fee charged by the Firm will apply to all of the client's assets under management, unless specifically excluded in the client agreement or as otherwise agreed. PSI may group certain related client accounts for the purposes of determining the annualized fee. PSI reserves the right to reduce or waive advisory fees for services to certain family members and friends, and in other certain circumstances. These rates are not available to all of PSI's advisory clients. Although PSI believes that its fees are competitive, clients should understand that lower fees for comparable services may be available from other sources and firms. Typically pre-existing advisory clients are subject to PSI's advisory fees in effect at the time the client entered into the advisory relationship, unless otherwise agreed. Therefore, PSI's advisory fees may differ among clients. The investment advisory agreement between PSI and the client may be terminated at will by either PSI or the client upon written notice, as outlined in the agreement. PSI does not impose termination fees when the client terminates the investment advisory relationship, except when agreed upon in advance.

#### **Payment of Fees**

Client may elect to have PSI deduct its advisory fee from client's investment account(s) held at his/her custodian, or alternatively, as mutually agreed, PSI may directly bill a client for investment advisory fees, if it determines that such billing arrangement is appropriate given the circumstances. Upon engaging PSI to manage such account(s), a client may grant PSI limited authority to deduct advisory fees through a written instruction to the custodian of his/her account(s). The client may terminate this authorization at any time. The client is responsible for verifying the accuracy of the calculation of the advisory fee; the custodian will not determine whether the fee is accurate or properly calculated. See the section above herewith for further information on fee billing.

The custodian of the client's accounts provides each client with a statement, at least quarterly, indicating separate line items for all amounts disbursed from the client's account(s), including any fees paid directly to PSI.

Clients may make additions to and withdrawals from their account at any time, subject to PSI's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets at any time on notice to PSI, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. PSI may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g. contingent deferred sales charges) and/or tax ramifications. Clients who invest in private investment funds through PSI may also be responsible for expenses related to the fund, as specified in the Offering Memorandum for that fund.

#### **Clients Responsible for Fees Charged by Financial Institutions and External Money Managers**

In connection with PSI's management of an account, a client will incur fees and/or expenses separate from and in addition to PSI's advisory fee. These additional fees may include transaction charges and the fees/expenses charged by any custodian, subadvisor, mutual fund, ETF,

separate account manager (and the manager's platform manager, if any), limited partnership, or other advisor, transfer taxes, odd lot differentials, exchange fees, interest charges, ADR processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law, retirement plan account fees (where applicable), margin interest, brokerage commissions, mark-ups or mark-downs and other transaction-related costs, electronic fund and wire fees, and any other fees that reasonably may be borne by a brokerage account. The client is responsible for all such fees and expenses. Please see Item 12 of this brochure regarding brokerage practices.

#### **Prepayment of Fees**

As noted above, PSI's advisory fees generally are paid in arrears. Upon the termination of a client's advisory relationship, any earned, unpaid fees for the quarter, or otherwise applicable period, will be due and payable, and are typically collected from the client's account prior to transfer and/or final disbursement. In certain circumstances and as mutually agreed, the client may determine to address the invoice directly (i.e., a check sent directly to PSI for the balance due).

#### **Outside Compensation for the Sale of Securities or Other Investment Products to Clients**

PSI does not buy or sell securities and does not receive any compensation for securities transactions in any client account, other than the investment advisory fees noted above.

### **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

PSI does not charge performance based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. PSI's fees are calculated as described in Item 5 above.

As further outlined in Item 10 below, the officers and shareholders of PSI may also be managing member(s) of limited liability companies and/or general partners to limited partnerships formed for various investment purposes. In such a scenario the Firm may have an incentive to favor accounts for which PSI affiliates receive Performance Fees. So as to address this conflict of interest, in executing its fiduciary duty to clients, the Firm and its personnel endeavor at all times to put the interest of clients first and seeks to manage all client accounts in accordance with this fiduciary duty. In addition, the Firm seeks to address this conflict of interest through disclosure and the execution the Firm's policies and procedures.

### **ITEM 7 - TYPES OF CLIENTS**

PSI offers investment advisory services to individuals, including high net worth individuals, families, trusts, businesses, charitable foundations, and retirement/profit-sharing plans. PSI does not impose a minimum portfolio size or a minimum initial investment to open an account. However, PSI does reserve the right to accept or decline a potential client for any reason in its sole discretion.

### **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

#### **Methods of Analysis and Risk of Loss**

A primary step in PSI's investment strategy is getting to know the clients – to understand their financial condition, risk profile, investment goals– and assemble as a complete picture of their financial situation as possible. Once PSI has an understanding of its clients' needs and goals, the investment process can begin, and the Firm can recommend strategies and investments that it believes are aligned with the client's goals and risk profile.

PSI primarily employs fundamental analysis methods in developing investment strategies for its clients. Technical analysis is also sometimes used to evaluate markets, and both commercially available and proprietary programs are used to assist in decision making. Research and analysis from PSI is based on numerous sources, including third-party research materials and publicly-available materials, such as company annual reports, prospectuses, and press releases.

PSI generally employs a long-term investment strategy for its clients, as consistent with their financial goals. At times, the Firm may also buy and sell positions that are more short-term in nature, depending on the goals of the client and/or the fundamentals of the security, sector or asset class.

Client portfolios with similar investment objectives and asset allocation goals may own different securities and investments. The client's portfolio size, tax sensitivity, desire for simplicity, income needs, long-term wealth transfer objectives, time horizon and choice of custodian are all factors that influence PSI's investment recommendations.

Investing in securities involves a risk of loss. A client can lose all or a substantial portion of his/her investment. A client should be willing to bear such a loss. Some investments are intended only for sophisticated investors and can involve a high degree of risk.

#### **Material Risks Involved**

Investing in securities involves a significant risk of loss which clients should be prepared to bear. PSI's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions will not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the client's account. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made.

Generally, the market value of equity stocks will fluctuate with market conditions, and small- stock prices generally will fluctuate more than large-stock prices. The market value of fixed income securities will generally fluctuate inversely with interest rates and other market

conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations and inflation-linked fixed income securities. The value of longer duration fixed income securities will generally fluctuate more than shorter duration fixed income securities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and it may be more volatile than that of a U.S. only investment. Such risks are generally intensified for investments in emerging markets. In addition, there is no assurance that a mutual fund or ETF will achieve its investment objective. Past performance of investments is no guarantee of future results.

Additional risks involved in the securities recommended by PSI include, among others:

- *Stock market risk*, which is the chance that stock prices overall will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- *Issuer risk*, which is the risk that the value of a security will decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- *Non-diversification risk*, which is the risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Value investing risk*, which is the risk that value stocks not increase in price, not issue the anticipated stock dividends, or decline in price, either because the market fails to recognize the stock's intrinsic value, or because the expected value was misgauged. If the market does not recognize that the securities are undervalued, the prices of those securities might not appreciate as anticipated. They also may decline in price even though in theory they are already undervalued. Value stocks are typically less volatile than growth stocks, but may lag behind growth stocks in an up market.
- *Smaller company risk*, which is the risk that the value of securities issued by a smaller company will go up or down, sometimes rapidly and unpredictably as compared to more widely held securities. Investments in smaller companies are subject to greater levels of credit, market and issuer risk.
- *Foreign (non-U.S.) investment risk*, which is the risk that investing in foreign securities result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Risks associated with investing in foreign securities include fluctuations in the exchange rates of foreign currencies that may affect the U.S. dollar value of a security, the possibility of substantial price volatility as a result of political and economic instability in the foreign country, less public information about issuers of securities, different securities regulation, different accounting, auditing and financial reporting standards and less liquidity than in the U.S. markets.
- *Interest rate risk*, which is the chance that prices of fixed income securities decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.
- *Credit risk*, which is the chance that an issuer of a fixed income security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that fixed income security to decline.
- *Exchange Traded Fund (ETF) risk*, which is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.
- *Management risk*, which is the risk that the investment techniques and risk analyses applied by PSI may not produce the desired results and that legislative, regulatory, or tax developments, affect the investment techniques available to PSI. There is no guarantee that a client's investment objectives will be achieved.
- *Real estate risk*, which is the risk that an investor's investments in Real Estate Investment Trusts ("REITs") or real estate-linked derivative instruments will subject the investor to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. An investment in REITs or real estate-linked derivative instruments subject the investor to management and tax risks.
- *Investment companies ("Mutual Funds") risk*, when an investor invests in mutual funds, the investor will bear additional expenses based on his/her pro rata share of the mutual fund's operating expenses, including the management fees. The risk of owning a mutual fund generally reflects the risks of owning the underlying investments the mutual fund holds.
- *Commodity risk*, generally commodity prices fluctuate for many reasons, including changes in market and economic conditions or political circumstances (especially of key energy-producing and consuming countries), the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation (agricultural, trade, fiscal, monetary and exchange control), international politics, policies of OPEC, taxation and the availability of local, intrastate and interstate transportation systems and the emotions of the marketplace. The risk of loss in trading commodities can be substantial.
- *Cybersecurity risk*, which is the risk related to unauthorized access to the systems and networks of PSI and its service providers. The computer systems, networks and devices used by PSI and service providers to us and our clients to carry out routine business

operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. Cybersecurity breaches cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or other compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issues of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers and other financial institutions; and other parties. In addition, substantial costs may be incurred by those entities in order to prevent any cybersecurity breaches in the future.

- *Alternative investments/private funds risk*, investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:
  - loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices;
  - lack of liquidity in that there may be no secondary market for the investment and none expected to develop;
  - volatility of returns;
  - restrictions on transferring interests in the investment;
  - potential lack of diversification and resulting higher risk due to concentration of trading authority when a single adviser is utilized;
  - absence of information regarding valuations and pricing;
  - delays in tax reporting;
  - less regulation and higher fees than mutual funds;
  - risks associated with the operations, personnel, and processes of the manager of the funds investing in alternative investments.
- *Closed-end funds risk*, Closed-end funds typically use a high degree of leverage. They may be diversified or non-diversified. Risks associated with closed-end fund investments include liquidity risk, credit risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds may trade below their net asset value.
- *Structured notes risk* -
  - *Complexity*. Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with PSI.
  - *Market risk*. Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal. Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, and/or market volatility.
  - *Issuance price and note value*. The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now generally disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring and/or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes may not be re-sold on a daily basis and thus may be difficult to value given their complexity.
  - *Liquidity*. The ability to trade or sell structured notes in a secondary market is often very limited, as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on securities exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.
  - *Credit risk*. Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that may be due on the structured notes.

Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk. PSI does not guarantee the future performance of a client's portfolio, as investing in securities involves the risk of loss that clients should be prepared to bear.

Past performance of a security or a fund is not necessarily indicative of future performance or risk of loss.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the adviser and the integrity of the adviser's management. PSI has no information applicable to this Item.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

##### **Private Funds**

The officers and shareholders of PSI may also be managing member(s) of limited liability companies and/or general partners to limited partnerships formed for various investment purposes. PSI's officers and shareholders will typically receive separate and customary compensation for the services they provide in these capacities including a portion of the profits, if any, generated by these LLCs and LPs. Presently, certain of the officers and shareholders of PSI are also the managing members of Brightstone Real Estate Partners, LLC ("BREP") and Brightstone Capital, LLC ("BC"). BREP and BC are the managing members of several entities formed to invest in real estate.

Advisory clients of PSI may invest in real estate investment opportunities identified by BREP or BC. PSI addresses this conflict through disclosure and strives to make recommendations which are in the best interests of its clients. Clients are under no obligation to purchase these products through any person affiliated with PSI. The officers and shareholders of PSI will disclose to clients any affiliations to any such investment(s) at the time of solicitation and will provide the offering documents for such opportunities.

#### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

##### **Description of Code of Ethics**

PSI has a Code of Ethics (the "Code") which requires PSI's employees ("supervised persons") to comply with their legal obligations and fulfill the fiduciary duties owed to the Firm's clients. Among other things, the Code of Ethics sets forth policies and procedures related to conflicts of interest, outside business activities, gifts and entertainment, compliance with insider trading laws and policies and procedures governing personal securities trading by supervised persons.

Personal securities transactions of supervised persons present potential conflicts of interest with the price obtained in client securities transactions or the investment opportunity available to clients. The Code addresses these potential conflicts by prohibiting securities trades that would breach a fiduciary duty to a client and requiring, with certain exceptions, supervised persons to report their personal securities holdings and transactions to PSI for review by the Firm's Chief Compliance Officer. The Code also requires supervised persons to obtain pre-approval of certain investments, including initial public offerings and limited offerings.

PSI will provide a copy of the Code of Ethics to any client or prospective client upon request.

#### **ITEM 12 – BROKERAGE PRACTICES**

##### **Factors Used to Select Custodians and/or Broker-Dealers**

PSI generally recommends that its investment management clients utilize the custody and brokerage services of an unaffiliated broker/dealer custodians (a "BD/Custodian") with which PSI has an institutional relationship. Currently, this includes Fidelity Investment Wealth Services ("FIWS"), sponsored by Fidelity Brokerage Services, which is a "qualified custodian" as that term is described in Rule 206(4)-2 of the Advisers Act. Each BD/Custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed on behalf of clients by PSI. If your accounts are custodied at FIWS, FIWS will hold your assets in a brokerage account and buy and sell securities when we instruct them to. Clients will pay fees to FIWS for custody and the execution of securities transactions in their accounts.

In making BD/Custodian recommendations, PSI will consider a number of judgmental factors, including, without limitation: 1) clearance and settlement capabilities; 2) quality of confirmations and account statements; 3) the ability of the BD/Custodian to settle the trade promptly and accurately; 4) the financial standing, reputation and integrity of the BD/Custodian; 5) the BD/Custodian's access to markets, research capabilities, market knowledge, and any "value added" characteristics; 6) PSI's past experience with the BD/Custodian; and 7) PSI's past experience with similar trades. Recognizing the value of these factors, clients may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction.

In exchange for using the services of FIWS, PSI may receive, without cost, computer software and related systems support that allows PSI to monitor and service its clients' accounts maintained with RJA. FIWS also makes available to the Firm products and services that benefit the Firm but may not directly benefit the client or the client's account. These products and services assist PSI in managing and administering client accounts. They include investment research, both FIWS's own and that of third parties. PSI may use this research to service all or some substantial number of client accounts, including accounts not maintained at FIWS. In addition to investment research, FIWS also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

FIWS also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;



- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

FIWS may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to the Firm. FIWS may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. FIWS may also provide the Firm with other benefits such as occasional business entertainment of Firm personnel.

The benefits received by PSI through its participation in the FIWS custodial platform do not depend on the amount of brokerage transactions directed to FIWS. In addition, there is no corresponding commitment made by PSI to FIWS to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of participation in the program. While as a fiduciary, we endeavor to act in our clients' best interests, our recommendation that clients maintain their assets in accounts at FIWS will be based in part on the benefit to PSI of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by FIWS. The receipt of these benefits creates a potential conflict of interest and may indirectly influence PSI's choice of FIWS for custody and brokerage services.

PSI will periodically review its arrangements with the BD/Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. 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, but not limited to, the following:

- a broker-dealer's trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- a broker-dealer's infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;
- a broker-dealer's ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- a broker-dealer's ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and
- a broker-dealer's ability to provide services to accommodate special transaction needs, such as the broker-dealer's ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

PSI's clients may utilize qualified custodians other than PSI for certain accounts and assets, particularly where clients have a previous relationship with such qualified custodians.

### **Brokerage for Client Referrals**

PSI does not select or recommend BD/Custodians based solely on whether or not it may receive client referrals from a BD/Custodian or third party.

### **Client-Directed Brokerage**

Generally, in the absence of specific instructions to the contrary, for brokerage accounts that clients engage PSI to manage on a discretionary basis, PSI has full discretion with respect to securities transactions placed in the accounts. This discretion includes the authority, without prior notice to the client, to buy and sell securities for the client's account and establish and affect securities transactions through the BD/Custodian of the client's account or other broker-dealers selected by PSI. In selecting a broker-dealer to execute a client's securities transactions, PSI seeks prompt execution of orders at favorable prices.

A client, however, may instruct PSI to custody his/her account at a specific broker-dealer and/or direct some or all of his/her brokerage transactions to a specific broker-dealer. In directing brokerage transactions, a client should consider whether the commission expenses, execution, clearance, settlement capabilities, and custodian fees, if any, are comparable to those that would result if PSI exercised its discretion in selecting the broker-dealer to execute the transactions. Directing brokerage to a particular broker-dealer may involve the following disadvantages to a directed brokerage client:

- PSI's ability to negotiate commission rates and other terms on behalf of such clients could be impaired;
- such clients could be denied the benefit of PSI's experience in selecting broker-dealers that are able to efficiently execute difficult trades;
- opportunities to obtain lower transaction costs and better prices by aggregating (batching) the client's orders with orders for other clients could be limited; and
- the client could receive less favorable prices on securities transactions because PSI may place transaction orders for directed brokerage clients after placing batched transaction orders for other clients.

In addition to accounts managed by PSI on a discretionary basis where the client has directed the brokerage of his/her account(s), certain institutional accounts may be managed by PSI on a non-discretionary basis and are held at custodians selected by the institutional client. The decision to use a particular custodian and/or broker-dealer generally resides with the institutional client. PSI endeavors to understand the trading and execution capabilities of any such custodian and/or broker-dealer, as well as its costs and fees. PSI may assist the institutional client in facilitating trading and other instructions to the custodian and/or broker-dealer in carrying out PSI's investment recommendations.

### **Trade Errors**

PSI's goal is to execute trades seamlessly and in the best interests of the client. In the event a trade error occurs, PSI endeavors to identify the error in a timely manner, correct the error so that the client's account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar error in the future.

Trade errors generally are corrected through the use of a "trade error" account or similar account at FIWS, or another BD, as the case may be. In the event an error is made in a client account custodied elsewhere, PSI works directly with the broker in question to take corrective action. In all cases, PSI will take the appropriate measures to return the client's account to its intended position.

### **Trade Aggregation**

To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the Firm's supervised persons may invest, the Firm will generally do so in a fair equitable manner in accordance with applicable rules promulgated under the Advisers Act and guidance provided by the staff of the SEC and consistent with policies and procedures established by the Firm.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **Periodic Reviews**

#### **Investment Management Account Reviews**

While investment management accounts are monitored on an ongoing basis, PSI's investment adviser representatives seek to have at least one annual meeting either in person or in the manner most convenient to the client to conduct a formal review of the clients' accounts. Accounts are reviewed for consistency with the investment strategy and other parameters set forth for the account and to determine if any adjustments need to be made. PSI uses a proprietary computer program to aid in the review of all portfolios for specified conditions, resulting in every discretionary client portfolio being reviewed every time there is a proposed trade.

#### **Other Reviews and Triggering Factors**

In addition to the periodic reviews described above, reviews may be triggered by changes in an account holder's personal, tax or financial status. Other events that may trigger a review of an account are material changes in market conditions as well as macroeconomic and company- specific events. Clients are encouraged to notify PSI of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

### **Regular Reports**

Written brokerage statements are generated no less than quarterly and are sent directly from the qualified custodian. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived.

PSI also provides account statements and other reporting to clients on a periodic basis. PSI also provides account reports during client meetings.

Clients are urged to carefully review all custodial account statements and compare them to any statements and reports provided by PSI. PSI statements and reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

### **Economic Benefits Provided by Third Parties for Advice Rendered to Clients**

PSI does not receive benefits from third parties for providing investment advice to clients.

### **Compensation to Non-Supervised Persons for Client Referrals**

PSI seeks to enter into agreements with individuals and organizations, some of whom may be affiliated or unaffiliated with PSI for the referral of clients to us. All such agreements will be in writing and comply with the applicable state and federal regulations. If a client is introduced to PSI by a solicitor, PSI will pay that solicitor a fee in accordance with the applicable federal and state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon PSI's engagement of new clients and the retention of those clients and would be calculated using a varying percentage of the fees paid to PSI by such clients until the account is closed by written authorization from the client. Any such fee shall be paid solely from PSI's fees, and shall not result in any additional charge to the client.

Each prospective client who is referred to PSI under such an arrangement will receive a copy of this Brochure and a separate written disclosure document disclosing the nature of the relationship between the third party solicitor and PSI and the compensation that will be paid by us to the third party. The solicitor is required to obtain the client's signature acknowledging receipt of this Brochure and the solicitor's written disclosure statement. In any case, applicable state laws may require these persons to become licensed either as representatives of PSI or as an independent investment adviser. PSI will request that our clients acknowledge this arrangement prior to acceptance of the clients' account.

## **ITEM 15 – CUSTODY**

All clients must utilize a "qualified custodian" as detailed in Item 12. Clients are required to engage the custodian to retain their funds and securities and direct PSI to utilize the custodian for the client's securities transactions. PSI's agreement with clients and/or the clients' separate

agreements with the B/D Custodian may authorize PSI through such BD/Custodian to debit the clients' accounts for the amount of PSI's fee and to directly remit that fee to PSI in accordance with applicable custody rules.

The BD/Custodian has physical custody of client assets, but the SEC deems PSI to have legal custody over client assets if we are authorized to instruct the custodian to deduct our advisory fees directly from clients' custodial accounts, when our personnel serve as trustee for advisory clients, general partner of a private investment fund, and when we have the authority to instruct the custodian to transfer assets to third parties pursuant to standing letters of authorization ("SLOA"). Because of this SLOA authority, PSI reports having custody of client assets under Item 9 Part 1 of Form ADV. However the SEC has exempted advisers from the custody audit requirement by rule or no-action relief. Clients will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing address clients provide to the custodian. PSI encourages clients to review the official statements provided by the custodian, and to compare such statements with any reports or other statements received from PSI. Clients are encouraged to note the BD Custodian does not verify the accuracy of PSI's advisory fee calculation. For more information about custodians and brokerage practices, see "Item 12 - Brokerage Practices."

#### **ITEM 16 – INVESTMENT DISCRETION**

Clients have the option of providing PSI with investment discretion on their behalf, pursuant to a grant of a limited power of attorney contained in PSI's client agreement. By granting PSI investment discretion, a client authorizes PSI to direct securities transactions and determine which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be effected. Clients may impose reasonable limitations in the form of specific constraints on any of these areas of discretion with the consent and written acknowledgement of PSI if PSI determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for PSI. See also Item 4, Client-Tailored Advisory Services.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

PSI does not accept the authority to and does not vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for all and any securities maintained in client portfolios.

#### **ITEM 18 – FINANCIAL INFORMATION**

PSI is not required to disclose any financial information pursuant to this item due to the following:

- a) PSI does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of rendering services;
- b) PSI 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; and
- c) PSI has never been the subject of a bankruptcy petition.